

ASX ANNOUNCEMENT

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Scheme Booklet registered with Australian Securities and Investments Commission

- *Australian Securities and Investments Commission has registered the Scheme Booklet attached to this announcement*
- *The Independent Expert has concluded that the Scheme is in the best interests of Fantastic shareholders, in the absence of a superior proposal*
- *Fantastic Directors unanimously recommend that Fantastic shareholders vote in favour of the Scheme, in the absence of a superior proposal*

Thursday 3 November, 2016 Sydney: Fantastic Holdings Limited (**Fantastic**) (ASX:FAN) today announces that Australian Securities and Investments Commission has registered the Scheme Booklet in relation to the previously announced proposed acquisition of Fantastic by Steinhoff Asia Pacific Holdings Pty Limited, via a scheme of arrangement (**Scheme**).

A copy of the Scheme Booklet, including the Independent Expert's Report and a Notice of Scheme Meeting is attached to this announcement and will be sent to Fantastic shareholders on or about Monday, 7 November 2016. The Independent Expert, Leadenhall Corporate Advisory Pty Ltd, has concluded that the Scheme is in the best interests of Fantastic shareholders, in the absence of a superior proposal.

The Fantastic Board continues to unanimously recommend that Fantastic shareholders vote in favour of the Scheme, in the absence of a superior proposal. Subject to the same qualification, each Fantastic Director intends to vote all Fantastic shares held or controlled by them in favour of the Scheme.

The Scheme Meeting will be held on Wednesday, 7 December 2016 at Rydges Bankstown, 874 Hume Highway (corner of Hume Highway and Strickland Street), Bass Hill NSW 2197, commencing at 10.00am (AEDT).

For further information, please contact:

Fantastic Holdings Limited

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Fantastic Holdings
Limited

SCHEME BOOKLET

For a scheme of arrangement between Fantastic Holdings Limited and its shareholders in relation to the proposed acquisition by Steinhoff Asia Pacific Holdings Pty Limited.

VOTE IN FAVOUR

YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU
VOTE IN FAVOUR OF THE SCHEME, IN THE ABSENCE OF A
SUPERIOR PROPOSAL.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.

You should read it carefully and in its entirety before deciding whether or not to vote in favour of the Scheme.

If you are in any doubt about how to deal with this document, you should contact your broker, financial adviser, taxation or legal adviser immediately.

If you have any questions in relation to this Scheme Booklet or the Transaction, you should call the Fantastic Shareholder Information Line on +61 2 8052 5888 on Business Days between 9.00am and 5.00pm (AEDT).

Financial Adviser

MONASH
PRIVATE CAPITAL

Fantastic Holdings Limited
(ABN 19 004 000 775)

Legal Adviser

WM
WATSON MANGIONI

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IMPORTANT NOTICES

Nature of this document

This document includes the explanatory statement for the Scheme required by subsection 412(1) of the Corporations Act.

Defined terms

A number of defined terms are used in this Scheme Booklet. These terms are capitalised and have the meanings set out in Section 11.

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, their actual calculations may differ from the calculations set out in this booklet.

Important notice associated with Court order under subsection 411(1) of the Corporations Act

The fact that under subsection 411(1) of the Corporations Act, the Court has ordered that the Scheme Meeting be convened and has approved the explanatory statement required to accompany the Notice of Scheme Meeting does not mean that the Court:

- has formed any view as to the merits of the proposed Scheme or as to how members should vote (on this matter Fantastic Shareholders must reach their own decision); or
- has prepared, or is responsible for the content of, the explanatory statement.

ASIC and ASX

A copy of this Scheme Booklet has been registered by ASIC for the purposes of subsection 412(6) of the Corporations Act. ASIC has been given the opportunity to comment on this Scheme Booklet in accordance with subsection 411(2) of the Corporations Act. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

ASIC has been requested to provide a statement, in accordance with paragraph 411(17)(b) of the Corporations Act, that it has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the Second Court Hearing.

A copy of this Scheme Booklet has been provided to ASX. Neither ASX nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

No account of personal circumstances

This Scheme Booklet and the recommendations contained in it should not be taken as, and does not constitute, personal financial advice as these do not take into account your individual objectives, financial and tax situation or particular needs. As such, your directors encourage you to seek independent financial and tax advice before making any investment decision and any decision as to whether or not to vote in favour of the Scheme.

Not an offer

This Scheme Booklet does not constitute or contain an offer to Fantastic Shareholders, or a solicitation of an offer from Fantastic Shareholders, in any jurisdiction.

