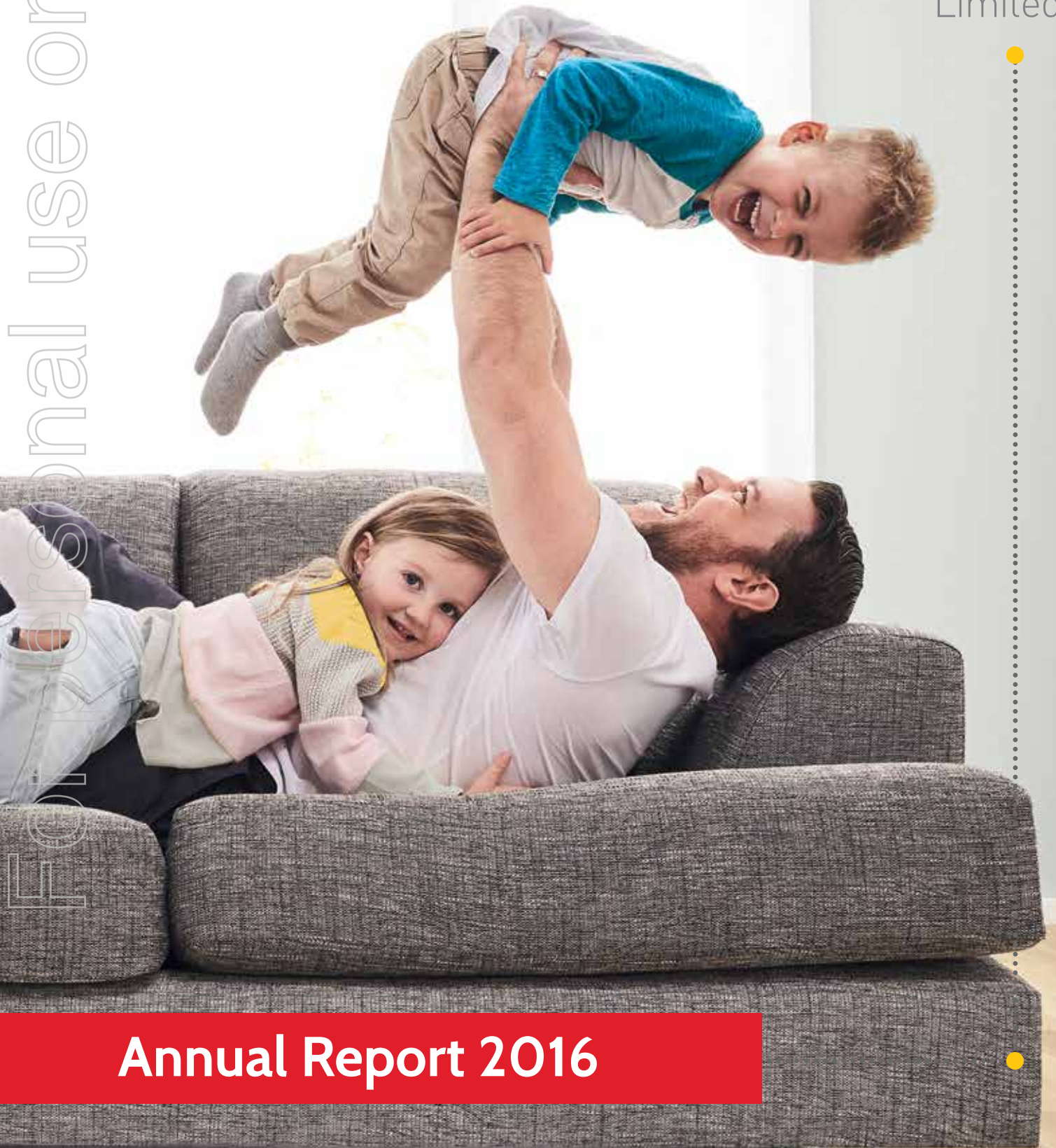


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Fantastic Holdings  
Limited



**Annual Report 2016**



Fantastic Holdings Limited



le cornu since 1854



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Mattresses manufactured



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# 2016 Fantastic Facts at a glance

Stores across  
retail brands

129



1,731



People employed  
by FHL

Group revenue

\$\$\$  
543.7  
MILLION



3.8M

Customer visits

4

Manufacturing operations  
- Australia (2),  
Vietnam, China

3

Core retail specialist, segment  
specific furniture brands

130,000

Sofas manufactured  
in Australia

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# Who We Are

Fantastic Holdings Limited (FHL or the group) is a **market leader in high growth furniture sectors** through its specialist segment-specific brands:

- **Fantastic Furniture** - One of Australia's largest furniture retailers with 73 stores. Offering on trend, affordable furniture, with a unique ability for customers to customise fabric finishes.
- **Plush** - Australia's sofa specialist, with 35 showrooms. Offering high quality, hand crafted sofas.
- **Original Mattress Factory (OMF)** - One of Australia's leading mattress retailers. Offering a superior range of good quality mattresses through 18 stores.

FHL aims to attract and retain the best talent, and support their skills to grow our specialist furniture businesses by providing financial, treasury, legal, human resources, procurement, IT and property support services.

The Group's expertise in furniture retail, manufacturing (through its owned Australian and offshore facilities) and distribution - and the efficiencies vertical integration creates - enables our brands to deliver outstanding value for customers.

FHL is well positioned for growth through expanding its retail store networks, accelerating connected customer sales channels and by leveraging its owned, high quality manufacturing and direct import capabilities.

## Our Growth Opportunity

FHL has a **robust, sustainable business model**, positioned for growth whether the housing market is strong or weak.

Our brands can **leverage strong housing environments** when housing approvals for new buildings and renovations are high, when new home buyers abound, and others are upgrading or downsizing (for example ageing population).

They can also **compete effectively during tougher economic times** - when Australians spend relatively more disposable income on home and amenity improvements at FHL stores.

FHL is **positioned for growth**, underpinned by the right leadership team, structure, brands, market offer, manufacturing capability, and financial strength.

## Our Growth Strategy

To drive growth of sales, margins and net returns through a leadership structure that continues to put the customer first - a Group CEO Retail and CEO FHL Manufacturing, supported by finance, people, and other resources, partnering to build our three core brands with minimal distraction.

### Sales Growth

- Like for like sales growth through leveraging our brands and refreshing stores

- Growing store numbers, through strategic geographic expansion, across our three core retail brands
- Extending our leadership position as the most effective connected customer (anyone, anywhere, any channel, anytime) furniture retailer.

### Productivity Improvements

- Optimising our manufacturing capacity offshore by servicing other companies and regions
- Extracting further value from our world-class supply chain.

# FHL Financial Highlights

(CONTINUING BUSINESS BASIS)

(restated to exclude the Le Cornu business from FY15 and FY16 and the Dare business in FY15, as well as the Le Cornu, Adelaide closure provisions and write-downs taken up in FY16)

## SALES



### 14.6%

FROM 2015 TO \$505.4M

## GROSS PROFIT



### 13.1%

FROM 2015 TO \$219.2M

## EBIT



### 58.3%

FROM 2015 TO \$30.1M

## NPAT



### 62.8%

FROM 2015 TO \$21.4M

## EPS



### 62.8%

FROM 2015 TO 20.8cps

## DPS



### 93.3%

FROM 2015 TO 29 CENTS

# FHL Reported Results

(including asset write-downs and provisions of \$9.1m relating to closure of Le Cornu, South Australian business)

For year ended 30 June	2016	2015	Change
Sales revenue (\$M)	543.7	496.9	9.4%
Gross profit (\$M)	236.8	221.2	7.0%
Gross margin (%)	43.5	44.5	(-100 bp)
EBIT (\$M)	16.2	19.0	(-14.7%)
NPAT (\$M)	11.4	13.2	(-13.4%)
EPS (cents)	11.1	12.8	(-13.4%)
Ordinary DPS (fully franked) (cents)	14.0	11.0	3.0
Special DPS (fully franked) (cents)	15.0	4.0	11.0



# Chairman's Report

JULIAN TERTINI

It gives me pleasure to introduce Fantastic Holdings Limited's (FHL) Annual Report for the financial year ending 30 June 2016; the 18th report since our listing on the ASX in 1999.

## Financial Results

FHL group revenues for the year ended 30 June 2016 grew to a record \$543.7 million, an increase of \$46.8 million (9.4%) over the previous year. This has been driven by strong like for like store sales growth of 11.8% across our retail brands. Like for like sales in Fantastic Furniture increased 14.6% for the year (8.7% pcp), with a strong second half increase of 10.3%. Plush like for like sales increased by 12.4% for the year with sales for the second half increasing by 7.0% over the pcp, following on from like for like sales increase of 43.4% in the previous year.

All retail businesses were profitable during the full year to June 2016, with the exception of Le Cornu and Ashley.

Our statutory results were impacted by the poor trading performance at Le Cornu Adelaide, which incurred trading losses of \$4.0 million in FY16. Despite concerted action over the past few years to improve its performance, the decision was made, to close its operations by calendar year end. As a result, FHL has booked pre tax provisions and write-downs of \$9.1 million in its FY16 accounts for its related closure costs. The cash element is approximately \$2.2 million.

The closure provisions and trading losses at Le Cornu, Adelaide, resulted in our reported NPAT falling by 13.4% from FY15 to \$11.4 million in 2016.

On a continuing operations basis, FHL's EBIT increased by 58.3% to \$30.1 million (from \$19.1million in the previous year) and NPAT increased by 62.8% to \$21.4 million. This illustrates the strong performance in our continuing businesses from the initiatives we have been undertaking to improve performance and strengthen our future position.

Notional EPS, on a continuing businesses basis, increased by 63% to 20.8 cents per share.

## Strong Financial Position

FHL continues to have a strong balance sheet with no interest bearing debt and net cash balances of \$31.9 million as at 30 June 2016 (\$31.7 million pcp). This provides FHL with a sound base to fund store refurbishment and rollout plans going forward. Net cash and trade receivables stood at \$37.7 million (\$36.4 million pcp) and trade payables were \$39.7 million (\$38.4 million pcp) as at 30 June 2016.

## Executive Leadership

The Board appointed Debra Singh as Group CEO Retail in March 2016, responsible for all our retail operations & supply chain and Jason Newman as CEO FHL Manufacturing. In May 2016, Ms Melissa Blackley was appointed FHL's Group Chief People Officer. Brian Cassell joined the management team, initially as interim CFO, and has recently been appointed Group CFO. The leadership team has settled in well and is making a very positive contribution to FHL's performance. Our second half performance demonstrates the strength of the executive leadership team and their ability to navigate change quickly and successfully.

**“2016 has been a financial year of solid financial performance by our company and its core retail brands, positioning the company for future growth”.**

### FHL's strategy

FHL's strategic intent is to grow sales, net returns and shareholder value by:

- Like for like store sales growth - leveraging our segment specific brands and continuing to refresh stores;
- Growing store numbers, through strategic geographic expansion, across our three core retail brands;
- Extending our leadership position as the most effective connected customer (anyone, anywhere, any channel, anytime) furniture retailer;
- Managing gross margins and CODB effectively;
- Optimising our manufacturing capacity offshore by servicing other companies and regions; and
- Extracting further value from our world-class supply chain.

### Board

In June 2016, Mr John Hughes joined the Board as an independent non-executive Director. John has considerable retail and ASX listed experience, with over 40 years' experience as a senior executive and was previously the CEO/MD of Thorn Group Limited. Also in June 2016, Margaret Haseltine stepped down from the Board to focus on other Board opportunities. On behalf of the Board, I thank Margaret for her valuable service and strong contribution to the Board over the three years of her service to FHL.

### Dividends

The Board has declared a final dividend of 7.00 cents per share, fully franked, and a special dividend of 15.00 cents per share, fully franked, taking the 2016 full financial year dividends to 29.00 cents per share, fully franked, compared with 15.00 cents per share in FY15. This represents a dividend payout ratio of 67.4% on continuing results, (excluding special

dividend), appropriately balancing the distribution of profits to shareholders and the reinvestment of earnings for future growth, in the current environment. It also recognises the strong underlying performance of the company in FY16.

### Outlook/Year Ahead

FHL is on track to deliver further organic and new store growth in FY17, including the full year impact from four new stores opened across our brands in FY16, as well as improvements in operational efficiency.

In FY17, an additional 15 Fantastic Furniture sites will be refurbished. The group will also prudently look to expand its store network by around 15 new stores across its retail brands.

In Manufacturing, the Royal Comfort Bedding factory will be relocating to a new state of the art factory in Sydney's western suburbs late in the year. The new factory will provide future efficiency benefits and reduce our environmental footprint. Both the China and Vietnam factories will be targeting measured expansion of their customer base outside the FHL group.

### Thank you

On behalf of the Board and myself, I would like to thank our shareholders, the entire FHL Group team, all our staff and our valued customers for their continued support as we continue to build the foundations for long term success and growth.



Julian Tertini  
Chairman

# Executive Leadership Team

## Debra Singh Group CEO Retail

Debra Singh is a career retailer with over 30 years of experience in retail operations, organisational design, human resources and change management. Ms Singh joined FHL in 2012 and was appointed COO for FHL in 2013. She was then appointed CEO for Fantastic Furniture in August 2014, at which time she set about transforming and repositioning the business, while building a positive people culture.

Before joining FHL Ms Singh held a variety of roles with Woolworths in Corporate, Supermarkets and Consumer Electronics and was the first woman appointed to run a trading division. In 2008 Ms Singh helped establish the Woolworths Wholesale Division providing buying, supply chain and operations consulting to the Tata Group joint venture in India. On her return from India in 2009, Ms Singh was appointed GM of Dick Smith, ANZ and India. Ms Singh started her retail career at Freedom Furniture.



## Jason Newman CEO FHL Manufacturing

Jason Newman has over 20 years of furniture manufacturing and leadership experience with particular emphasis in bedding, upholstery and metal manufacturing. His extensive experience covers all facets of manufacturing from start-up stage to turnaround of existing factories.

Prior to this, Mr Newman spent 12 years in the Royal Australian Navy specialising in naval intelligence and complex technical equipment and systems.

Mr Newman started with FHL in 2007 as General Manager Royal Comfort Bedding and in 2009 became General Manager Manufacturing. He became CEO FHL Manufacturing in 2016.

Mr Newman currently oversees the operation of FHL's furniture factories in Australia and Vietnam.



## Brian Cassell Group Chief Financial Officer and Company Secretary

Brian Cassell is a very experienced CFO having previously held this position at Fairfax Media Limited and Rural Press Limited. He was previously an Audit Partner at KPMG.

Mr Cassell joined Rural Press Limited as General Manager Finance in 1992 and then joined Fairfax Media Limited with the acquisition of Rural Press Limited in 2007. He was appointed Chief Financial Officer at Fairfax Media Limited in 2009.

Mr Cassell joined FHL in February 2016 as interim CFO and Company Secretary, and in June 2016 was appointed to the role permanently.





## Melissa Blackley

Group Chief People Officer

Melissa Blackley has an extensive background in leading human resources for large companies in a diverse range of industries. She has headed global HR functions for a number of ASX listed organisations and worked in Asia, New Zealand and the US.

Before joining FHL, Ms Blackley led the HR function at GrainCorp, and prior to that was the Global HR Director for WorleyParsons. She has previously held people and culture roles with companies including Westpac, Optus and BP Oil.

Ms Blackley joined FHL in May 2016.



**A strong executive leadership team  
navigating change and driving performance.**

# Business Achievements



Launch of

## MyChoice

customised bedhead offer and our 'Aussie Made' story, highlighting our locally made mattresses, sofas, storage and bedroom furniture.



## IMPLEMENTATION OF LEAN SIX SIGMA

processes to drive continuous improvement across Australian manufacturing sites



Double digit like for like sales growth achieved for

# 3rd

consecutive year

## INCREASED EMPLOYEE engagement and retention rates



## Launched an exclusive

Wiggles kids' bedroom range and holds the licence for Wiggles furniture in Australia, New Zealand, Canada and the United States



Innovative product development program, tailored for distribution to support the growing

## ONLINE MARKET

# A selection of ongoing initiatives and achievements of our operating businesses during the year.

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**MAY 2016**



**FANTASTIC INTERNATIONAL MANUFACTURING VIETNAM**

**SIGNS NEW DEALS**  
with international customers



**WASTE REDUCTION**

program implemented in all Manufacturing facilities to recycle./reuse waste produced as a by-product of manufacturing functions.



**eCommerce sales now represent**



Fantastic Furniture's largest store





**SUPPORTING SCHOOLS SPORTING TEAMS**  
and charitable organisations across regional and rural Australia


**OML**

**ORIGINAL MATTRESS FACTORY**

Strong eCommerce sales growth  
**over 50%**

Major supporter of the  
**LAURIE SPINA SHIELD**

one of the country's largest junior rugby league carnivals.




# Business Performance - Retail

DEBRA SINGH - GROUP CEO RETAIL

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“Our brands are differentiated market leaders. With a compelling customer value proposition, unique Australian vertically integrated operations, world class supply chain capability and a clear growth strategy, we continue to improve our market position and believe the future is very exciting.”

I feel excited to lead the retail businesses and supply chain operations of FHL, having been appointed Group CEO Retail on 30 March 2016.

We have had a solid year in FY16 with many highlights, in particular our strong headline sales growth and like for like sales growth in Fantastic Furniture, Plush and OMF. Group retail sales for the year were a record \$541.7 million, an increase of 9.4% on the pcp. Fantastic Furniture and Plush account for 89% of our retail sales.

Our strong sales performance, improved cost efficiencies and disciplined inventory management have helped deliver record sales and EBIT results in our core businesses.

We have also strengthened our customer value proposition materially and we are seeing results flow from those changes. Specifically, we are refreshing our product range, improving the in store experience and investing in our people as well as improving our sale to delivery process to wow the customer and more efficiently deliver the product.

During the year, we further strengthened our Customer Value Proposition through the successful introduction of popular new product ranges & looks, improved staff training and streamlining the Supply Chain at each touchpoint from factory to our customers' homes.

#### Store Network

Brand	Store Network at year end	New Stores Opened	Stores Closed	Refurbished
Fantastic Furniture	*73	1	3	8
Plush	35	2	-	-
OMF	18	1	-	-
Le Cornu/Ashley	3	-	-	-
<b>TOTAL</b>	129	4	3	8

\* including 2 franchise stores

#### Sales by Brand

Brand	Sales FY16 (\$M)	Revenue Growth (vs pcp)	LFL Revenue Growth (vs pcp)
Fantastic Furniture	\$387.2	14.5%	14.6%
Plush	\$95.5	13.2%	12.4%
OMF	\$20.6	23.6%	14.0%
Le Cornu	\$34.7	(14.2%)	(14.2%)

We now also offer a seamless Connected Customer shopping experience with customers able to purchase furniture & bedding in-store, on our desktop website or on Fantastic's increasingly popular mobile site.

We will continue to position our stores to best capture demand, through robust network planning, improving the look and feel of our stores and highlighting our strong value proposition. During FY16, we refurbished eight stores in Fantastic Furniture.

In FY17, an additional 15 Fantastic Furniture stores will be refurbished and we will also look to prudently expand our store network by around 15 new stores across the Group. Inside the stores we will continue to focus on the customer with our improved product offer, great customer service and staff engagement, which will in turn, increase shareholder value.

We are delivering on our customer value proposition of unbeatable price, quality, speed, choice and warranties.

Most importantly, we continue to invest in our people, leadership and training to attract and retain high quality staff. During the year our retention rates and staff engagement measures have all improved. This reflects our increased internal communication and open engagement across the whole company to ensure staff members understand our strategy, purpose and their roles in driving improved performance and growth.

# Retail Brands

## Fantastic Furniture

Debra Singh - CEO two years

- One of Australia's largest furniture and bedding retailers with 73 stores (including two franchised stores) around Australia, with a focus on the entry level furniture market
- Offers top quality, on trend, affordable furniture with a unique ability for customers to customise fabric finishes
- Revenue increased to \$387.2m, up 14.5% on pcp
- In December 2015 Fantastic Furniture continued its expansion into Queensland with the opening of a 1,906m2 superstore in Rockhampton. Three stores which were sub-optimally located to meet customer's evolving needs were closed
- Refurbished 8 stores during the year across the network to the new store look & feel format and refreshed 30 stores with new concept elements, improving the shopping experience for customers
- In-stock levels improved considerably, enabling us to offer speed in delivery to our customers and giving us a competitive advantage
- Improving supply chain touchpoints from origin to customer is enabling a better experience for our customers and cost efficiencies moving forward
- Continued to improve our advertising strategy and creative with a focus on the Fantastic Customer Value Proposition including a three-year minimum quality guarantee on all furniture, our MyChoice customised sofas & bedhead offer and our 'Aussie Made' story, highlighting our locally made mattresses, sofas, storage and bedroom furniture
- In early 2016 Fantastic Furniture successfully launched an exclusive Wiggles kids bedroom range and now holds the licence for Wiggles furniture in Australia, New Zealand, Canada and the United States. Additional exclusive ranges are planned for FY17
- Continued to invest in our people, with higher retention rates and increased engagement across our work force
- Plans to refurbish a further 15 stores. Four to six new stores are planned in FY17.



## Plush

Chris Burke - GM three years

- With over 250,000 happy customers, 15 years' experience and 35 showrooms nationwide, Plush prides itself on being Australia's sofa specialist
- Revenue increased to \$95.5m, up 13.2% on pcp
- For the third consecutive year, double digit like for like sales growth achieved
- Outstanding quality sofas backed by Australia's leading sofa warranty continues to underpin success
- Excellent customer service, flexible finance options, a better engaged workforce and more effective marketing have delivered the increase in sales
- Four new showrooms planned in FY17
- Further expansion with total showrooms planned to rise to over 60 within five years.





## Original Mattress Factory

Bill Keighran - GM 10 years



- At OMF we are passionate about providing good quality, innovative, comfortable mattresses, supported by exceptional customer service at a value price relative to the market
- Revenue increased to \$20.6m, up 23.6% on pcp
- E-commerce sales growth of 55%
- 18 stores in NSW and ACT. Opened one new store during year in Wagga Wagga NSW
- The OMF business continues to deliver growth in sales and profit. The business is focused on delivering key business objectives to enable store growth beyond NSW
- Continued product development with both local and overseas suppliers to deliver innovation and value
- In FY17 OMF plans a major expansion in NSW and Queensland including opening a number of new stores, with six sites committed.



## Le Cornu

- Post year end we announced the decision to close down Le Cornu's Adelaide operations and business and focus our South Australian operations around our Fantastic Furniture and Plush brands
- Revenue decreased to \$34.7m, down 14.2% on pcp
- Le Cornu Adelaide suffered trading losses of \$4m in FY16
- We are keenly aware of the impact of this decision on our team in Adelaide and are focused on ensuring the transition is managed appropriately. We expect to redeploy 25 of the team across to Fantastic Furniture
- FHL will also close the Ashley Furniture HomeStore by September 2016 and the site will be reopened as a Fantastic Furniture store in November, 2016
- The Le Cornu store in Darwin will be unaffected. This will allow management to focus on our core brands and invest capital into these brands to generate further growth.

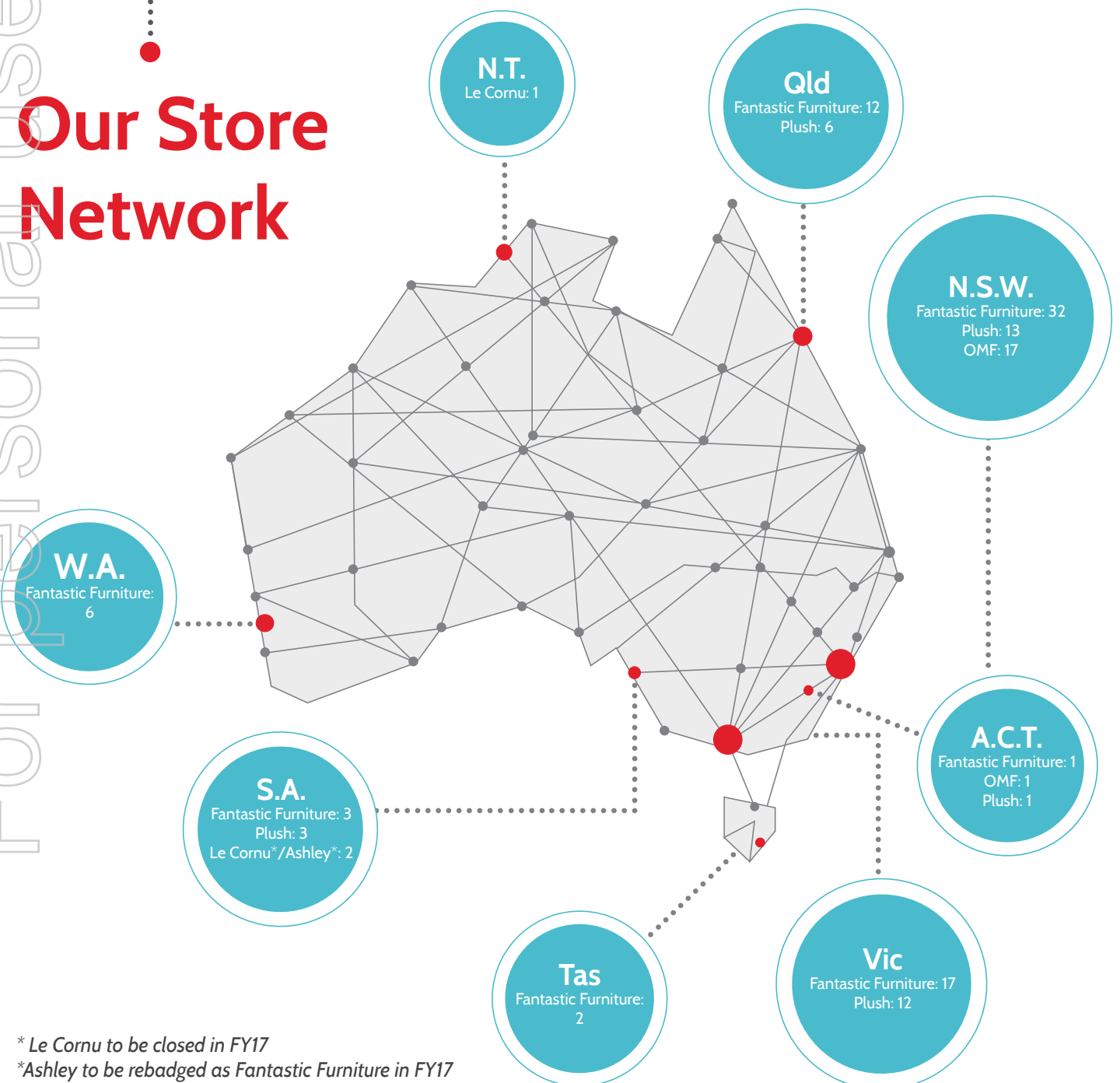
# Connected Customer – anyone, anywhere, any channel, any time.

Our Connected Customer strategy aims to deliver a consistently fantastic experience whenever and wherever our customers choose to shop with us.

Fantastic Furniture customers can shop with us 24/7 on their desktop computers, tablets and mobile phones. Our world class e-commerce platform features our entire product range and offers customers live chat, fast click & collect or home delivery services and the ability to customise fabric choices for sofas and bedheads.

During the year, we continued to enhance our online customer experience, introducing a new desktop website and, in an Australian first, launched 'share your #fantasticfurniture' which enables our customers to showcase their style and how they have created a fantastic home with our furniture & bedding. OMF grew its e-commerce sales by 55% during the year and, post financial year end, Plush launched its e-commerce sales platform.

## Our Store Network



\* Le Cornu to be closed in FY17

\*Ashley to be rebadged as Fantastic Furniture in FY17



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Have a  
**fantastic**  
day!

See you next time!

# Business Performance - Manufacturing

JASON NEWMAN - CEO FHL MANUFACTURING

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FHL has two modern manufacturing facilities located in Western Sydney, manufacturing sofas, mattresses and bedheads exclusively for Fantastic Furniture. We also have two manufacturing facilities offshore, one in Vietnam and another in China (a 60/40 joint venture with a Chinese partner). All FHL's manufacturing divisions are committed to keeping pace with advances in technology. This provides FHL's retail brands with a vertically integrated manufacturing, supply and sales chain and offers speed, quality and choice to our customers.

We have focused our efforts during the year on adopting world's best practice, introducing Lean Six Sigma approaches with internal teams in all factories, examining every point of our manufacturing process to improve efficiencies

and reduce the number of touchpoints. We are targeting combined future savings of around \$2 million over the next 12 months from the domestic plants.

We have a dedicated workforce, reflected in low staff turnover rates and extensive lengths of tenure. We have recently increased our warranties by re engineering products to support a three, six and ten year warranty structure. This provides simplicity for our retail partners, and reflects the quality of our products and processes. We are continually refreshing product ranges to ensure our offer remains relevant and meets customer expectations as a fast fashion follower.

**“Having highly efficient Australian operated manufacturing facilities ensures Fantastic Furniture can not only provide customers with competitive prices and quality products, but also fast turnaround and delivery times.”**

# Manufacturing Operations

## Fantastic Lounge Factory

- Located in Fairfield East, Sydney with a diverse and flexible workforce of over 160 people
- Supplying nationally over 130,000 sofas annually
- Ability to rapidly increase capacity to meet Fantastic Furniture's growth capacity
- Producing bedheads in a choice of styles and sizes
- Proudly delivering for our retail partners the unique selling proposition of Australian made sofas and bedheads Australia wide with more than 100 fabric choices



## Royal Comfort Bedding

- Located in Wetherill Park, Sydney with a diverse and flexible workforce of over 60 people
- Supplying over 160,000 mattresses annually, supplying Fantastic Furniture with 100% of their mattress range
- Ability to rapidly increase capacity to meet Fantastic Furniture's growth strategy



## Offshore Factories

### Vietnam

- FHL's 10,000+ square metre purpose built Vietnamese manufacturing facility is now fully operational and is producing steel beds and metal components for our Australian manufacturing facilities
- The project was delivered ahead of time and under budget in early 2016
- Key management team employed to run the factory at the new site with an upgraded IT system
- Ability to produce a complete range of metal furniture for the global market and recently displayed products at a Vietnam trade fair showcasing the plant's abilities
- One global customer already confirmed with many other enquiries being followed up
- Extensive use of robotics to enhance productivity
- Employs over 70 people and can produce more than 200,000 units per year and capacity to dispatch over 100 containers per month



### China

- FHL has a 60% joint venture interest in a manufacturing facility in Changzhou, China - located three hours due west of Shanghai
- 40,000 square metre facility focused on manufacturing of "entry level" sofa products
- Producing around 400 sofas a day, with capacity to produce around 1,000 sofas a day
- Fast 21 day turnaround delivery times, lifetime structural warranty and large design bank
- 3 year warranty on all cover and foam
- Besides providing high quality lounges to Fantastic Furniture the factory is now focused on generating external sales to better utilise its production capacity. An agent has been appointed in North America and the factory is actively participating in trade shows
- Strengthened supply chain via consolidation of products and direct shipping to Fantastic Furniture stores and regional ports thereby reducing inland freight and warehousing costs



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**A vertically integrated manufacturing supply and sales chain providing speed, quality and choice.**



# Sustainability and Corporate & Social Responsibility

We continue to work collaboratively with our supply partners to make and sell well designed furniture at truly affordable prices, whilst investing in our long-term commitment to grow by making a positive difference.

## Our Commitment to the Environment

We understand the importance of finding a healthy balance between day-to-day business operations and protecting the environment that supports our industry.

Since early 2013, we have implemented the 'FHL Timber Sustainability Standard' which outlines our due diligence process to assess the risk of any regulated timber product and/or material being illegally logged or substituted in the supply chain and entering the market. This process is directly aligned with the amended Illegal Logging Prohibition Act 2012 and promotes ethical procurement of timber and timber products within the industry and global marketplace. FHL uses this internal process to identify and reward suppliers for doing the right thing, as we look to consolidate our supply base and expand on current ranges with responsible partners.

We are committed to annually reviewing and reducing the impact our products and packaging have on the environment. FHL is a signatory to the Australian Packaging Covenant, a voluntary collaboration between government and industry that provides the guidelines to achieve and implement sustainable packaging design, efficient recycling and recovery systems, and integrate product stewardship into everyday business decisions.

We recognise that we have a significant opportunity to drive greener initiatives within our business; most notably beginning with the review of all current packaging materials, to assess and determine the viability of substituting these materials with sustainable alternatives.

Our goal is to work towards entirely recyclable or biodegradable packaging across all ranges by the end of 2020.

Product stewardship is pivotal in our transition to a more sustainable, whole-life-cycle approach to everyday business and product development.

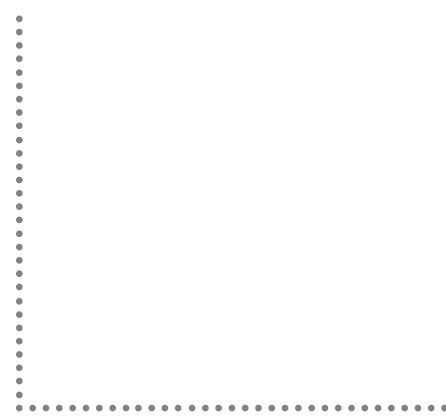
## Our Commitment to the Community

FHL participated in this year's 'Business Clean Up Day', seeing the senior management team come together to give back to the community and spend a day cleaning up the local sports reserve. We are looking to increase the scale of our participation in future to extend across our retail stores and warehouses nationally.

We are actively working with the industry towards a solution for the responsible disposal of end-of-life furniture. Softlanding™ for example is a national mattress recycling provider that separates and recycles raw materials used in the construction of mattresses, to invest in social capital and the creation of jobs.

As a business that invests in local job creation through our domestic manufacturing operations, we firmly believe that an external focus on social capital can add value and provide both financial and non-monetary returns on investment. Returns will then flow through to our customers and the communities in which we operate.

Our local manufacturing facilities continue to recycle 100% of foam, timber, cardboard and plastic material waste from production and have established reuse and recovery systems to divert by-products such as sawdust and off-cut textiles from landfill. We continue to work towards world class standards through greater innovation in the recovery of material waste; the ongoing trials of our foam and textile shredding machine have been running for two years. Once optimised, it will allow us to recover and reuse even more raw material waste.



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As our business continues to grow, so do the relative impacts on the environment in which we operate. We have taken a proactive stance to combat this, in the form of trialling 'green' initiatives to achieve greater energy efficiency and reduce overall water and energy consumption across the business.

The consistent growth of Royal Comfort Bedding, our local mattress factory, has facilitated the move to a larger site that will have the capacity to produce and distribute beyond our current capabilities. The proposed site for our new factory has a 6 star rating under the Green Building Council, which further emphasises our commitment to best practice and the transition towards a more sustainable business. A few of the key features of this site include a 100kW solar PV system to generate renewable energy, LED lighting in all warehouse and office areas, a dedicated waste recycling facility to maintain high diversion rates, and high efficiency water fittings.

Our retail businesses are further building on these energy saving initiatives. The team is set to trial and measure the effectiveness of investing in solar energy, with the results from this trial site to drive how we make decisions relating to property development in the future.

FHL is currently investigating the best options regarding a changeover to LED lighting within the business. If a viable and efficient option can be identified, FHL will look to upgrade stores to LED lighting, with an end goal to have all operational facilities' lighting systems functioning under LED energy.