Foreign jurisdictions

The release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions, and persons outside Australia who come into possession of this Scheme Booklet should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Scheme Booklet has been prepared in accordance with Australian law and the information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with the laws and regulations outside Australia.

Disclaimer as to forward-looking statements

Some of the statements appearing in this Scheme Booklet (including in the Independent Expert's Report) may be in the nature of forward-looking statements. All forward-looking statements in this Scheme Booklet (including in the Independent Expert's Report) reflect views only as at the date of this Scheme Booklet, and generally may be identified by the use of forward-looking words such as "believe", "aim", "expect", "anticipate", "intending", "foreseeing", "likely", "should", "planned", "may", "estimate", "potential", or other similar words. Similarly, statements that describe the objectives, plans, goals or expectations of Fantastic or a Steinhoff Group Member are, or may

be, forward-looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which Fantastic and certain Steinhoff Group Members operate, as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward-looking statement. None of Fantastic, any Steinhoff Group Member, their respective subsidiaries or their respective directors, officers and employees, any persons named in this Scheme Booklet with their consent, or any person involved in the preparation of this Scheme Booklet, makes any representation or warranty (express or implied) as to the likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward-looking statement, except to the extent required by law. You are cautioned not to place reliance on any forward-looking statement.

Responsibility statement

Fantastic has prepared, and is responsible for, the Fantastic Information in this Scheme Booklet. No Steinhoff Group Member assumes any responsibility for the accuracy or completeness of that information.

Steinhoff Asia Pacific is responsible for the Steinhoff Information. Fantastic does not assume any responsibility for the Steinhoff Information.

Leadenhall Corporate Advisory Pty Ltd has prepared, and is responsible for, the Independent Expert's Report. None of Fantastic, Steinhoff Asia Pacific, Steinhoff Asia Pacific Holdings or any of their respective subsidiaries, directors, officers, employees or advisers assume any responsibility for the Independent Expert's Report, except in the case of Fantastic, Steinhoff Asia Pacific and Steinhoff Asia Pacific Holdings in relation to information given by them respectively to the Independent Expert.

Maps and Diagrams

Any diagrams, charts, maps, graphs and tables appearing in this Scheme Booklet are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available as at the Last Practicable Date.

References to time

Unless otherwise stipulated, all references to time in this Scheme Booklet are to Australian Eastern Daylight Time.

Privacy

Fantastic, Steinhoff Asia Pacific and Steinhoff Asia Pacific Holdings may collect personal information in the process of implementing the Scheme. The type of information that they may collect about you includes your name, contact details and information on your shareholding in Fantastic and the name of persons appointed by you to act as a proxy, attorney or corporate representative at the Scheme Meeting. The primary purpose of the collection of personal information is to assist Fantastic, Steinhoff Asia Pacific and Steinhoff Asia Pacific Holdings to conduct the Scheme Meeting and implement the Scheme. Without this information, Fantastic, Steinhoff Asia Pacific and Steinhoff Asia Pacific Holdings may be hindered in their ability to issue this Scheme Booklet and implement the Scheme. Personal information of the type described above may be disclosed to the Fantastic Registry, print and mail service providers, authorised securities brokers and Related Bodies Corporate of Fantastic and the Steinhoff Group. If you would like to obtain details of information about you held by Fantastic, please contact Computershare Investor Services Pty Limited at Level 4, 60 Carrington Street, Sydney NSW 2000, Australia.

Date

This Scheme Booklet is dated 3 November 2016.

CONTENTS OF THIS SCHEME BOOKLET

Key Dates Relating to the Scheme	5
Letter from the Chairman of Fantastic Holdings	6
1. Introduction	8
2. Key Considerations Relevant to Your Vote	9
3. Frequently Asked Questions	14
4. Overview of the Scheme	18
5. Information about Fantastic	22
6. Steinhoff Information	29
7. Risk Factors	35
8. Tax Adviser's Report	38
9. Information Relating to Fantastic Directors	40
10. Additional Information	42
11. Glossary and Interpretation	46
Annexure A – Independent Expert's Report	51
Annexure B – Scheme Implementation Deed	112
Annexure C – Scheme of Arrangement	167
Annexure D – Deed Poll	182
Annexure E – Notice of Scheme Meeting	194
Corporate Directory	198