Our customers, people and shareholders are paramount to everything we do. Listening to and understanding their collective needs is key to the sustainability of FHL as a whole and continual growth within the marketplace. Our goal going forward is to optimise resources and partnerships to provide the best possible return for stakeholders and lay the foundations for a more sustainable business model. FHL remains committed to ensuring we grow by making a positive difference.

# Our Board of Directors

FOR YEAR ENDED 30 JUNE 2016



## Julian Tertini

**Chairman  
Non-Executive Director**

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.

## Peter Brennan OAM BSc Econ (Hons) FCA

**Non-Executive Director  
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 over 35 years' experience in accountancy. 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). 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).



## John Hughes BComm FAICD

**Independent Non-Executive Director (appointed 14 June 2016)**

John Hughes has over 40 years' business experience as a senior executive and director. He led Thorn Group Limited as CEO/MD through a significant period of business expansion and profit growth following its IPO in 2006 and up to his retirement in 2014. Previously, Mr Hughes was CEO/MD of Ruralco Limited and led the company during 10 years of growth and diversification from a member cooperative through to public listing and then a merger with Roberts Limited.

Mr Hughes is Chairman of the Children's Tumour Foundation of Australia and is a trustee of CEDA.







## Geoffrey Squires BEC MBA FAICD

**Independent Non-Executive Director**  
**Chair of Audit, Risk and Compliance Committee**  
**Member of People and 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 of the Roofing Division, Australia and New Zealand from 1986 to 1994.

Mr Squires currently serves on a number of private company boards in the building industry, is a founding investor in the Sydney based Bentley Restaurant Group and is a committee member of the Men of League Foundation, Northern Sydney.

## Robyn Watts BA MA GDBM FAICD

**Independent Non-Executive Director**  
**Chair of People and Remuneration Committee**  
**Member of Audit, Risk and Compliance Committee**

Robyn Watts is a non-executive Director of Vita Group Limited (ASX:VTG) and Chair of its People & Remuneration Committee. She is Chair of the board of Geyer Pty Ltd and on the board of the Australian School of Performing Arts. Robyn is also on the Board of Governors of the Australian National University Endowment for Excellence and Camp Quality.

Ms Watts is a mentor through McCarthy Mentoring and Women on Boards. Robyn is a Fellow of the Australian Institute of Company Directors and completed the AICD's ASX 200 Chairman's Mentoring Program in 2011 and 2012.

She has over 27 years' experience as CEO of various businesses in the global media sector, most recently as CEO of ABC Enterprises at the Australian Broadcasting Corporation where she was responsible for leading and managing ABC Shops, ABC Consumer Publishing and ABC Resource Hire. Ms Watts was previously CEO of Southern Star Sales, global sales and distribution arm for the Southern Star Group and CEO of other media businesses.



## Stephen Heath

**Managing Director and Chief Executive Officer**  
**(resigned 26 February 2016)**

Stephen Heath has over 20 years of extensive retail experience with such iconic Australian retail brands as 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, he was CEO of Rebel Sport during its public listing on the ASX. Mr Heath is also a Non-Executive Director of Funtastic Limited (FUN).

## Margaret Haseltine BA DipED FAICD

**Deputy Chairman and Independent Non-Executive Director (resigned 14 June 2016)**  
**Chair of People and Remuneration Committee (resigned 1 February 2016)**  
**Member of Audit, Risk and Compliance Committee**

Margaret Haseltine has over 30 years business experience. A proven executive, Ms Haseltine 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 boards of Bapcor Ltd (ASX:BAP) and BagTrans Pty Ltd, Chairs the board of Southern Hospitality Australia Pty Ltd and is Deputy chair of Stuart Alexander.

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# Directors' Report

## FOR YEAR ENDED 30 JUNE 2016

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 2016 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. For details of Directors' qualifications and experience, refer to pages 24 and 25.

### 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		People and Remuneration Committee Meetings	
	A	B	A	B	A	B
Julian Tertini (1)	12	14	3	4	4	5
Peter Brennan (1)	11	14	3	4	4	5
Geoffrey Squires	14	14	4	4	5	5
Margaret Haseltine	12	12	4	4	5	5
Robyn Watts	13	14	4	4	5	5
John Hughes	2	2	-	-	-	-
Stephen Heath (1)	8	9	3	3	3	3

A - Number of meetings attended B - Number of meetings held during the time the Director held office during the 2016 financial year.

(1) - Mr Tertini and Mr Heath are not members of the Audit, Risk and Compliance Committee or the People and Remuneration Committee. Mr Brennan is not a member of the People and Remuneration Committee. All were invited to attend these meetings and their attendance was recorded.

### PRINCIPAL ACTIVITIES

The principal activities of the Group 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 Group 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 Group'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 Group 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 a better 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.

# Directors' Report (Continued)

FOR YEAR ENDED 30 JUNE 2016

## 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
<b>In respect of the previous financial year:</b>				
Final dividend 100% franked	5.00	5,162,870	15 Oct 2015	30%
<b>In respect of the current financial year:</b>				
Interim dividend 100% franked	7.00	7,228,018	21 Mar 2016	30%
	12.00	12,390,888		

A final dividend of 7.00 cents per share and a special dividend of 15.00 cents per share, totalling \$22,716,628 will be paid on 19 September 2016 and will be fully franked at 30%. This dividend was declared at a meeting of Directors on 25 August 2016 and as such the financial effect has not been brought into account in the financial statements for the year ended 30 June 2016, but will be recognised in a subsequent financial report.

## DIRECTORS' INTERESTS

The relevant interests of each Director in the shares issued by the companies within the Group 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 (Cth), at the date of this report are as follows:

Director	Ordinary shares held in Fantastic Holdings Limited
Julian Tertini (1)	41,776,211
Peter Brennan	10,698,016
Geoffrey Squires	171,405
Robyn Watts	10,000
John Hughes	-
<b>Total</b>	<b>52,655,632</b>

(1) The total shares held includes 10 million shares by Yaquina Pty Ltd and Mr Tertini has voting power on these shares.

## SHARE OPTIONS

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

## CHANGE TO STATE OF AFFAIRS

There has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group's future financial years.

## EVENTS AFTER BALANCE DATE

On 25th August 2016, the directors of Fantastic Holdings Limited declared a final dividend of 7.00 cents and a special dividend of 15.00 cents on shares in respect of the 2016 financial year. The total amount of the dividend is \$22,716,628 which represents a fully franked dividend of 22.00 cents per share. The dividend has not been provided for in the 30 June 2016 financial statements.

Other than this event there has not been any other events subsequent to year end until the date of this report.

## LIKELY DEVELOPMENTS

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

## 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 Group 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 Group.

## 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.

## PROCEEDINGS ON BEHALF OF THE 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 Felsers, the Company's auditor, has not performed any other services in addition to its statutory duties, other than minor tax advice for which we were billed \$3,500.

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.

## 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 (ASX:FAN) and employs over 1,700 people nationally.

As at 30 June 2016, the Group operated 127 company owned stores and two franchise stores across five furniture retail chains including:

- Fantastic Furniture – 71 stores (plus two franchise stores)
- Plush – 35 stores
- Original Mattress Factory – 18 stores
- Le Cornu – 2 stores
- Ashley Furniture HomeStore – 1 (trial) store

The Group has announced that one Le Cornu store in Keswick, South Australia and the Ashley Furniture HomeStore in Gepps Cross, South Australia will close in the 2017 financial year. The Ashley Furniture HomeStore will transition to a Fantastic Furniture store.

The Group also has a significant manufacturing presence in Australia with its sofa and mattress manufacturing businesses having the capacity to produce over 130,000 sofas as well as over 160,000 mattresses each year.

The Group's Vietnam manufacturing facility has been relocated to a larger manufacturing facility in Vietnam with greater capacity and enhanced capabilities to produce steel beds and steel sofa frames for the Fantastic Furniture brand. The Group's China manufacturing and warehousing facility has expanded the range of furniture products and continues to expand production.

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

## FINANCIAL PERFORMANCE – HIGHLIGHTS

	FY16	FY15	Change
Sales (\$M)	543.7	496.9	9.4%
Gross Margin (%)	43.5	44.5	(1.0%) pts
CODB (\$M)	222.5	204.5	8.8%
EBITDA (\$M)	23.1	26.1	(11.2%)
EBITDA Margin (%)	4.3	5.2	(0.9%) pts
EPS (cents)	11.08	12.79	(13.4%)
Full Year Dividends per share - fully franked (cents)	29.00	15.00	14.00 cents
Return on Equity (%)	10.6	12.0	(1.4%) pts

# Directors' Report (Continued)

FOR YEAR ENDED 30 JUNE 2016

## SALES PERFORMANCE

The Group's sales were \$543.7M, with an increase of 9.4% over FY15, while comparable store sales growth was 11.8%. The Group delivered improved trading results in the financial year, largely attributable to an enhanced product offering, improved customer service, a better engaged workforce and more effective marketing in Fantastic Furniture and Plush. The Group's sales for the second half were up 7.2% with comparable store sales growth of 8.2%. The Group's undelivered customer orders at 30 June 2016 were \$37.5M, up 9.1% from the previous corresponding period.

## GROSS MARGIN

The Group's gross margin for financial year 2016 was 43.5%, one percentage point lower than the previous corresponding period. The gross margin for the Group varies by brand and has been affected by the depreciating Australian Dollar.

## COST OF DOING BUSINESS

The cost of doing business (CODB) as a percentage of sales was 40.9% for the year, a decrease from the previous corresponding period of 0.2 percentage points.

## EARNINGS

EBITDA to equity holders of \$23.1M for FY16 represented a decrease of \$3.0M on the previous corresponding period, reflecting the Le Cornu closure costs and impairments offset by good cost control, reduced stock clearance and product discounting. The earnings represented an EBITDA margin of 4.3%.

## DIVIDENDS

The final dividend of 7.00 cents per share and special dividend of 15.00 cents per share brings the total dividend for the 2016 financial year to 29.00 cents, fully franked.

## SHAREHOLDER RETURNS

	2016	2015	2014	2013	2012
Basic earnings per share (EPS)(cents)	11.08	12.79	5.68	13.15	20.43
Dividends per share (DPS)(cents)	29.00	15.00	6.00	10.50	13.00
Return on equity (%)	10.6	12.0	5.5	12.5	19.3
Share price at 30 June (\$)	2.25	2.27	1.49	1.97	2.30
Available franking credits \$(1)	31,404,562	33,161,638	34,248,359	37,222,224	35,140,914

Dividends were 100% franked from 2012 to 2016 and it is expected that any dividends in the near future years will continue to be fully franked.

(1) Available franking credits are adjusted for franking credits that 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 19 September 2016.

## FINANCIAL POSITION AND CASH FLOWS

The Group maintains a strong and robust balance sheet with cash of \$31.9M and no debt. Operating cash flow for the year was \$20.2M.

## STORE NETWORK

During the 2016 financial year, the Group opened four stores and closed three stores. This brings the total number of company owned stores to 127. There are also two Fantastic Furniture franchise stores.

The following store changes occurred during the financial year:

- Fantastic Furniture opened a store in Rockhampton;
- Plush opened two stores in Queensland in Fortitude Valley and Townsville;
- OMF opened one store in Wagga Wagga (NSW) and
- Fantastic Furniture closed three stores in Richmond (Vic), Aspley (Qld) and Noarlunga (SA).

The Group announced the planned closure of the Le Cornu store in Keswick (SA) and the Ashley HomeStore in Gepps Cross (SA) which will take place in the first half of the 2017 financial year. The Ashley HomeStore will transition to a Fantastic Furniture store.

The Group's network of company owned stores by state as at 30 June 2016 is set out below:

	NSW/ACT	Vic	Qld	WA	SA	Tas/NT	TOTAL
Fantastic Furniture	31	17	12	6	3	2	71
Plush	14	12	6	-	3	-	35
OMF	18	-	-	-	-	-	18
Le Cornu	-	-	-	-	1	1	2
Ashley Furniture HomeStore (trial)	-	-	-	-	1	-	1
<b>Total Group</b>	<b>63</b>	<b>29</b>	<b>18</b>	<b>6</b>	<b>8</b>	<b>3</b>	<b>127</b>

## MANUFACTURING

During the year, manufacturing business sales were \$69.3M (FY15: \$55.7M) and EBIT of \$3.4M (FY15:\$1.1M)

## TRADING OUTLOOK

FHL has had a positive start to the year and is on track to deliver further organic and new store growth in FY17 as well as improvements in operational efficiency from:

- The full year impact from four stores opened in FY16
- The opening of around 15 new stores across three brands in FY17;
- Reducing supply chain touchpoints from origin to customer will deliver improved cost efficiency;
- New on-trend product ranges with increased functionality that deliver even greater customer value;
- Introduction of technology to make it simpler, easier and faster for the customer to purchase products;
- Expanding and further growing the online channel across all brands that connect, inspire and engage customers; and
- Building on Employee Value Proposition to become Employer of Choice.

FHL has a sound financial position providing capacity to fund growth.

## 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.

## AUDITOR INDEPENDENCE DECLARATION

The directors have received the auditors independence declaration as set out on page 54 of this Annual Report.

Signed in accordance with a resolution of the directors.



Julian Tertini  
Chairman



Geoffrey Squires  
Chair of Audit, Risk and Compliance Committee

Dated this 6th day of September 2016

## REMUNERATION REPORT

### MESSAGE FROM THE CHAIR OF THE PEOPLE AND REMUNERATION COMMITTEE

Dear Shareholder

2016 has been another year of solid performance for Fantastic Holdings Limited (FHL). The results are directly attributable to the quality, dedication and hard work of our people, and their execution of the Group's business strategies to build shareholder value.

I am pleased to present the Remuneration Report for the year ending 30 June 2016.

In addition, there are some positive developments which I would like to bring to your attention.

#### People and Remuneration Committee

During the year the Committee changed its name from the Remuneration Committee to the People and Remuneration Committee to better reflect the broader scope of its responsibilities which include diversity, safety, culture and engagement.

#### Reward Framework

FHL's Long Term Incentive Plan came to an end on 30 June 2016. This has provided an opportunity for the Committee to review both the Short Term Incentive Plan and Long Term Incentive Plan to ensure they are aligned to shareholder interests, to FHL's business strategy and with FHL's objective to attract and retain the best talent in the industry. The Committee engaged KPMG to undertake this review and provide recommendations for these plans for FY17 and beyond. Once these plans are finalised we will share them with shareholders.

#### Remuneration Framework

The Committee engaged KPMG to carry out a review of FHL's Key Management Personnel (KMP) remuneration structure including an exercise in benchmarking remuneration with comparator companies. This will provide a strong framework for determining KMP remuneration from FY17 onwards.

The Committee is confident that FHL's remuneration policies will continue to support our financial and strategic goals. We are committed to transparency and an ongoing dialogue with shareholders on remuneration and reward. We have made some changes to the Remuneration Report this year to improve the overall format and flow of information.

On behalf of the Board, the People and Remuneration Committee and myself I invite you to review the Remuneration Report. We welcome any feedback on the development of our remuneration practices and reporting.

We hope you find this Remuneration Report useful and thank you for your continued interest in FHL.

Sincerely



Robyn Watts  
Chair  
People and Remuneration Committee



# REMUNERATION REPORT (Audited)

The Remuneration Report outlines the existing 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 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:

## CONTENTS

SECTION 1:	OVERVIEW
SECTION 2:	WHO THIS REPORT COVERS
SECTION 3:	KEY CHANGES IN THE CURRENT YEAR
SECTION 4:	REMUNERATION POLICY AND GOVERNANCE
SECTION 5:	EXECUTIVE REMUNERATION
SECTION 6:	NON-EXECUTIVE DIRECTORS
SECTION 7:	REMUNERATION TABLES
SECTION 8:	SERVICE AGREEMENTS
SECTION 9:	OTHER INFORMATION

### SECTION 1: OVERVIEW

The FHL Board is committed to an executive remuneration framework that is focused on driving a performance culture and linking executive pay to the achievement of the Group's strategy and business objectives and ultimately, generating satisfactory returns to shareholders. 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.

### SECTION 2: WHO THIS REPORT COVERS

#### i) Non-Executive Directors

Mr J Tertini	Chairman and Non-Executive Director
Ms M Haseltine	Deputy Chairman and Non-Executive Director (resigned 14 June 2016)
Mr P Brennan	Non-Executive Director
Mr G Squires	Non-Executive Director
Ms R Watts	Non-Executive Director
Mr J Hughes	Non-Executive Director (appointed 14 June 2016)

#### ii) Executives

Ms D Singh	Group Chief Executive Officer Retail (appointed 30 March 2016)
Mr B Cassell	Group Chief Financial Officer and Company Secretary (appointed 17 February 2016)
Mr J Newman	Chief Executive Officer FHL Manufacturing (appointed 9 June 2016)
Mr C Burke	General Manager - Plush
Ms M Blackley	Group Chief People Officer (appointed 3 May 2016)

There have been no changes to KMP after the reporting date and before the date the financial report was authorised for issue.

## REMUNERATION REPORT (Continued)

### SECTION 3: KEY CHANGES IN THE CURRENT YEAR

A summary of the key changes to remuneration-related matters for the 2016 financial year is set out below:

#### Executive Directors and Senior Executives

- On 15 February 2016, George Saoud resigned as Company Secretary and on 18 February 2016, he resigned as Chief Financial Officer.
- On 17 February 2016, Brian Cassell was appointed as an interim Company Secretary and Group Chief Financial Officer. Mr Cassell became a full time employee effective from 1 July 2016.
- On 26 February 2016, Stephen Heath resigned as Managing Director and Chief Executive Officer.
- On 30 March 2016, Debra Singh was appointed as Group Chief Executive Officer Retail.
- On 3 May 2016, Melissa Blackley was appointed as Group Chief People Officer.
- On 9 June 2016, Jason Newman was appointed as Chief Executive Officer FHL Manufacturing.

#### Non-Executive Directors

- On 1 February 2016, Robyn Watts was appointed Chair of the People and Remuneration Committee.
- On 14 June 2016, Margaret Haseltine resigned and John Hughes was appointed as independent Non-Executive Director.

### SECTION 4: REMUNERATION POLICY AND GOVERNANCE

#### 4.1 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's 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 objectives of the Group's executive remuneration policy is to ensure:

- 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 and
- Long term incentives align the interests of executives with creation of value for shareholders.

#### 4.2 People and Remuneration Committee

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

Membership of the People and Remuneration Committee consists of independent Non-Executive Directors. During the year this included Ms R Watts (Chair), Mr G Squires and Ms M Haseltine (resigned on 14 June 2016).

In fulfilling its role, the People and 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;
- 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.

## REMUNERATION REPORT (Continued)

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 long term incentives (LTI's). It is also recognised that the long term sustainable growth of the Group's retail entities relies 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 short-term incentives (STI) remuneration measures.

### SECTION 5: EXECUTIVE REMUNERATION

#### 5.1 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.

Key components of the target annual remuneration (TAR) are:

Target Annual Remuneration (TAR)		
Fixed Pay	At Risk Pay	
Fixed Annual Remuneration (FAR)	Short Term Incentive Plan (STI)	Long Term Incentive Plan (LTI)
"Market Competitive"	"Performance Linked"	"Shareholder Aligned"
Salary, superannuation and car allowance.	Annual cash payment.	Performance rights that vest at the end of three years.
Based on individual's responsibilities, performance, qualifications and experience.	Based on individual's performance against financial and non-financial objectives. KPI's are set at the outset of the year.	Based on company performance over the three 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	15-45% of TAR

#### 5.2 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 was provided by KPMG on ASX listed company reports with similar market capitalisation and revenues. FAR reviews are conducted annually for all executives by the People and 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 and the provision of a motor vehicle benefit.

#### 5.3 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.

## REMUNERATION REPORT (Continued)

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

What are the objectives of the STI?

- 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 a percentage of FAR.

<b>Minimum STI</b>	<b>0% - if KPI's not met</b>
Maximum target STI opportunity	Managing Director 52% of FAR  Other KMP: 50% at target

Is there an STI gateway?

Unless the Board determines that exceptional circumstances warrant otherwise, Group or Divisional profit (EBIT) for the current year must have exceeded that of the prior year before any STI can be paid.

What is the weighting of KPI's?

70% - financial measures  
30% - non-financial measures

What are the financial objectives?

Group or Divisional performance, dependent on the individual's role and responsibilities. Individual specific financial KPI's are set by the Board at the beginning of each year. Financial KPI's include:

- Group or Divisional profit.
- EBIT percentage on sales.

	Financial Target	STI Opportunity
<b>Below Threshold</b>	<95%	Nil
<b>Threshold</b>	95-99.9%	50%
<b>Target</b>	100-110%	100%
<b>Stretch</b>	> 110%	120%

What are the non-financial objectives?

Individual non-financial KPI's are set by the Board at the outset of each year. A KPI is deemed to have been achieved if the individual exceeds performance targets established at the outset of the year. Non-financial KPI's include:

- 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 5: EXECUTIVE REMUNERATION (CONTINUED)

Is there any STI deferral or claw-back provision?	<p>The Committee 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 claw-back 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 Committee reviews performance against KPI's, 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>
<b>LTI</b> The key features of the LTI are set out in below:	
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 three year financial and strategic growth plans.</p>
Who is eligible to participate in the LTI?	<p>The Group CEO Retail is the only current participant. The former Group Managing Director and CFO were participants until the date of their resignation in 2016. Their rights were forfeited upon their resignation.</p>
What type of instrument is the LTI?	<p>Performance rights, being a right to receive a share for no consideration in three years if the performance hurdles are met.</p>
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. The performance rights only vest at the end of the three year vesting period.</p>
How is the LTI satisfied?	<p>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.</p>
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 performance hurdles are deemed more appropriately aligned to our three 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 three years. If this target is achieved, 70% of the LTI vests.</p> <p>No awards will vest if this target is 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>

## REMUNERATION REPORT (Continued)

### SECTION 5: EXECUTIVE REMUNERATION (CONTINUED)

What awards vested in the year ended 30 June 2016? No LTI awards vested during the year ended 30 June, 2016.

What awards were granted in the year ended 30 June 2016? During the 2016 financial year no awards were granted. In 2014, the Board approved the grant of awards to the then Managing Director, the then CFO and the CEO of Fantastic Furniture.

The LTI awards were granted to the Managing Director, CFO and CEO (Fantastic Furniture) to ensure they were focused on FHL's three 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.		

*The rights granted to the then Managing Director and Chief Financial Officer were forfeited upon their resignations during 2016.*

#### Overview of variable remuneration compared to FHL financial performance

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

# REMUNERATION REPORT (Continued)

## FHL Group Five Year Performance

Five Year Performance	2012	2013	2014	2015	2016	CAGR
Sales (\$M)	445.8	445.2	447.8	496.9	543.7	5.09%
EBIT (\$M)	30.5	18.1	8.7	19.0	16.2	(14.59%)
CODB (\$M)	187.0	191.2	194.2	204.5	222.5	4.44%
CODB / Sales (%)	41.9	42.9	43.4	41.1	40.9	(0.58%)
EPS (cents per share)	20.43	13.15	5.68	12.79	11.08	(14.18%)
Share price at the end of reporting period (\$)	2.30	1.97	1.49	2.27	2.25	(0.50%)
Market Capitalisation (\$M)	236.3	202.4	153.6	234.4	232.3	(0.42%)
Dividends per share paid during the financial year (cents)	13.00	10.50	6.00	13.00	12.00	(1.99%)
Return on Equity (%)	19.3	12.5	5.5	12.0	10.6	(13.83%)

For the FY14 LTI grant, the EPS hurdle was 17.5 cents, based on CAGR for the 3 years to 30 June 2016. The ROE hurdle outcome was 20%.

## SECTION 6: NON-EXECUTIVE DIRECTORS

### 6.1 Remuneration

Non-Executive Directors are remunerated by way of directors' fees and superannuation. An additional \$20,000 is paid to a Non-Executive Director for being chair of a committee as well as an additional \$10,000 for the role of Deputy Chair. 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 Annual General Meeting (AGM) after their initial appointment by the Board and re-election every three 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.

### 6.2 Non-Executive Directors' Shareholdings

Current non-executive directors-ordinary shares	Balance at the start of the year	Changes during the year	Balance at the end of the year
Geoffrey Squires	171,405	-	171,405
Julian Tertini (1)	41,776,211	-	41,776,211
Peter Brennan (1)	10,698,016	-	10,698,016
Robyn Watts	10,000	-	10,000
John Hughes	-	-	-
<b>TOTAL</b>	<b>52,655,632</b>	<b>-</b>	<b>52,655,632</b>

(1) The shares held are reflective of voting power.

## REMUNERATION REPORT (Continued)

### SECTION 7: REMUNERATION TABLES

	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 \$	\$	
<b>Executive Directors</b>								
Stephen Heath (1)	2016	1,118,329	-	31,731	-	-	1,150,060	0
Managing Director / Chief Executive Officer	2015	621,750	360,000	30,000	-	-	1,011,750	35.6
<b>Non-Executive Directors</b>								
Julian Tertini Chairman	2016	100,000	-	9,500	-	-	109,500	0
	2015	116,667	-	11,083	-	-	127,750	0
John Hughes (3)	2016	3,333	-	317	-	-	3,650	0
Margaret Haseltine Deputy Chairman (4)	2016	82,625	-	7,837	-	-	90,462	0
	2015	73,458	-	6,967	-	-	80,425	0
Geoffrey Squires	2016	70,000	-	6,650	-	-	76,650	0
	2015	70,000	-	6,650	-	-	76,650	0
Peter Brennan OAM (5)	2016	68,333	-	6,492	-	-	74,825	0
	2015	60,000	-	5,700	-	-	65,700	0
Robyn Watts (2)	2016	64,167	-	6,096	-	-	70,263	0
	2015	40,000	-	3,800	-	-	43,800	0
<b>Total</b>	<b>2016</b>	<b>1,506,787</b>	<b>-</b>	<b>68,623</b>	<b>-</b>	<b>-</b>	<b>1,575,410</b>	<b>0</b>
	<b>2015</b>	<b>981,875</b>	<b>360,000</b>	<b>64,200</b>	<b>-</b>	<b>-</b>	<b>1,406,075</b>	<b>25.6</b>

Notes:

1. Mr Stephen Heath resigned as Managing Director and Chief Executive effective 26 February 2016. Mr Heath was paid a termination benefit of \$620,700 comprising the balance of his notice period, and an ex-gratia amount. The total payment also included the amount of unused leave entitlements. Long term incentives granted in 2014 for Mr Heath were forfeited upon his resignation before the vesting date.
2. Ms Robyn Watts was appointed as the Chair of the People and Remuneration Committee effective 1 February 2016.
3. Mr John Hughes was appointed as an independent non-executive Director on 14 June 2016.
4. Ms Margaret Haseltine resigned as non-executive Director on 14 June 2016.
5. Mr Peter Brennan received \$8,333 as the Chair of the joint venture operations in China effective from September 2015.

Note 1. None of the Non-Executive Directors received rights / awards over Fantastic Holdings Limited shares during the year, so there are no relevant share based payment amounts for disclosure.



# REMUNERATION REPORT (Continued)

## REMUNERATION TABLES

	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 \$	\$	
<b>Key Management Personnel</b>								
Debra Singh (1) Group Chief Executive Officer - Retail	2016	537,693	212,319	35,000	-	-	785,012	27.0
	2015	416,712	250,000	31,366	-	-	698,078	35.8
Brian Cassell (2) Group Chief Financial Officer / Company Secretary	2016	166,668	-	-	-	-	166,668	0
Jason Newman (3) Chief Executive Officer - FHL Manufacturing	2016	367,002	230,213	30,231	-	-	627,446	36.7
	2015	369,048	116,543	22,154	-	-	507,745	23.0
Chris Burke (4) General Manager - Plush	2016	260,000	795,636	28,604	-	-	1,084,240	73.4
	2015	260,000	742,778	30,000	-	-	1,032,778	71.9
Melissa Blackley (5) Group Chief People Officer	2016	31,612	-	3,003	-	-	34,615	0
George Saoud (6) Chief Financial Officer / Company Secretary	2016	414,297	-	30,000	-	-	444,297	0
	2015	413,483	249,000	29,318	-	-	691,801	36.0
<b>Total</b>	<b>2016</b>	<b>1,777,272</b>	<b>1,238,168</b>	<b>126,838</b>	<b>-</b>	<b>-</b>	<b>3,142,278</b>	<b>39.4</b>
	<b>2015</b>	<b>1,459,243</b>	<b>1,358,321</b>	<b>112,838</b>	<b>-</b>	<b>-</b>	<b>2,930,402</b>	<b>46.4</b>

- Notes:
- On 30 March 2016, Ms Debra Singh was appointed as Group Chief Executive Officer - Retail. Prior to this, Ms Singh was Chief Executive Officer of Fantastic Furniture. The employment arrangement for Ms Singh included an agreement for certain KPI targets. Ms Singh was awarded 73.9% of her overall payable STI value based on performance against approved KPI's.
  - Mr Brian Cassell was appointed as the Chief Financial Officer and Company Secretary of Fantastic Holdings Limited on 17 February 2016 on an interim contract basis. Mr Cassell was not entitled to STI or LTI and superannuation entitlements were paid by the contracting company for the 2016 financial year. Mr Cassell became a permanent employee effective from 1 July 2016.
  - On 9 June 2016 Mr Jason Newman was appointed as the Chief Executive Officer FHL Manufacturing for Australia, China and Vietnam. Prior to this, Mr Newman was the Chief Operating Officer of Manufacturing and Supply Chain. Mr Newman was awarded 116.8% of his STI value based on performance against approved KPI's.
  - Mr Chris Burke is the General Manager of the Plush retail business. The employment arrangement for Mr Burke included an agreement to a percentage of the business unit EBIT, subject to exceeding performance hurdles on financial targets.
  - On 3 May 2016 Ms Melissa Blackley was appointed as Group Chief People Officer.
  - Mr George Saoud resigned on 18 February 2016 as Chief Financial Officer and on 15 February 2016 as Company Secretary of Fantastic Holdings Limited. The amount paid includes the balance of his leave entitlements and three months notice period. LTI granted in 2014 were forfeited upon his resignation before the vesting date.

## REMUNERATION REPORT (Continued)

### SECTION 8: SERVICE AGREEMENTS

An annual review of the performance of the Group's senior executives is conducted and their performances reported to the People and Remuneration Committee.

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

#### KMP Remuneration - FY16

Key Management Personnel	Period of notice	Contract Length	Fixed Annual Remuneration (incl super)	Service Agreements
Ms D Singh (i)	3 months	Ongoing	\$650,000	<p>Ms Singh was Chief Executive Office of Fantastic Furniture until her appointment as Group Chief Executive Officer - Retail on 30 March 2016. Prior to the appointment Ms Singh received a FAR of \$550,000.</p> <p>STI Ms Singh will be entitled to a potential short-term incentive of \$287,500 for FY16 and \$325,000 for FY17 subject to financial and non-financial performance of the Group. Ms Singh's performance will be assessed against performance targets and priorities set by the Board.</p> <p>LTI Ms Singh has been 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 are met at the end of 2016. 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. None of these shares vested in FY16 due to vesting conditions not being met.</p> <p>Restrictive Covenant Ms Singh will be restrained for up to twelve months after termination of her employment from being engaged in competition with the Company.</p>
Mr B Cassell	1 month	Ongoing	\$500,000	<p>Effective 1 July 2016 Mr Cassell FAR's is \$500,000. He was not entitled to any STI or LTI for the 2016 financial year.</p>
Mr J Newman	3 months	Ongoing	\$394,200	<p>STI Mr Newman will be entitled to a potential short-term incentive of \$197,100 for financial year 2016 subject to financial and non-financial performance of the manufacturing, 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>
Mr C Burke	4 months	Ongoing	\$288,600	<p>STI Mr Burke's STI is determined under a historical arrangement which differs from the current STI plan.</p> <p>Mr Burke will be entitled to a percentage of the business unit EBIT subject to exceeding performance hurdles on sales and subject to financial performance targets. Mr Burke's performance will be assessed against financial performance targets set by the Board.</p> <p>Restrictive Covenant Mr Burke will be restrained for up to six months after termination of his employment from being engaged in competition with the Company.</p>
Ms M Blackley	1 month	Ongoing (part time)	\$180,000	<p>STI Ms Blackley will be entitled to a potential short-term incentive for financial year 2017 following the completion of the probationary period and will be subject to financial and non-financial performance of the Group. Ms Blackley's performance will be assessed against performance targets and priorities set by the board.</p> <p>LTI Subject to the conditions prescribed in the Long Term Incentive Payment to be developed by the Board, Ms Blackley may be entitled to a LTIP starting from 1 July 2016.</p> <p>Restrictive Covenant Ms Blackley will be restrained for up to one month after termination of her employment from being engaged in competition with the company.</p>

## REMUNERATION REPORT (Continued)

(i) Ms Singh was appointed to the role of Group CEO Retail on 30 March 2016. The FAR shown is that which is effective from the date of her appointment. Ms Singh will participate in a revised short term incentive plan/long term incentive plan (STIP/LTIP) to be implemented from 1 July 2016. The amount of her STIP and LTIP will be announced when details of the new plan are determined.

### SECTION 9: 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 policy is a condition of employment. Breaches of the policy are subject to disciplinary action, which may include termination of employment.

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# Corporate Governance Statement

## FOR YEAR ENDED 30 JUNE 2016

The Board of Directors of Fantastic Holdings Limited ("the Board") is responsible for establishing the corporate governance framework of Fantastic Holdings Limited and its subsidiaries ("the Group") having regard to the ASX Corporate Governance Council (CGC) published guidelines as well as its corporate governance principles and recommendations. The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom it is elected and to whom it is accountable.