KEY DATES RELATING TO THE SCHEME

EVENT	DATE
Date of this Scheme Booklet	Thursday, 3 November 2016
First Court Date	Thursday, 3 November 2016
Latest date and time for receipt of proxy forms or powers of attorney for the Scheme Meeting	10.00am (AEDT) on Monday, 5 December 2016
Time and date for determining eligibility to vote at the Scheme Meeting	7.00pm (AEDT) on Monday, 5 December 2016
Scheme Meeting to be held at Rydges Bankstown, 874 Hume Highway (corner of Hume Highway and Strickland Street), Bass Hill NSW 2197	10.00am (AEDT) on Wednesday, 7 December 2016

If the Scheme is agreed to by the requisite majorities of Fantastic Shareholders:

Second Court Date (for approval of the Scheme)	Monday, 12 December 2016
Outcome of Second Court Hearing announced to ASX	Monday, 12 December 2016
Effective Date (Court order lodged with ASIC and announcement by Fantastic to ASX)	Monday, 12 December 2016
Fantastic Shares suspended from trading on ASX	Close of trading on Monday, 12 December 2016
Scheme Record Date (for determining entitlements to Scheme Consideration)	7.00pm (AEDT) on Wednesday, 14 December 2016
Implementation Date (for despatching Scheme Consideration to Fantastic Shareholders)	Wednesday, 21 December 2016
Scheme Consideration will be sent to Fantastic Shareholders (by either cheque or direct credit into the nominated bank account used for dividend payments)	Wednesday, 21 December 2016

All dates in the above timetable are indicative only and are subject to change. The actual timetable will depend on many factors outside the control of Fantastic, including approvals from the Federal Court (New South Wales registry) and other regulatory authorities. Any changes will be announced by Fantastic on ASX and published on Fantastic's website at www.fantasticholdings.com.au.

All references to time in this Scheme Booklet are references to Australian Eastern Daylight Time (AEDT), unless otherwise stated.

LETTER FROM THE CHAIRMAN OF FANTASTIC HOLDINGS

3 November 2016

Dear Shareholder,

Introduction

On behalf of the Fantastic Board, I am pleased to provide you with this Scheme Booklet, which contains information for your consideration in relation to the proposed acquisition of Fantastic by Steinhoff Asia Pacific.

On 14 October 2016, Fantastic and Steinhoff Asia Pacific announced that they have entered into a Scheme Implementation Deed under which Steinhoff Asia Pacific, a wholly owned subsidiary of Steinhoff International, will acquire all of the shares in Fantastic by way of a scheme of arrangement, subject to certain conditions precedent including shareholder and court approval.

If the Scheme proceeds, Fantastic Shareholders will receive a total cash payment of \$3.50 per Fantastic Share. Your Directors believe that the Scheme provides a compelling opportunity for Fantastic Shareholders to realise certain and timely cash proceeds at an attractive premium. The total cash payment of \$3.50 per Fantastic Share represents an attractive premium of:

- 43% over the closing price of Fantastic Shares of \$2.45 on 13 October 2016, being the last trading day prior to the announcement of the Scheme;
- 46% over the 5-day VWAP of Fantastic Shares of \$2.41, up to and including 13 October 2016;
- 41% over the 1-month VWAP of Fantastic Shares of \$2.49, up to and including 13 October 2016;
- 33% over the 6-month VWAP of Fantastic Shares of \$2.62, up to and including 13 October 2016; and
- 42% over the 12-month VWAP of Fantastic Shares of \$2.46, up to and including 13 October 2016.

Directors' recommendation

Your Directors (who collectively hold or control approximately 51% of the issued share capital in Fantastic) have considered the advantages and disadvantages of the Scheme and **unanimously recommend that you vote in favour of the Scheme** in the absence of a Superior Proposal. Subject to this same qualification, each Director intends to vote all the Shares they hold or control in favour of the Scheme, in the absence of a Superior Proposal.

In reaching this conclusion, your Directors have carefully reviewed and considered a number of alternatives, including Fantastic's existing growth strategy and other standalone value creation opportunities, balanced against the uncertainties and risks that Fantastic would face if it were to continue as an independent entity. Given these considerations, the Fantastic Board believes that while Fantastic is well-positioned to deliver growth into the future, Steinhoff Asia Pacific's cash offer presents a compelling opportunity which delivers certain value for Fantastic Shareholders at a significant premium.

The Fantastic Board was unanimous in its decision to recommend Steinhoff Asia Pacific's proposal in the absence of a Superior Proposal and believe that the Scheme provides an opportunity for you to realise an attractive value for your Shares, without being subject to various uncertainties and risks associated with Fantastic's future operations.