ASX CGC Principles and Recommendations	Comply Yes / No	Reference/ Explanation in Annual Report
<b>Principle 1 – Lay solid foundations for management and oversight</b>		
<b>Recommendation 1.1</b> A listed entity should disclose: <ol style="list-style-type: none"> <li>The respective roles and responsibilities of its board and management; and</li> <li>Those matters expressly reserved to the board and those delegated to management.</li> </ol>	Yes	Page 47
<b>Recommendation 1.2</b> A listed entity should: <ol style="list-style-type: none"> <li>Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</li> <li>Provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</li> </ol>	Yes	Page 50
<b>Recommendation 1.3</b> A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes	Page 48
<b>Recommendation 1.4</b> The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Yes	Page 48
<b>Recommendation 1.5</b> A listed entity should: <ol style="list-style-type: none"> <li>Have a diversity policy which includes requirements for the board or relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them.</li> <li>Disclose that policy or a summary of it; and</li> <li>Disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:               <ol style="list-style-type: none"> <li>The respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</li> <li>If the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</li> </ol> </li> </ol>	Yes	Page 53  Re - 1.5 c) - Refer to note on FHL website (available on request)
<b>Recommendation 1.6</b> A listed entity should: <ol style="list-style-type: none"> <li>Have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</li> <li>Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</li> </ol>	Yes	Page 49
<b>Recommendation 1.7</b> A listed entity should: <ol style="list-style-type: none"> <li>Have and disclose a process for periodically evaluating the performance of its senior executives; and</li> <li>Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</li> </ol>	Yes	Page 49

ASX CGC Principles and Recommendations (continued)	Comply Yes / No	Reference/ Explanation in Annual Report
<b>Principle 2 – Structure the board to add value</b>		
<b>Recommendation 2.1</b> The board of a listed entity should: <ol style="list-style-type: none"> <li>a) Have a nomination committee which:               <ol style="list-style-type: none"> <li>1) Have at least three members, a majority of whom are independent directors; and</li> <li>2) Is chaired by an independent director.</li> </ol>               And disclose               <ol style="list-style-type: none"> <li>3) The charter of the committee;</li> <li>4) The members of the committee; and</li> <li>5) As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ol> </li> <li>b) If it does not have a nominations committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</li> </ol>	No	Page 49
<b>Recommendation 2.2</b> A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Yes	Page 48
<b>Recommendation 2.3</b> A listed entity should disclose: <ol style="list-style-type: none"> <li>a) The names of the directors considered by the board to be independent directors;</li> <li>b) If a director has an interest, position, association or relationship with the entity but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</li> <li>c) The length of service of each director.</li> </ol>	Yes	Page 48
<b>Recommendation 2.4</b> A majority of the board of a listed entity should be independent directors.	No	Page 48
<b>Recommendation 2.5</b> The chair of the board of a listed entity should be an independent director, in particular, should not be the same person as the CEO of the entity.	No	Page 48
<b>Recommendation 2.6</b> A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Yes	Page 48
<b>Principle 3 – Act ethically and responsibly</b>		
<b>Recommendation 3.1</b> A listed entity should: <ol style="list-style-type: none"> <li>a) Have a code of conduct for its directors, senior executives and employees; and</li> <li>b) Disclose that code or a summary of it.</li> </ol>	Yes	Page 51
<b>Principle 4 – Safeguard integrity in corporate reporting</b>		
<b>Recommendation 4.1</b> The board of a listed entity should: <ol style="list-style-type: none"> <li>a) Have an audit committee which:               <ol style="list-style-type: none"> <li>1) Has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</li> <li>2) Is chaired by an independent director, who is not the chair of the board, And disclose</li> <li>3) The charter of the committee;</li> <li>4) The relevant qualifications and experience of the members of the committee; and</li> <li>5) In relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ol> </li> <li>b) If it does not have an audit committee, disclose the fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</li> </ol>	Yes	Page 49

# Corporate Governance Statement (Continued)

FOR YEAR ENDED 30 JUNE 2016

ASX CGC Principles and Recommendations (continued)	Comply Yes / No	Reference/ Explanation in Annual Report
<p><b>Recommendation 4.2</b> The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	Yes	Page 49
<p><b>Recommendation 4.3</b> A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	Yes	Page 52
<b>Principle 5 – Make timely and balanced disclosure</b>		
<p><b>Recommendation 5.1</b> A listed entity should: a) Have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and b) Disclose that policy or a summary of it.</p>	Yes	Page 52
<b>Principle 6 – Respect the rights of security holders</b>		
<p><b>Recommendation 6.1</b> A listed entity should provide information about itself and its governance to investors via its website.</p>	Yes	Page 52
<p><b>Recommendation 6.2</b> A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</p>	Yes	Page 52
<p><b>Recommendation 6.3</b> A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p>	Yes	Page 52
<p><b>Recommendation 6.4</b> A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p>	Yes	Page 52
<b>Principle 7 – Recognise and manage risk</b>		
<p><b>Recommendation 7.1</b> The board of a listed entity should: a) Have a committee or committees to oversee risk *, each of which; 1) Has at least three members, a majority of whom are independent directors; and 2) Is chaired by an independent director, And disclose: 3) The charter of the committee; 4) The members of the committee; and 5) As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) If it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework. * The risk committee may be a stand-alone risk committee, a combined audit and risk committee or a combination of board committees addressing different elements of risk.</p>	Yes	Page 49
<p><b>Recommendation 7.2</b> The board or a committee of the board should: a) Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and b) Disclose, in relation to each reporting period, whether such a review has taken place.</p>	Yes	Page 51

ASX CGC Principles and Recommendations (continued)	Comply Yes / No	Reference/ Explanation in Annual Report
<b>Recommendation 7.3</b> A listed entity should disclose: <ol style="list-style-type: none"> <li>If it has an internal audit function, how the function is structured and what role it performs; or</li> <li>If it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</li> </ol>	Yes	Page 51
<b>Recommendation 7.4</b> A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Yes	Page 51
<b>Principle 8 – Remunerate fairly and responsibly</b>		
<b>Recommendation 8.1</b> The board of a listed entity should: <ol style="list-style-type: none"> <li>Have a remuneration committee which:               <ol style="list-style-type: none"> <li>Has at least three members, a majority of whom are independent directors; and</li> <li>Is chaired by an independent director, And disclose:                   <ol style="list-style-type: none"> <li>The charter of the committee;</li> <li>The members of the committee; and</li> <li>As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ol> </li> </ol> </li> <li>If it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</li> </ol>	Yes	Page 49
<b>Recommendation 8.2</b> A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Yes	Disclosed in Remuneration Report – Sections 5 & 6
<b>Recommendation 8.3</b> A listed entity which has an equity-based remuneration scheme should: <ol style="list-style-type: none"> <li>Have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</li> <li>Disclose that policy or a summary of it.</li> </ol>	Yes	Page 51

## CORPORATE GOVERNANCE PRINCIPLES

The Board is responsible for ensuring that risks are identified on a timely basis and that the objectives of the Group 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:

- approving the Group's strategic direction, goals and annual business plans;
- reviewing progress on strategic issues;
- monitoring the Group's operational and financial performance as well as senior management's performance;
- setting the various internal controls and reporting framework for the management of the risks inherent in the Group's operations;
- ensuring that the Group operates ethically and responsibly and in compliance with internal codes of conduct and legal and regulatory requirements;
- approving and monitoring major expenditure, acquisitions, divestments and funding;
- 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/ CEO and
- i. establishing and determining the powers and functions of the committees of the Board, including the Audit, Risk and Compliance Committee and the People and 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 2016, the Board consisted of five Directors, all of whom were Non-Executive Directors. Of the Non-Executive Directors, three 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 2016 are Geoffrey Squires, John Hughes and Robyn Watts.

The non-independent Directors are Julian Tertini (Chairman) and Peter Brennan.

The following changes to the Board occurred in the year ended 30 June 2016:

- 26 February 2016 Stephen Heath resigned as Executive Director
- 14 June 2016 Margaret Haseltine resigned and John Hughes was appointed

Recommendation 2.4 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 2.4 for the majority of the year.

As at the date of this report, and as a result of Julian Tertini being the Chairman, the Board did not comply with Recommendation 2.5 (The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity).

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 the required quality and 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.

The Board considers that shareholder interests are protected as there is a majority independent directors, the Chairman is not the Managing Director and the composition of the Board allows it to function effectively and without bias.

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. For each Director, there is a written agreement in place setting out the terms of their appointment.

## 3) Board Processes

The Company Secretary reports directly to the Board, through the Chairman, on all matters relating to the functions of the Board, including the induction of new Directors and the on-going professional development of all Directors.

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

The Audit, Risk and Compliance Committee consists of three 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/CEO's 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 Group Chief Executive Office Retail, Chief Executive Officer FHL Manufacturing 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 dealt with;
- 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.

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

##### (ii) People and Remuneration Committee

The People and 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 People and 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 People and 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 2.1 of the ASX Corporate Governance Principles and Recommendations states "the Board should establish a Nomination Committee as 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. These are performed through consultation and discussion.

## 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/CEO's 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 their operational effectiveness. The Internal 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 a three year business plan which underpins long term growth and return for shareholders. All objectives are derived from these business plans which are then cascaded to managers and all staff members 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.

## 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. 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 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 or 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.

The use of derivatives or other hedging arrangements for invested securities of the company or vested securities of the company which are subject to escrow arrangements is prohibited.

#### 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](http://www.fantasticholdings.com.au) under "Investor Centre - Corporate Governance".

## 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 workplaces 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 50% of the workforce as at June 2016. At present there is one female Board member. As at June 2016, 50% of our senior executives are females and 36% 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 women 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.

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 2016 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: 6 September 2016

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# Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR YEAR ENDED 30 JUNE 2016

	Notes	Consolidated Entity	
		30 June 2016 \$'000	30 June 2015 \$'000
Sales revenue	(3a)	543,700	496,921
Cost of sales		(306,949)	(275,723)
<b>Gross Profit</b>		<b>236,751</b>	<b>221,198</b>
Other income	(3a)	2,402	3,171
Employment expenses	(3b)	(91,436)	(87,062)
Property expenses		(58,411)	(58,600)
Marketing expenses		(36,534)	(34,885)
Sales related expenses		(8,715)	(5,908)
Depreciation and amortisation	(3b)	(5,557)	(5,136)
Other expenses		(21,895)	(12,877)
Share of loss of a joint venture (net of tax)	(30)	(371)	(865)
<b>Earnings Before Interest and Tax</b>		<b>16,234</b>	<b>19,036</b>
Net financing income	(4)	431	240
<b>Profit Before Tax</b>		<b>16,665</b>	<b>19,276</b>
Income tax expense	(5a)	(5,228)	(6,072)
<b>Profit After Tax</b>		<b>11,437</b>	<b>13,204</b>
<b>Other Comprehensive Income</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operations		166	1,380
Gain/(loss) on cash flow hedges		(2,346)	2,011
Income tax effect		654	(1,017)
<b>Total Comprehensive Income for the year, net of tax</b>		<b>9,911</b>	<b>15,578</b>
<b>Earnings Per Share for Profit Attributable to the Equity Holders of the Company:</b>			
Basic earnings per share (cents per share)	(8)	11.08	12.79
Diluted earnings per share (cents per share)	(8)	11.08	12.79

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

# Consolidated Statement of Financial Position

## AS AT 30 JUNE 2016

	Notes	Consolidated Entity	
		30 June 2016 \$'000	30 June 2015 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	(9a)	31,863	36,721
Trade and other receivables	(10)	5,796	4,630
Other financial assets	(11)	-	2,011
Inventories	(12)	93,326	90,544
<b>Total Current Assets</b>		<b>130,985</b>	<b>133,906</b>
<b>Non-Current Assets</b>			
Investments	(13)	-	3,712
Property, plant and equipment	(14)	28,833	27,115
Investment in a joint venture	(30)	5,463	5,644
Intangible assets	(15)	6,760	7,772
Deferred tax assets	(5b)	12,527	8,984
Other non-current assets	(16)	3	-
<b>Total Non-Current Assets</b>		<b>53,586</b>	<b>53,227</b>
<b>Total Assets</b>		<b>184,571</b>	<b>187,133</b>
<b>Current Liabilities</b>			
Trade and other payables	(17)	39,737	38,415
Interest bearing loans and borrowings	(18)	-	5,000
Current tax payable	(19)	3,196	4,000
Employee benefits	(20a)	19,171	20,263
Provisions	(21)	7,736	1,688
<b>Total Current Liabilities</b>		<b>69,840</b>	<b>69,366</b>
<b>Non-Current Liabilities</b>			
Employee benefits	(20a)	2,225	1,952
Provisions	(21)	3,165	3,564
Deferred tax liabilities	(5c)	1,905	2,335
<b>Total Non-Current Liabilities</b>		<b>7,295</b>	<b>7,851</b>
<b>Total Liabilities</b>		<b>77,135</b>	<b>77,217</b>
<b>Net Assets</b>		<b>107,436</b>	<b>109,916</b>
<b>Equity</b>			
Share capital	(22)(i)	23,608	23,608
Reserves	(22)(iii)	552	2,078
Retained earnings	(22)(ii)	83,276	84,230
<b>Total Equity</b>		<b>107,436</b>	<b>109,916</b>

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 YEAR ENDED 30 JUNE 2016

	Attributable to the equity holders of the Parent					Non-controlling interest	Total equity
	Share capital	Retained earnings	Foreign currency translation reserve	Cash flow hedge reserve	Total		
	\$000	\$000	\$000	\$000	\$000		
<b>As at 1 July 2015</b>	<b>23,608</b>	<b>84,230</b>	<b>670</b>	<b>1,408</b>	<b>109,916</b>	-	<b>109,916</b>
Profit after tax for the year	-	11,437	-	-	11,437	-	11,437
Other comprehensive income, net of tax	-	-	116	(1,642)	(1,526)	-	(1,526)
<b>Total comprehensive income</b>	-	<b>11,437</b>	<b>116</b>	<b>(1,642)</b>	<b>9,911</b>	-	<b>9,911</b>
Dividends paid	-	(12,391)	-	-	(12,391)	-	(12,391)
<b>As at 30 June 2016</b>	<b>23,608</b>	<b>83,276</b>	<b>786</b>	<b>(234)</b>	<b>107,436</b>	-	<b>107,436</b>

	Attributable to the equity holders of the Parent					Non-controlling interest	Total equity
	Share capital	Retained earnings	Foreign currency translation reserve	Cash flow hedge reserve	Total		
	\$000	\$000	\$000	\$000	\$000		
<b>As at 1 July 2014</b>	<b>23,270</b>	<b>84,515</b>	<b>(295)</b>	-	<b>107,490</b>	<b>3,079</b>	<b>110,569</b>
Profit after tax for the year	-	13,204	-	-	13,204	-	13,204
Other comprehensive income, net of tax	-	-	965	1,408	2,373	-	2,373
<b>Total comprehensive income</b>	-	<b>13,204</b>	<b>965</b>	<b>1,408</b>	<b>15,577</b>	-	<b>15,577</b>
Employee share options and performance rights	338	-	-	-	338	-	338
Dividends paid	-	(13,418)	-	-	(13,418)	-	(13,418)
Loss of control of subsidiary	-	(71)	-	-	(71)	(3,079)	(3,150)
<b>As at 30 June 2015</b>	<b>23,608</b>	<b>84,230</b>	<b>670</b>	<b>1,408</b>	<b>109,916</b>	-	<b>109,916</b>

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

# Consolidated Statement of Cash Flows

## FOR YEAR ENDED 30 JUNE 2016

	Notes	Consolidated Entity	
		30 June 2016 \$'000	30 June 2015 \$'000
<b>Cash Flows from Operating Activities:</b>			
Cash receipts from customers		600,888	552,464
Cash payments to suppliers and employees		(571,851)	(527,850)
Interest received		584	364
Interest paid		(83)	(124)
Income tax paid		(9,329)	(541)
<b>Net Cash provided by Operating Activities</b>	<b>(9b)</b>	<b>20,209</b>	<b>24,313</b>
<b>Cash Flows from Investing Activities:</b>			
Payments for acquisitions of property, plant and equipment		(6,152)	(4,950)
Proceeds from sale of property, plant and equipment		106	-
Proceeds from sale of investments		-	26,811
Payment for investments		-	(1,712)
Payment for intangibles		(1,682)	(1,328)
Deconsolidation of China subsidiary	(30)	-	(4,142)
<b>Net Cash provided by/(used in) Investing Activities</b>		<b>(7,728)</b>	<b>14,679</b>
<b>Cash Flows from Financing Activities:</b>			
Repayment of external borrowings		(5,000)	(10,000)
Dividends paid	(7a)	(12,391)	(13,418)
<b>Net Cash used in Financing Activities</b>		<b>(17,391)</b>	<b>(23,418)</b>
<b>Net Increase/(decrease) in Cash Held</b>		<b>(4,910)</b>	<b>15,574</b>
<b>Net Foreign Exchange Difference</b>		<b>52</b>	<b>20</b>
<b>Cash at the Beginning of the Financial Year</b>		<b>36,721</b>	<b>21,127</b>
<b>Cash at the End of the Financial Year</b>	<b>(9a)</b>	<b>31,863</b>	<b>36,721</b>

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

# Notes to Financial Statements

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# Notes to Financial Statements (Continued)

FOR YEAR ENDED 30 JUNE 2016

## 1. Corporate Information

The consolidated financial report of Fantastic Holdings Limited (the Company) and its controlled entities (together the Group) for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the Directors on 6 September 2016. The Directors have the power to amend and reissue the financial statements.

Fantastic Holdings Limited is a for profit company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in the Directors' Report. The registered office of the Company is 62 Hume Highway, Chullora NSW 2190, Australia.

## 2. Significant Accounting Policies

### Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on a historical cost basis, except for derivative financial instruments and share based payments that have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand (\$000) under the Class Order 98/100, issued by the Australian Securities and Investments Commission, except when otherwise indicated.

### Compliance with International Financial Reporting Standards (IFRS)

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Boards.

### (a) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over and investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the

consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

### (b) Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

## 2. Significant Accounting Policies (continued)

### (c) Investment in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss and represents profit or loss after tax and non controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share of profit of an associate and a joint venture in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

### (d) Current versus Non-current Classification

The Group presents assets and liabilities in the statement of financial position based on current/noncurrent classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in the Group's normal operating cycle
  - Held primarily for the purpose of trading
  - Expected to be realised within 12 months after the reporting period
- Or
- Cash or a cash equivalent unless restricted from being exchanged or used to settle a liability within 12 months of the reporting period

The Group classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in the Group's normal operating cycle
  - It is held primarily for the purpose of trading
  - It is due to be settled within 12 months after the reporting period
- Or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### (e) Foreign Currency

#### Foreign Currency Transactions

The Group's consolidated financial statements are presented in Australian Dollars, which is also the Parent's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

#### Transactions and Balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting 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.

## 2. Significant Accounting Policies (continued)

### (e) Foreign Currency (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

### Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Australian Dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation purposes are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

### (f) 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.

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

##### Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedge item affects profit or loss. For the purpose of hedge accounting, hedges are classified as cash flow hedges, when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

### Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised in finance costs.

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

### 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.

#### Dividends

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

### (g) 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.

## 2. Significant Accounting Policies (continued)

### (g) Property, Plant and Equipment (continued)

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 Profit or Loss and Other 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 Profit or Loss and Other Comprehensive Income as an expense is incurred.

### v) Depreciation

Depreciation is charged to the Consolidated Statement of Profit or Loss and Other 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.

### (h) Intangible Assets

### i) Goodwill

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 five 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.

### (i) 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.

### (j) 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 Profit or Loss and Other Comprehensive Income.

# Notes to Financial Statements (Continued)

FOR YEAR ENDED 30 JUNE 2016

## 2. Significant Accounting Policies (continued)

### (j) Impairment (continued)

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 Profit or Loss and Other 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 Profit or Loss and Other 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 pretax 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.

### (k) Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of six months or less, which are subject to an insignificant risk of change in value.

### (l) 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.

### (m) Provisions

#### i) General

Provisions are recognised when the Group has a present obligation (legal or contractual) as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

#### ii) 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.

#### iii) 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.



## 2. Significant Accounting Policies (continued)

### (m) Provisions (continued)

#### iv) 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.

### (n) 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.

### (o) Revenue Recognition

#### i) Revenues

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.

#### ii) 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.

#### iii) Interest Income

Revenue is recognised from interest income from term deposits.

#### iv) Dividends

Revenue is recognised from dividends when the Group's right to receive the dividend payment is established, which is generally when directors approve the dividend.

### (p) Expenses

#### i) Operating Lease Payments

Payments made under operating leases are recognised in the Consolidated Statement of Profit or Loss and Other 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.

### (q) Income Tax

#### i) Income Tax Expense

Income tax expense comprises current and deferred tax and is recognised in the Consolidated Statement of Profit or Loss and Other 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.

# Notes to Financial Statements (Continued)

FOR YEAR ENDED 30 JUNE 2016

## 2. Significant Accounting Policies (continued)

### (q) Income Tax (continued)

#### 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.

#### (r) 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 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.

#### (s) 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 Profit or Loss and Other Comprehensive Income is restated as if the operation had been discontinued from the start of the comparative period.

#### (t) 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.

#### (u) 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 Board. The Board reviews 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.

#### (v) 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.

In the current year, the Group has applied a number of amendments to AASB's and a new Interpretation issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2015, and therefore relevant for the current year end:

#### i) AASB 2012-3 'Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities'

The amendments to AASB 132 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments does not have any material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

#### ii) AASB 2013-3 'Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets'

The amendments to AASB 136 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU.

The application of these amendments does not have any material impact on the disclosures in the Group's consolidated financial statements.

## 2. Significant Accounting Policies (continued)

### (v) Changes in Disclosures, Standards and Interpretations (continued)

#### iii) AASB 2013-4 'Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting'

The amendments to AASB 139 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

As the Group does not have any derivatives that are subject to novation, the application of these amendments does not have any material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

#### iv) AASB 2013-5 'Amendments to Australian Accounting Standards - Investment Entities'

The amendments to AASB 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

As the Company is not an investment entity, the application of the amendments does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

#### v) AASB 2014-1 'Amendments to Australian Accounting Standards - (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles)

The Annual Improvements 2010-2012 has made number of amendments to various AASB's, which are summarised below.

- The amendments to AASB 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to AASB 2 are effective for share based payment transactions for which the grant date is on or after 1 July 2015.

- The amendments to AASB 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of AASB 9 or AASB 139 or a non-financial asset or liability.

- The amendments to AASB 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

- The amendments to the basis for conclusions of AASB 13 clarify that the issue of AASB 13 and consequential amendments to AASB 139 and AASB 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

- The amendments to AASB 116 and AASB 138 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued.

- The amendments to AASB 124 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity.

The Annual Improvements 2011-2013 has made number of amendments to various AASB's, which are summarised below.

- The amendments to AASB 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself.

- The amendments to AASB 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of AASB 139 or AASB 9.

- The amendments to AASB 140 clarify that AASB 140 and AASB 3 are not mutually exclusive and application of both standards may be required. The application of these amendments does not have any material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

#### vi) AASB 1031 'Materiality'

The revised AASB 1031 is an interim standard that cross-references to other Standards and the 'Framework for the Preparation and Presentation of Financial Statements' (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations. Once all of these references have been removed, AASB 1031 will be withdrawn. The adoption of AASB 1031, AASB 2013-9 (Part B) and AASB 2014-1 (Part C) does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

The impact of the application of the new and revised Standards did not have any impact on basic and diluted earnings per share.

#### (w) Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations that were issued but not yet effective are listed below.

# Notes to Financial Statements (Continued)

FOR YEAR ENDED 30 JUNE 2016

## 2. Significant Accounting Policies (continued)

(w) Standards and Interpretations in issue not yet adopted (continued)

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending	Likely impact on Groups Financial Statements
AASB 9 'Financial Instruments,' and the relevant amending standards	1 January 2018	30 June 2019	The directors of the Company anticipate that the application of AASB 9 in the future may have an impact on the Group's financial assets and financial liabilities. However, it is not practical to provide a reasonable estimate of the effect of AASB 9 until the Group undertakes a detailed review.
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2018	30 June 2019	The directors of the Company anticipate that the application of AASB 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practical to provide a reasonable estimate of the effect of AASB 15 until the Group performs a detailed review.
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016	30 June 2017	The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017	The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.
AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2016	30 June 2017	The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017	The directors of the Company anticipate that the application of these amendments in the future may have an impact on the Group's financial assets and financial liabilities. However, it is not practical to provide a reasonable estimate of the effect of these amendments until the Group undertakes a detailed review.
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017	The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.
AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'	1 January 2016	30 June 2017	The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.
AASB16 'Amendments to Australian Accounting Standard – Leases'	1 January 2019	30 June 2020	The directors of the Company anticipate that the application of AASB 16 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of AASB 16 until the Group performs a detailed review.

#### **(x) 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.

#### **(y) Comparatives**

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

# Notes to Financial Statements (Continued)

FOR YEAR ENDED 30 JUNE 2016

	Consolidated Entity	
	30 June 2016 \$'000	30 June 2015 \$'000
<b>3. Revenues and Expenses</b>		
<b>3(a). Revenue and Other Income</b>		
Sale of goods	543,700	496,921
Franchise fees	496	624
Property net income	(935)	105
Gain on sale of Dare Gallery business	-	1,210
Other	2,841	1,232
<b>Total Other Income</b>	<b>2,402</b>	<b>3,171</b>
<b>Total</b>	<b>546,102</b>	<b>500,092</b>
<b>3(b). Expenses</b>		
<b>Profit before tax includes the following:</b>		
Employment expenses:		
-wages, salaries and bonuses	96,104	88,968
-superannuation	8,452	7,819
-other associated wage on-costs	7,092	6,776
-increase in annual leave	6,217	5,918
-increase in long service leave	419	945
<b>Total</b>	<b>118,284</b>	<b>110,426</b>
Employment expenses included in Consolidated Statement of Profit or Loss as:		
Employment expenses	91,436	87,062
Cost of sales	26,848	23,364
<b>Total</b>	<b>118,284</b>	<b>110,426</b>
Depreciation and amortisation included in Consolidated Statement of Profit or Loss as:		
Cost of doing business	5,557	5,136
Other income	232	790
Cost of sales	1,127	1,099
<b>Total</b>	<b>6,916</b>	<b>7,025</b>
Impairment loss on trade receivables	108	96
Inventory write downs	3,695	2,032
Net loss on disposal of property, plant and equipment	445	134
Operating lease rental - minimum lease payments	53,235	52,802
<b>Significant items before tax included in expenses are:</b>		
Assets impairment and costs to dispose	4,975	-
Restructure costs	4,100	-
<b>Total</b>	<b>9,075</b>	<b>-</b>
<b>4. Financial Income and Expense</b>		
Interest income	584	364
Interest expense	(153)	(124)
<b>Net Financing Income</b>	<b>431</b>	<b>240</b>

	Consolidated Entity	
	30 June 2016 \$'000	30 June 2015 \$'000
<b>5. Taxation</b>		
<b>(a) Income Tax Expense</b>		
<b>Current Tax Expense</b>		
- Current year	8,868	7,949
- Adjustment for prior years	(323)	99
	8,545	8,048
<b>Deferred Tax Expense</b>		
- Origination and reversal of temporary differences	(3,317)	(1,976)
<b>Income Tax Expense</b>	<b>5,228</b>	<b>6,072</b>
<b>Numerical Reconciliation of Income tax Expense to Prima Facie Tax Payable</b>		
Profit before tax	16,665	19,276
Income tax at 30% (2015: 30%)	5,000	5,783
Increase in income tax expense due to:		
- non-deductible expenses	399	97
- share of joint venture loss	112	260
- Differential tax rates	90	-
Decrease in income tax expense due to:		
- sale of business	-	(167)
- tax incentives	(50)	-
	5,551	5,973
(Over)/ under provided in prior years	(323)	99
<b>Income Tax Expense</b>	<b>5,228</b>	<b>6,072</b>
<b>(b) Deferred Tax Assets</b>		
Attributable to the following:		
Property, plant and equipment	1,152	1,017
Employee benefits	5,699	5,269
Provisions	4,850	1,828
Trade and other payables	527	841
Other	299	29
	<b>12,527</b>	<b>8,984</b>
<b>(c) Deferred Tax Liabilities</b>		
Attributable to the following:		
Property, plant and equipment	452	453
Provisions on lease incentives	-	-
Receivables and prepayments	154	17
Other	1,299	1,865
	<b>1,905</b>	<b>2,335</b>
<b>(d) Deferred Tax related to items recognised in Other Comprehensive Income:</b>		
Attributable to the following:		
Exchange difference on translation of foreign operations	337	287
(Loss)/Gain on cash flow hedge	(100)	603
	<b>237</b>	<b>890</b>

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.

# Notes to Financial Statements (Continued)

FOR YEAR ENDED 30 JUNE 2016

## 6. Segment Information

The chief operating decision maker (as defined in Accounting Standards) of the Group has been identified as the Board of Directors. The Board reviews the financial and operating performance of the business based on the segments identified below and determines resource allocations for the businesses based on past and expected future performance.

### Operating Segments

For internal reporting purposes, the Group is divided into three 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 Ashley Furniture HomeStore brands in Australia. These businesses have been aggregated as one reportable operating segment as they display similar current and long term gross margins, long term growth rates and financial parameters.

#### Manufacturing

The manufacturing business produces sofas and mattresses in Australia for the Fantastic Furniture brand and also manufactures sofas, mattresses and other household furniture in China and Vietnam for Fantastic Furniture and other global retailers. The manufacturing businesses are a reportable operating segment. This segment includes the equity accounted investments in relation to the China joint venture.

#### Other

Includes group costs, central support functions, treasury and other corporate entity expenses. Group costs is not considered an operating segment and includes activities that are not allocated to other operating segments. It also includes the property business which purchases and develops sites for use by the Group and leases surplus requirements to external tenants.

Interest income and expenditure are not allocated to operating segments, as this type of activity is managed on a group basis. Segment information has been prepared in accordance 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 2016						
	Retail	Manufacturing	Other & Unallocated	Reportable Segments	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenues</b>						
Revenues from external customers	541,679	2,021	-	543,700	-	543,700
Other revenue	2,317	-	85	2,402	-	2,402
Inter-segment revenue	-	67,237	677	67,914	(67,914)	-
<b>Total segment revenue</b>	<b>543,996</b>	<b>69,258</b>	<b>762</b>	<b>614,016</b>	<b>(67,914)</b>	<b>546,102</b>
<b>Result</b>						
Share of loss of a joint venture	-	(371)	-	(371)	-	(371)
Segment Result	17,685	3,428	(4,508)	16,605	-	16,605
Profit before tax and finance cost						16,234
Net interest income						431
Income tax expense						(5,228)
<b>Net profit</b>						<b>11,437</b>
<b>Assets and liabilities</b>						
Segment assets	126,855	52,941	33,426	213,222	(28,651)	184,571
Segment liabilities	85,498	7,859	12,429	105,786	(28,651)	77,135
<b>Other segment information</b>						
Capital expenditure	5,954	1,117	763	7,834	-	7,834
Depreciation and amortisation	5,456	719	741	6,916	-	6,916
Other non-cash expense	7,509	328	-	7,837	-	7,837



## 6. Segment Information (continued)

Year Ended 30 June 2015						
	Retail	Manufacturing	Other & Unallocated	Reportable Segments	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenues</b>						
Revenues from external customers	494,944	1,977	-	496,921	-	496,921
Other revenue	1,553	-	1,618	3,171	-	3,171
Inter-segment revenue	-	53,706	456	54,162	(54,162)	-
<b>Total segment revenue</b>	<b>496,497</b>	<b>55,683</b>	<b>2,074</b>	<b>554,254</b>	<b>(54,162)</b>	<b>500,092</b>
<b>Result</b>						
Share of loss of a joint venture	-	(865)	-	(865)	-	(865)
Segment Result	26,639	1,095	(7,833)	19,901	-	19,901
Profit before tax and finance cost						19,036
Net interest income						240
Income tax expense						(6,072)
<b>Net profit</b>						<b>13,204</b>
<b>Assets and liabilities</b>						
Segment assets	111,337	49,673	47,741	208,751	(21,618)	187,133
Segment liabilities	61,931	6,082	30,822	98,835	(21,618)	77,217
<b>Other segment information</b>						
Capital expenditure	5,017	303	1,524	6,844	-	6,844
Depreciation and amortisation	5,048	628	1,349	7,025	-	7,025
Other non-cash expense	2,205	50	3	2,258	-	2,258

### 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 the sale of products from the Manufacturing segment to the Retail segment of \$67,236,904 (2015: \$53,705,821).

### Products

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

### Geographical areas

The Group engages in the retail and import of household furniture in Australia. The Group also engages in the manufacture of household furniture in Australia and Vietnam through its wholly owned subsidiaries. The Group also has an interest in an Asian manufacturing operation domiciled in Hong Kong and the People's Republic of China (PRC) through a joint venture. 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:

- their 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
- their segment result, whether profit or loss is less than 10% of the combined result of all segments that earned a profit or loss; or
- their 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.

# Notes to Financial Statements (Continued)

FOR YEAR ENDED 30 JUNE 2016

## 7. Dividends

### (a) Dividends Paid or Declared by the Company

Type	Cents per Share	Total Amount \$	Date of Payment	Tax Rate for Franking Credit
<b>2016</b>				
In respect of the previous financial year:				
Final dividend 100% franked	5.00	5,162,870	15 Oct 2015	30%
In respect of the current financial year:				
Interim dividend 100% franked	7.00	7,228,018	21 Mar 2016	30%
		<b>12,390,888</b>		
<b>2015</b>				
In respect of the previous financial year:				
Final dividend 100% franked	3.00	3,092,052	15 Oct 2014	30%
In respect of the current financial year:				
Interim dividend 100% franked	6.00	6,195,444	8 Apr 2015	30%
Special dividend 100% franked	4.00	4,130,296	8 Apr 2015	30%
		<b>13,417,792</b>		

A final dividend of 7.00 cents per share and a special dividend of 15.00 cents per share, totalling \$22,716,628 (2015: \$5,162,870) will be paid on 19 September 2016 and will be fully franked at 30%. These dividends were declared at a meeting of Directors on 25 August 2016 and as such the financial effect has not been brought into account in the financial statements for the year ended 30 June 2016, but will be recognised in a subsequent financial report.

	Company	
	30 June 2016 \$'000	30 June 2015 \$'000
<b>(b) Dividend Franking Account</b>		
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 19 September 2016.		
<b>30% Franking Credits</b>	<b>31,405</b>	<b>33,162</b>

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 2016 \$'000	30 June 2015 \$'000
<b>8. Earnings Per Share</b>		
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*	11,437	13,204
	No.	No.
Weighted average number of ordinary shares outstanding during the period used in the calculation of earnings per share	103,257,398	103,196,297
Basic earnings per share (cents per share)	11.08	12.79
Diluted earnings per share (cents per share)	11.08	12.79

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

	Consolidated Entity	
	30 June 2016 \$'000	30 June 2015 \$'000
<b>9(a). Cash and Cash Equivalents</b>		
Cash at bank and on hand	31,863	26,721
Term deposit	-	10,000
	31,863	36,721

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed at Note 23.

### 9(b). Notes to the Statement of Cash Flows

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

Profit after tax	11,437	13,204
Add non-cash items:		
Depreciation	5,552	5,775
Amortisation	1,364	1,250
(Gain) / Loss on disposal of property, plant and equipment	445	(634)
(Gain) on disposal of subsidiary	-	(1,210)
(Gain) on deconsolidation of joint venture	-	(101)
Share of equity account net loss	371	865
<b>Net Cash Provided by Operating Activities Before Change in Assets and Liabilities</b>	<b>19,169</b>	<b>19,149</b>
Change in Assets and Liabilities		
(Increase) / decrease in trade and other receivables	67	(1,663)
(Increase) in inventories	(3,071)	(12,572)
(Increase) in prepayments	(1,429)	(420)
(Increase) in deferred tax assets	(3,542)	(1,612)
(Decrease)/ increase in deferred tax liabilities	(431)	608
Increase in trade and other payables	6,982	10,211
Increase in provisions and employee benefits payable	2,564	3,473
(Decrease)/ increase in income tax payable	(100)	7,139
<b>Net Cash Provided by Operating Activities</b>	<b>20,209</b>	<b>24,313</b>

### 10. Trade and Other Receivables

#### Current

Trade receivables		
-external	1,052	1,249
-related parties - franchises	487	509
	1,539	1,758
Provision for impairment loss	(119)	(100)
	1,420	1,658
Other receivables and prepayments	4,551	2,972
Provision for impairment loss	(175)	-
<b>Total trade and other receivables</b>	<b>5,796</b>	<b>4,630</b>

# Notes to Financial Statements (Continued)

FOR YEAR ENDED 30 JUNE 2016

	Consolidated Entity	
	30 June 2016 \$'000	30 June 2015 \$'000
<b>10. Trade and Other Receivables (continued)</b>		
Current		
0 - 30 days	831	1,369
Past due but not impaired		
31 - 60 days	334	197
61 - 90 days	161	32
91+ days	94	60
Past due but impaired		
31 - 60 days	56	-
61 - 90 days	12	8
91+ days	51	92
<b>Total</b>	<b>1,539</b>	<b>1,758</b>

## (a) Provision for Impairment Loss on trade receivables

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. A trade receivables impairment loss of \$108,246 (2015: \$96,230) has been recognised by the Group in the current year. Debts which are considered recoverable have not been impaired by the Group. No individual amount within the impairment allowance is material.

Movements in the provision for impairment loss were as follows:

At 1 July	100	107
Charge for the year	108	96
Amount written off	(89)	(103)
<b>Total</b>	<b>119</b>	<b>100</b>

## 11. Other Financial Assets

Forward exchange contracts (cash flow hedge)	-	2,011
<b>Total</b>	<b>-</b>	<b>2,011</b>

The forward exchange contract (FEC) was recognised as an asset in the prior period.

## 12. Inventories

Raw materials and consumables	3,541	3,745
Work in progress	280	286
Finished goods	89,505	86,513
	<b>93,326</b>	<b>90,544</b>
Carrying amount of inventories subject to retention of title clauses	2,149	6,557

Consolidated Entity		
	30 June 2016 \$'000	30 June 2015 \$'000

### 13. Investments

Property		
Opening balance as at 1 July	3,712	24,423
Additions	-	566
Disposal	-	(20,560)
Depreciation	-	(717)
Transfer to Property, Plant & Equipment	(3,712)	-
<b>Closing Balance as at 30 June</b>	<b>-</b>	<b>3,712</b>

The investment property is located at Rockhampton, QLD and was reclassified during the year. During the year, the Group received external rental income of \$nil (2015: \$1,417,104) and incurred operating expenses of \$950,101 (2015: \$1,732,169) in relation to Investment Property. All rental income was earned from inter segment.

### 14. Property, Plant and Equipment

<b>Cost</b>		
<b>Land and Buildings</b>		
Balance at beginning of year	3,275	3,278
Reclassified from Investments	3,913	-
Disposals / transfers	-	(3)
<b>Balance at End of Year</b>	<b>7,188</b>	<b>3,275</b>
<b>Plant and Equipment</b>		
Balance at beginning of year	25,042	23,332
Acquisitions	1,928	1,981
Disposals / transfers	(115)	(271)
<b>Balance at End of Year</b>	<b>26,855</b>	<b>25,042</b>
<b>Fixtures and Fittings</b>		
Balance at beginning of year	28,126	25,898
Reclassified from Investments	276	-
Acquisitions	4,024	2,977
Disposals / transfers	(944)	(749)
<b>Balance at End of Year</b>	<b>31,482</b>	<b>28,126</b>
<b>Leasehold Improvements</b>		
Balance at beginning of year	10,319	10,324
Acquisitions	131	234
Disposals / transfers	(138)	(239)
<b>Balance at End of Year</b>	<b>10,312</b>	<b>10,319</b>
<b>Capital Works in Progress</b>		
Balance at beginning of year	438	3,271
Acquisitions	68	2,039
Disposals / transfers	-	(4,872)
<b>Balance at End of Year</b>	<b>506</b>	<b>438</b>
<b>Total</b>		
Balance at beginning of year	67,200	66,103
Reclassified from Investments	4,189	-
Acquisitions	6,151	7,231
Disposals / transfers	(1,197)	(6,134)
<b>Balance at End of Year</b>	<b>76,343</b>	<b>67,200</b>

# Notes to Financial Statements (Continued)

FOR YEAR ENDED 30 JUNE 2016

14. Property, Plant and Equipment (continued)	Consolidated Entity	
	30 June 2016 \$'000	30 June 2015 \$'000
<b>Depreciation and Impairment Losses</b>		
<b>Land and Buildings</b>		
Balance at beginning of year	294	235
Reclassified from Investments	376	-
Depreciation	129	59
<b>Balance at End of Year</b>	<b>799</b>	<b>294</b>
<b>Plant and Equipment</b>		
Balance at beginning of year	17,176	15,344
Depreciation	2,107	2,038
impairment	2,098	-
Disposals /transfers	(265)	(206)
<b>Balance at End of Year</b>	<b>21,116</b>	<b>17,176</b>
<b>Fixtures and Fittings</b>		
Balance at beginning of year	15,401	13,780
Reclassified from Investments	102	-
Depreciation	2,564	2,067
Impairment	162	-
Disposals /transfers	(526)	(446)
<b>Balance at End of Year</b>	<b>17,703</b>	<b>15,401</b>
<b>Leasehold Improvements</b>		
Balance at beginning of year	7,214	6,469
Depreciation	750	895
Disposals /transfers	(72)	(150)
<b>Balance at End of Year</b>	<b>7,892</b>	<b>7,214</b>
<b>Total</b>		
Balance at beginning of year	40,085	35,828
Reclassified from Investments	478	-
Depreciation	5,550	5,059
Impairment	2,260	-
Disposals /transfers	(863)	(802)
<b>Balance at End of Year</b>	<b>47,510</b>	<b>40,085</b>
<b>Carrying Amounts</b>		
<b>Land and Buildings</b>		
At beginning of year	2,981	3,043
<b>At End of Year</b>	<b>6,389</b>	<b>2,981</b>
<b>Plant and Equipment</b>		
At beginning of year	7,866	7,988
<b>At End of Year</b>	<b>5,739</b>	<b>7,866</b>
<b>Fixtures and Fittings</b>		
At beginning of year	12,725	12,118
<b>At End of Year</b>	<b>13,779</b>	<b>12,725</b>
<b>Leasehold Improvements</b>		
At beginning of year	3,105	3,855
<b>At End of Year</b>	<b>2,420</b>	<b>3,105</b>

14. Property, Plant and Equipment (continued)	Consolidated Entity	
	30 June 2016 \$'000	30 June 2015 \$'000
Capital Works in Progress		
At beginning of year	438	3,271
<b>At End of Year</b>	<b>506</b>	<b>438</b>
<b>Total</b>		
At beginning of year	27,115	30,275
<b>At End of Year</b>	<b>28,833</b>	<b>27,115</b>

15. Intangible Assets	Consolidated Entity		
	Goodwill \$'000	Software \$'000	Total \$'000
<b>Cost</b>			
Balance at 1 July 2015	5,362	10,579	15,941
Acquisitions	-	1,681	1,681
Disposals	-	-	-
<b>Balance at 30 June 2016</b>	<b>5,362</b>	<b>12,260</b>	<b>17,622</b>
Balance at 1 July 2014	5,737	9,328	15,065
Acquisitions	-	1,328	1,328
Disposals	-	(77)	(77)
Sale of Dare Gallery business	(375)	-	(375)
<b>Balance at 30 June 2015</b>	<b>5,362</b>	<b>10,579</b>	<b>15,941</b>
<b>Amortisation and Impairment Losses</b>			
Balance at 1 July 2015	1,661	6,508	8,169
Amortisation	-	1,364	1,364
Impairment	1,071	258	1,329
Disposals	-	-	-
<b>Balance at 30 June 2016</b>	<b>2,732</b>	<b>8,130</b>	<b>10,862</b>
Balance at 1 July 2014	1,661	5,335	6,996
Amortisation	-	1,250	1,250
Disposal	-	(77)	(77)
<b>Balance at 30 June 2015</b>	<b>1,661</b>	<b>6,508</b>	<b>8,169</b>
<b>Carrying Amount</b>			
At 1 July 2015	3,701	4,071	7,772
<b>At 30 June 2016</b>	<b>2,630</b>	<b>4,130</b>	<b>6,760</b>
At 1 July 2014	4,076	3,993	8,069
<b>At 30 June 2015</b>	<b>3,701</b>	<b>4,071</b>	<b>7,772</b>

# Notes to Financial Statements (Continued)

FOR YEAR ENDED 30 JUNE 2016

## 15. 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 three year period. The cash flows beyond the budget period have been extrapolated using a 2.5% long term growth rate (2015: 2.5%) consistent with estimated inflation rates over the period. The resultant cash flows for five years have been discounted using a discount rate of 7.1% (2015: 8%). Discount rates are pretax and are adjusted to incorporate risks associated with each cash-generating unit.

	Consolidated Entity	
	30 June 2016 \$'000	30 June 2015 \$'000
<b>16. Other Non-Current Assets</b>		
<b>Non-current</b>		
Security deposits	3	-

## 17. Trade and Other Payables

<b>Current</b>		
Trade creditors (a)	7,281	7,462
Sundry creditors and accruals	32,456	30,953
	<b>39,737</b>	<b>38,415</b>
<b>(a) Foreign Currency Liabilities</b>		
Current - United States Dollars	2,063	4,683
Current - Euros	-	44
Current - Thai Baht	-	2,158

The Group's exposure to currency and liquidity risk is disclosed at Note 23.

## 18. Interest Bearing Loans and Borrowings

<b>Current</b>		
Bank loans - secured (a)	-	5,000
	-	<b>5,000</b>

(a) Each company within the Group has entered into cross guarantee arrangements. The ANZ Bank loans were secured by a first registered mortgage over freehold property of the Group. In 2015, the weighted average cost of borrowings was 3.6% on a \$5 million loan which was repaid during the year, as such there is no cost of borrowing for the current year.



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18. Interest Bearing Loans and Borrowings (continued)	Consolidated Entity	
	30 June 2016 \$'000	30 June 2015 \$'000
<b>Financing Arrangements</b>		
The Group has access to the following lines of credit:		
<b>Total Facilities Available:</b>		
Bank overdraft	5,000	5,000
Indemnity guarantee/letters of credit	1,500	4,000
Asset finance	410	410
Cash advance facility	5,538	5,538
	<b>12,448</b>	<b>14,948</b>
<b>Facilities Utilised at Balance Date:</b>		
Bank overdraft	-	5,000
Indemnity guarantee/letters of credit	432	432
	<b>432</b>	<b>5,432</b>
<b>Facilities Not Utilised at Balance Date:</b>		
Bank overdraft	5,000	-
Indemnity guarantee/letters of credit	1,068	3,568
Asset finance	410	410
Cash advance facility	5,538	5,538
	<b>12,016</b>	<b>9,516</b>

**19. Current Tax Payable**

The current tax payable of \$3,195,865 (2015: \$3,999,960) represents the amount of income tax payable 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.

# Notes to Financial Statements (Continued)

FOR YEAR ENDED 30 JUNE 2016

	Consolidated Entity	
	30 June 2016 \$'000	30 June 2015 \$'000
<b>20. Employee Benefits</b>		
<b>(a) Employee Benefits</b>		
Aggregate liability for employee benefits, including on-costs		
<b>Current</b>		
Salary and wages accrued	8,768	10,437
Annual leave liability	7,886	7,225
Long service leave liability	2,517	2,601
	<b>19,171</b>	<b>20,263</b>
<b>Non-current</b>		
Long service leave liability	2,225	1,952
	<b>21,396</b>	<b>22,215</b>
<b>(b) Superannuation Plan</b>		
Superannuation contributions amounted to:	<b>8,502</b>	<b>7,624</b>

## (c) Share Based Payments

The Company has a performance hurdle employee share plan 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 acquired 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. All shares held by the trust for the long term incentive plan have now been forfeited. No (2015: 275,000) new shares were issued and held by the trust during the financial year.

## 21. Provisions

	Lease Incentive \$'000	Lease Increases \$'000	Restructure \$'000	Product Warranty \$'000	Make Good \$'000	Total \$'000
<b>Consolidated</b>						
Balance at 1 July 2015	3,930	920	-	-	402	5,252
Provisions made during the year	996	311	4,100	1,361	485	7,253
Provisions used during the year	(1,141)	(111)	-	-	(352)	(1,604)
<b>Balance at 30 June 2016</b>	<b>3,785</b>	<b>1,120</b>	<b>4,100</b>	<b>1,361</b>	<b>535</b>	<b>10,901</b>
<b>Current</b>	1,615	125	4,100	1,361	535	7,736
<b>Non-current</b>	2,170	995	-	-	-	3,165
	<b>3,785</b>	<b>1,120</b>	<b>4,100</b>	<b>1,361</b>	<b>535</b>	<b>10,901</b>
<b>Consolidated</b>						
Balance at 1 July 2014	3,261	486	-	-	225	3,972
Provisions made during the year	2,960	599	-	-	177	3,736
Provisions used during the year	(2,291)	(165)	-	-	-	(2,456)
<b>Balance at 30 June 2015</b>	<b>3,930</b>	<b>920</b>	<b>-</b>	<b>-</b>	<b>402</b>	<b>5,252</b>
<b>Current</b>	1,166	120	-	-	402	1,688
<b>Non-current</b>	2,764	800	-	-	-	3,564
	<b>3,930</b>	<b>920</b>	<b>-</b>	<b>-</b>	<b>402</b>	<b>5,252</b>

## 21. Provisions (continued)

### Provision for Lease Incentive

A provision of \$3,785,408 (2015: \$3,930,232) 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 \$1,119,500 (2015: \$919,734) 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 Restructure

A provision of \$4,100,000 (2015: \$nil) has been recognised for the estimated costs of closing down the Le Cornu store at Keswick, South Australia and the Ashley HomeStore at Gepps Cross, South Australia. This provision includes redundancy costs, warranty costs and incidental costs related to the closure of these stores.

### Provision for Product Warranty

A provision of \$1,361,000 (2015: \$nil) has been recognised for the estimated costs for future warranty claims for inventory sold and is based on historical rates of product returns.

### Provision for Make Good

A provision of \$534,596 (2015: \$402,000) 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.

## 22. Equity

### (i) Share Capital

103,257,398 (2015: 103,257,398)  
ordinary shares, fully paid (a)

Ordinary shares at beginning of the financial year

Shares issued during the year (a)

**Ordinary Shares at the End of the Financial Year**

(a) During the year ended 30 June 2016, nil shares (2015: 275,000) 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

Profit after tax attributable to equity holders of the Parent

Dividend paid

Loss of control of subsidiary

**Retained Earnings at the End of the Financial Year**

### (iii) Reserves

#### (a) Foreign Currency Translation Reserve

Exchange differences on translation of foreign operations

Income tax effect

**Total Foreign Currency Translation Reserve**

#### (b) Cash Flow Hedge Reserve

(Loss)/Gain on cash flow hedges

Income tax effect

**Total Cash Flow Hedge Reserve**

**Total Reserves**

	Consolidated Entity	
	30 June 2016 \$'000	30 June 2015 \$'000
<b>(i) Share Capital</b>		
103,257,398 (2015: 103,257,398) ordinary shares, fully paid (a)	23,608	23,608
Ordinary shares at beginning of the financial year	23,608	23,270
Shares issued during the year (a)	-	338
<b>Ordinary Shares at the End of the Financial Year</b>	<b>23,608</b>	<b>23,608</b>
<b>(ii) Retained Earnings</b>		
Retained earnings at the beginning of the financial year	84,230	84,515
Profit after tax attributable to equity holders of the Parent	11,437	13,204
Dividend paid	(12,391)	(13,418)
Loss of control of subsidiary	-	(71)
<b>Retained Earnings at the End of the Financial Year</b>	<b>83,276</b>	<b>84,230</b>
<b>(iii) Reserves</b>		
<b>(a) Foreign Currency Translation Reserve</b>		
Exchange differences on translation of foreign operations	1,123	957
Income tax effect	(337)	(287)
<b>Total Foreign Currency Translation Reserve</b>	<b>786</b>	<b>670</b>
<b>(b) Cash Flow Hedge Reserve</b>		
(Loss)/Gain on cash flow hedges	(334)	2,011
Income tax effect	100	(603)
<b>Total Cash Flow Hedge Reserve</b>	<b>(234)</b>	<b>1,408</b>
<b>Total Reserves</b>	<b>552</b>	<b>2,078</b>

# Notes to Financial Statements (Continued)

FOR YEAR ENDED 30 JUNE 2016

## 23. Financial Instruments

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

- Interest rate risk
- Liquidity risk
- Credit 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	Non-Interest Bearing \$'000	Total \$'000
<b>Consolidated 2016</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	(9)	31,863	-	-	31,863
Trade and other receivables	(10)	-	-	5,796	5,796
		<b>31,863</b>	<b>-</b>	<b>5,796</b>	<b>37,659</b>
<b>Financial Liabilities</b>					
Trade and other payables	(17)	-	-	39,737	39,737
Interest bearing loans and borrowings	(18)	-	-	-	-
		<b>-</b>	<b>-</b>	<b>39,737</b>	<b>39,737</b>
Weighted average interest rate		1.6%			
<b>Net Financial Assets/(Liabilities)</b>		<b>31,863</b>	<b>-</b>	<b>(33,941)</b>	<b>(2,078)</b>

	Notes	Floating Interest Rate \$'000	Fixed Interest Rate 1 Year or Less \$'000	Non-Interest Bearing \$'000	Total \$'000
<b>Consolidated 2015</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	(9)	26,721	10,000	-	36,721
Trade and other receivables	(10)	-	-	4,630	4,630
Other financial assets	(11)	-	-	2,011	2,011
		<b>26,721</b>	<b>10,000</b>	<b>6,641</b>	<b>43,362</b>
<b>Financial Liabilities</b>					
Trade and other payables	(17)	-	-	38,415	38,415
Interest bearing loans and borrowings	(18)	5,000	-	-	5,000
		<b>5,000</b>	<b>-</b>	<b>38,415</b>	<b>43,415</b>
Weighted average interest rate		2.9%			
<b>Net Financial Assets/(Liabilities)</b>		<b>21,721</b>	<b>10,000</b>	<b>(31,774)</b>	<b>(53)</b>

## 23. 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 2016 \$'000	30 June 2015 \$'000
Less than six months	39,737	38,415
Six to twelve months	-	5,000
Two to five years	-	-
	<b>39,737</b>	<b>43,415</b>

The facilities available to be utilised by the Group total \$12,448,000 (2015: \$14,948,000). Facilities not utilised at 30 June 2016 were \$12,016,273 (2015: \$9,516,273).

### (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. As at 30 June 2016 the Group has no interest bearing loans or borrowings (2015: \$5,046,667).

### (e) Foreign Exchange Risk

The Group has a foreign currency risk in respect of payables as at 30 June 2016. 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 for a significant portion 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 2016 to hypothetical changes in market rates and prices. It also shows the potential impact on the Consolidated Statement of Profit or Loss and Other Comprehensive Income if those changes had occurred for the 12 months ended 30 June 2016. 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.

# Notes to Financial Statements (Continued)

FOR YEAR ENDED 30 JUNE 2016

23. Financial Instruments (continued)	Consolidated		Consolidated	
	Interest rates +1%	Interest rates -1%	Exchange rates +10%	Exchange rates -10%
<b>2016</b>				
Increase/(decrease) in fair value of financial instruments at 30 June 2016	246,667	(246,667)	(614,562)	614,562
Net Impact on Income Statement; gain/(loss)	246,667	(246,667)	(16,770,287)	16,770,287

2015	Consolidated		Consolidated	
	Interest rates +1%	Interest rates -1%	Exchange rates +10%	Exchange rates -10%
Increase/(decrease) in fair value of financial instruments at 30 June 2015	216,667	(216,667)	(596,642)	596,642
Net Impact on Income Statement; gain/(loss)	216,667	(216,667)	(14,686,733)	14,686,733

## (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.

24. Operating Lease Commitments	Consolidated Entity	
	30 June 2016 \$'000	30 June 2015 \$'000
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	54,902	52,371
Between one and five years	104,955	100,887
More than five years	19,930	24,711
	<b>179,787</b>	<b>177,969</b>

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 2016, \$53,234,533 (2015: \$52,683,659) was recognised as an expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in respect of operating leases for the Group. Sub-lessee income for the year ended 30 June 2016 was \$713,385 (2015: \$2,281,709).

25. Capital Expenditure Commitments	Consolidated Entity	
	30 June 2016 \$'000	30 June 2015 \$'000
Plant and equipment and software contracted but not provided for and payable within one year:	480	365

## 26. Auditors' Remuneration

	Consolidated Entity	
	30 June 2016 \$	30 June 2015 \$
Remuneration of the auditor of the Company for:		
-auditing or reviewing the financial report	170,000	165,000
-other services	3,500	-
	<b>174,500</b>	<b>165,000</b>

## 27. Subsidiaries

Details of subsidiaries are set out below:

### Incorporated in Australia:

#### Parent Entity

Fantastic Holdings Limited

#### Subsidiaries

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  
Fantastic Metal Furniture Manufacturers Pty Ltd  
Royal Comfort Bedding Pty Ltd  
Fantastic Property Pty Ltd  
The Package Deal Kings Pty Ltd  
Fantastic Furniture Share Plan Pty Ltd  
White Label Investments Pty Ltd  
Innovation Nominees (1) Pty Ltd  
Innovation Nominees (2) Pty Ltd  
White Label Innovations (1) Pty Ltd  
White Label Innovations (2) Pty Ltd  
White Label Innovations Pty Ltd  
State Marketing and Innovation Corporation Pty Ltd

### Incorporated Overseas:

#### Incorporated in New Zealand

Fantastic Furniture - The Package Deal Kings Limited  
Fantastic Furniture Limited

#### Incorporated in Vietnam

Cong Ty TNHH Fantastic Metal Furniture Manufacturers

#### Incorporated in Hong Kong

Fantastic Holdings Hong Kong Limited

All of the above entities are 100% owned and have a balance date of 30 June.

# Notes to Financial Statements (Continued)

FOR YEAR ENDED 30 JUNE 2016

## 28. Related Party Disclosures

### (a) Related Entities

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

		Sales to related party	Provided from related party	Amounts owed by related party	Amounts owed to related party
<b>Joint Venture Entity</b>					
Fantastic International Manufacturing Jiangsu Co. Ltd	2016	-	11,690	-	202
	2015	-	5,927	-	830

### (b) Key Management Personnel Compensation

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

	Consolidated Entity		Company	
	30 June 2016 \$	30 June 2015 \$	30 June 2016 \$	30 June 2015 \$
Short term employee benefits	4,522,227	4,159,439	2,119,364	2,004,358
Post employment benefits	195,461	177,038	101,626	93,518
Share based payments	-	-	-	-
	<b>4,717,688</b>	<b>4,336,477</b>	<b>2,220,990</b>	<b>2,097,876</b>

### 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.



## 28. Related Party 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 July 2015	Received as remuneration	Shares purchased, sold or reconstructed	Long term incentive unvested share forfeiture	Balance of shares 30 June 2016	Long term incentive shares not vested
	Number	Number	Number	Number	Number	Number
<b>Company Directors</b>						
Julian Tertini (1)	41,776,211	-	-	-	41,776,211	Nil
Peter Brennan OAM	10,698,016	-	-	-	10,698,016	Nil
Geoffrey Squires	171,405	-	-	-	171,405	Nil
Margaret Haseltine	15,069	-	-	-	15,069	Nil
Robyn Watts	10,000	-	-	-	10,000	Nil
John Hughes	-	-	-	-	-	Nil
<b>Executives</b>						
Debra Singh	8,500	-	21,500	-	30,000	Nil
Brian Cassell	-	-	-	-	-	Nil
Melissa Blackley	-	-	-	-	-	Nil
Jason Newman	-	-	-	-	-	Nil
Chris Burke	8,860	-	-	-	8,860	Nil
Stephen Heath	56,500	-	-	-	56,500	Nil
George Saoud	-	-	-	-	-	Nil
<b>Total</b>	<b>52,744,561</b>	<b>-</b>	<b>21,500</b>	<b>-</b>	<b>52,766,061</b>	<b>-</b>

	Balance of Shares 1 July 2014	Received as Remuneration	Shares purchased, sold or reconstructed	Long term incentive unvested share forfeiture	Balance of Shares 30 June 2015	Long term incentive shares not vested
	Number	Number	Number		Number	Number
<b>Company Directors</b>						
Julian Tertini (1)	41,776,211	-	-	-	41,776,211	Nil
Peter Brennan OAM	10,698,016	-	-	-	10,698,016	Nil
Geoffrey Squires	171,405	-	-	-	171,405	Nil
Margaret Haseltine	-	-	15,069	-	15,069	Nil
Robyn Watts	-	-	10,000	-	10,000	Nil
<b>Executives</b>						
Stephen Heath	-	-	56,500	-	56,500	900,000
George Saoud	-	-	-	-	-	225,000
Debra Singh	8,500	-	-	-	8,500	225,000
Jason Newman	-	-	-	-	-	Nil
Chris Burke	8,860	-	-	-	8,860	Nil
<b>Total</b>	<b>52,662,992</b>	<b>-</b>	<b>81,569</b>		<b>52,744,561</b>	<b>1,350,000</b>

(1) The total shares held includes 10 million shares by Yaquina Pty Ltd and Mr Tertini has voting power on these shares.

# Notes to Financial Statements (Continued)

FOR YEAR ENDED 30 JUNE 2016

## 28. Related Party Disclosures (continued)

### (d) Loans to Key Management Personnel 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 Key Management Personnel 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 2016 \$	30 June 2015 \$
Franchise fees received	202,635	181,965
Sale of inventory	2,649,183	2,198,032
Advertising recharge fees received	200,000	200,000
Amounts receivable from the Caringbah store franchise	270,835	10,795

(ii) Tertan Management Services Unit Trust and Bytenew Pty Ltd, entities associated with Julian Tertini received rent of \$1,117,570 (2015: \$1,180,166) and outgoings of \$94,176 (2015: \$96,110) in respect of company owned stores on normal commercial terms.

## 29. Parent Entity Information

### Assets

	Company	
	30 June 2016 \$'000	30 June 2015 \$'000
Current assets	19,966	40,097
Non-current assets	20,192	1,513
<b>Total Assets</b>	<b>40,158</b>	<b>41,610</b>

### Liabilities

Current liabilities	2,299	5,778
Non-current liabilities	1,855	2,038
<b>Total Liabilities</b>	<b>4,154</b>	<b>7,816</b>

### Equity

Share capital	23,608	23,608
Reserves	240	1,408
Retained earnings	12,156	8,778
<b>Total Equity</b>	<b>36,004</b>	<b>33,794</b>
<b>Profit</b>	<b>15,768</b>	<b>5,980</b>

### 30. Interest in a Joint Venture Entity

The Group has a 60% interest in Fantastic International Manufacturing - FIM Limited, a company domiciled in Hong Kong which owns Fantastic International Manufacturing Jiangsu Co. Ltd, domiciled in the Peoples Republic of China. This joint venture is involved in the manufacture of household furniture with a manufacturing facility located in China.

The Group's interest in this joint venture is accounted for using the equity method in the Group's consolidated financial statements. Summarised financial information of the joint venture, based on Australian Accounting Standards financial statements, and reconciliation with the carrying amount of the investment in the Group's consolidated financial statements, are set out below:

Summarised statement of financial position of joint venture	Consolidated Entity	
	30 June 2016 \$'000	30 June 2015 \$'000
Current assets	3,451	4,323
Non-current assets	4,769	5,346
Current liabilities	(171)	(384)
Non-current liabilities	-	-
<b>Equity</b>	<b>8,049</b>	<b>9,285</b>

### Summarised statement of profit or loss of joint venture

Revenue	11,700	5,927
Cost of sales	(6,035)	(3,077)
Administration expenses	(6,600)	(4,771)
Finance income	1	11
<b>Loss before tax</b>	<b>(934)</b>	<b>(1,910)</b>
Income tax benefit	315	469
<b>Loss for the year</b>	<b>(619)</b>	<b>(1,441)</b>
Total comprehensive income for the year	(619)	(1,441)
Group's share of loss for the year @ 60%	(371)	(865)
<b>Group's carrying amount of the investment</b>	<b>5,463</b>	<b>5,644</b>

The joint venture had no contingent liabilities or capital commitments as at 30 June 2016. The joint venture cannot distribute its profits without the consent from the two venture partners.

# Notes to Financial Statements (Continued)

FOR YEAR ENDED 30 JUNE 2016

### 31. Significant Items

On 6th July 2016, the Company announced changes to its South Australian operations, in particular, the closure of the Le Cornu Keswick store. The financial impact of the closure is as follows:

	Consolidated Entity	
	30 June 2016 \$'000	30 June 2015 \$'000
Assets impairment and costs to dispose	4,975	-
Restructure provisions	4,100	-
<b>Total Impairment</b>	<b>9,075</b>	<b>-</b>

### 32. Events Subsequent to Balance Date

On 25th August 2016, the directors of Fantastic Holdings Limited declared a final dividend of 7.00 cents and a special dividend of 15.00 cents on shares in respect of the 2016 financial year. The total amount of the dividend is \$22,716,628 which represents a fully franked dividend of 22.00 cents per share. The dividend has not been provided for in the 30 June 2016 financial statements.

Other than this event, there has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

### 33. 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 35 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.

Other

- (iii) Rest-Easy Bedding Pty Ltd, a key supplier to FHL subsidiary, Original Mattress Factory Pty Limited, is currently in liquidation. The liquidator of Rest-Easy Bedding Pty Ltd is understood to be lodging a claim for outstanding moneys. The Company will defend its position.

### 34. Disposal of Subsidiary

On 25 January 2015, the Group disposed of its entire interest in D.Gallery Pty Limited (Dare Gallery) for a cash consideration of \$4,068,101. No additional consideration is receivable. The effect of the disposal on the Group was:

	30 June 2015 \$'000
Total Disposal Consideration in cash	4,068
Carrying amount of net assets sold	(2,857)
Gain on sale before income tax	1,211
Income Tax expense	(363)
Gain on Sale after income tax	848

### 35. 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

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 Profit or Loss and Other 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 2016, is the same as the consolidated Statement of Profit or Loss and Comprehensive Income and consolidated Statement of Financial Position included in this financial report.

# Directors' Declaration

## FOR YEAR ENDED 30 JUNE 2016

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

(a) The consolidated financial statements and notes set out on pages 55 to 93, and the Remuneration Report in the Directors' Report set out on pages 32 to 43, 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 2016 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 2;

(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 27 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 Officers and Chief Financial Officer for the financial year ended 30 June 2016.

Signed in accordance with a resolution of the Directors



Julian Tertini  
Chairman

Dated this 6th day of September 2016

# Independent Auditor's Report



## 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 which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss, 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 is free from material misstatement, whether due to fraud or error. In Note 2, 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 (IFRS).

### 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 entity's preparation and fair presentation of the financial report 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 2016 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 2016 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 2.

### REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 32 to 43 of the directors' report for the year ended 30 June 2016. 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 2016 complies with section 300A of the Corporations Act 2001.*



**Felsers**  
Chartered Accountants



**Michael Kersch**  
Partner  
Sydney

Dated: 6 September 2016



# Shareholding Information

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

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 10 August 2016, there were 103,257,398 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."

At 10 August 2016, there were 86,000 unlisted ordinary shares of the Company which currently have no voting rights and no entitlement to dividends.

Distribution of Shareholders (at 10 August 2016)

Category	Number of Holders	
	Ordinary Shares	Options
1- 1,000	533	-
1,001 - 5,000	384	-
5,001 - 10,000	129	-
10,001 - 100,000	133	-
100,001 and over	27	-
	1,206	-

The number of shareholdings held in less than marketable parcels is 140.

## 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 10 August 2016 are:

Shareholder	Number of Ordinary Fully Paid Shares Held
Julian Tertini	41,776,211*
Peter Brennan	10,698,016
IOOF Holdings Limited	11,496,737
Westpac Banking Corporation	9,276,088
Perpetual Limited	7,346,174

\* The total includes 10,000,000 shares held by Yaquina Pty Limited and 934,137 shares held by Lawncat Pty Ltd for which Mr Tertini has voting power over these shares.

## Twenty Largest Shareholders (at 10 August 2016)

Shareholder	No. of Ordinary Fully Paid Shares Held	Percentage of Capital Held
Bytenew Pty Limited <Tertini Fam Settlement 2 A/C>	30,842,074	29.87%
HSBC Custody Nominees (Australia) Limited	11,345,548	10.99%
Yaquina Pty Limited <Maia A/C>	10,000,000	9.68%
J.P. Morgan Nominees Australia Limited	7,292,245	7.06%
RBC Investor Services Australia Nominees Pty Limited <Pi Pooled A/C>	6,615,530	6.41%
RBC Investor Services Australia Nominees Pty Limited <Bkcust A/C>	4,620,720	4.47%
Mrs Patricia Brennan	3,989,965	3.86%
Nonad Financial Services Pty Limited <P & P Brennan Super Fund A/C>	3,894,624	3.77%
Mr Peter Brennan	2,813,427	2.72%
BNP Paribas Noms Pty Ltd <DRP>	2,619,157	2.54%
National Nominees Limited	2,555,118	2.47%
Citicorp Nominees Pty Limited	1,994,682	1.93%
Trinity Management Group Pty Limited	1,820,685	1.76%
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	1,579,565	1.53%
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	1,373,777	1.33%
Lawncat Pty Ltd	934,137	0.90%
Norman Role	900,000	0.87%
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%
Tidereef Pty Ltd <Ivan Hammerschlag Super A/C>	276,224	0.27%
	<b>96,583,329</b>	<b>93.54%</b>

### On-Market Buy-Back

There is no current on-market buy-back.

# Corporate Directory

## Directors

Julian Tertini	Chairman and Non-Executive Director
Margaret Haseltine	Deputy Chairman and Non-Executive Director (resigned 14 June 2016)
Peter Brennan OAM	Non-Executive Director
Geoffrey Squires	Non-Executive Director
Robyn Watts	Non-Executive Director
John Hughes	Non-Executive Director (appointed 14 June 2016)
Stephen Heath	Managing Director (resigned 26 February 2016)

## Executive Officers

Debra Singh	Group Chief Executive Officer - Retail (appointed 30 March 2016)
Jason Newman	Chief Executive Officer - FHL Manufacturing (appointed 9 June 2016)
Brian Cassell	Group Chief Financial Officer and Company Secretary (appointed 17 February 2016)

## 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 26 October 2016, commencing at 10:30am at Rydges Bankstown, corner of Hume Highway and Strickland Street, Bass Hill NSW.



Fantastic Holdings  
Limited

**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  
Tamworth  
Taree  
Tuggerah  
Wagga Wagga  
Warrawong  
Warwick Farm

**QUEENSLAND**

Burleigh Heads  
Capalaba  
Helensvale  
Hervey Bay  
Ipswich  
Logan  
Maroochydore  
Morayfield  
Rockhampton  
Toowoomba  
Townsville  
Windsor

**VICTORIA**

Ballarat  
Bendigo  
Caroline Springs  
Dandenong  
Geelong  
Hoppers Crossing  
Maribyrnong  
Mildura  
Moorabbin  
Mornington  
Nunawading  
Preston  
Shepparton

Taylors Lakes  
Thomastown  
Traralgon  
Warrnambool

**SOUTH AUSTRALIA**

Marion  
Munno Para  
Windsor Gardens

**TASMANIA**

Hobart  
Launceston

**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  
Fortitude Valley  
Jindalee  
Maroochydore  
Townsville

**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  
Belrose  
Bennetts Green  
Castle Hill  
Caringbah  
Crossroads  
Dubbo  
Nowra  
Prospect  
Rutherford  
Tuggerah  
Wagga Wagga  
Warrawong  
West Gosford

**LE CORNU**

**NORTHERN TERRITORY**

Darwin

**SOUTH AUSTRALIA**

Adelaide

**ASHLEY FURNITURE  
HOME STORE**

**SOUTH AUSTRALIA**

Gepps Cross

Online  
Furniture