Furthermore, Steinhoff International is a global leader in furniture, bedding and homeware. Steinhoff Asia Pacific's management team shares our vision for Fantastic and, as such, we believe they are the right partner for our customers, employees, suppliers and other stakeholders. If the Scheme proceeds, your Directors believe that it will deliver positive opportunities for Fantastic's staff and customers.

The reasons to vote in favour of the Scheme are set out in detail in Section 2.2. There are also reasons why you may choose to vote against the Scheme, which are set out in Section 2.3.

Independent Expert

The Independent Expert, Leadenhall Corporate Advisory Pty Ltd, has assessed the value of Fantastic at between \$3.42 and \$3.77 per Fantastic Share and has concluded that the Scheme is fair and reasonable and, therefore, in the best interests of Fantastic Shareholders, in the absence of a Superior Proposal. The Scheme Consideration of \$3.50 cash per Fantastic Share is within this range. A complete copy of the Independent Expert's Report is included as Annexure A to this Scheme Booklet.

How to vote

Your vote is important, regardless of how many Fantastic Shares you own. I encourage you to vote by completing the Proxy Form accompanying this Scheme Booklet or alternatively by attending the Scheme Meeting to be held at 10.00am (AEDT) on

Wednesday, 7 December 2016 at Rydges Bankstown, 874 Hume Highway (corner of Hume Highway and Strickland Street), Bass Hill NSW 2197.

If you wish the Scheme to proceed, it is important that you vote in favour and approve the Scheme.

Further information

The Scheme Booklet sets out important information regarding the Scheme, including the reasons for your Directors' unanimous recommendation and the Independent Expert's Report.

Please read the document carefully and in its entirety as it will assist you in making an informed decision on how to vote. If you are in any doubt as to what you should do, you should consult your financial, legal, tax or other professional adviser before making any investment decision in relation to your Shares.

If you require further information, please call the Shareholder Information Line on +61 2 8052 5888 between 9.00am and 5.00pm (AEDT).

Thank you

As a founding shareholder and having been integrally involved with the Fantastic business for more than 20 years, including opening some of its first stores in the mid-1990s, I would like to take this opportunity to thank our Shareholders, the entire Fantastic team and our valued customers for their continued support.

Yours sincerely,

A handwritten signature in dark ink, appearing to be 'Julian Tertini', with a long horizontal stroke extending to the right.

Julian Tertini
Chairman

1. INTRODUCTION

1.1 What is the Transaction?

The Transaction involves Steinhoff Asia Pacific, a wholly-owned Australian subsidiary of Steinhoff International, acquiring all of the Fantastic Shares on issue. The Transaction will be implemented via a scheme of arrangement between Fantastic and its Shareholders.

If you are a Fantastic Shareholder and the Scheme becomes Effective, you will receive the Scheme Consideration of \$3.50 cash for each Scheme Share.

In order for the Scheme to proceed, resolutions approving the Scheme must be passed by the requisite majorities of Fantastic Shareholders at the Scheme Meeting to be held on Wednesday, 7 December 2016. The Scheme is also subject to the satisfaction or waiver (as applicable) of various Conditions Precedent, as summarised in Section 4.3.

1.2 What should I do next?

Step 1: Read this Scheme Booklet in its entirety

You should read this Scheme Booklet carefully in its entirety, including the reasons to vote in favour or against the Scheme (as set out in Section 2), before making any decision on how to vote.

Answers to various frequently asked questions about the Transaction are set out in Section 3. If you have any additional questions in relation to this Scheme Booklet or the Transaction you should call the Shareholder Information Line on +61 2 8052 5888 on Business Days between 9.00am and 5.00pm (AEDT), or contact your legal, financial, taxation or other professional adviser.

Step 2: Vote at the Scheme Meeting

(a) Am I entitled to vote?

If you are registered as a Fantastic Shareholder on the Share Register at 7.00pm (AEDT) on Monday, 5 December 2016, you will be entitled to attend and vote at the Scheme Meeting to be held at 10.00am on Wednesday, 7 December 2016.

(b) How do I vote on the Scheme?

You can vote at the Scheme Meeting in the following ways:

- in person, by attending the Scheme Meeting at Rydges Bankstown, 874 Hume Highway (corner of Hume Highway and Strickland Street), Bass Hill NSW 2197 commencing at 10.00am on Wednesday, 7 December 2016;
- by lodging a proxy online at www.investorvote.com.au or www.intermediaryonline.com (for custodians that use Intermediary Online only);
- by mailing the enclosed Scheme Meeting Proxy Form to Computershare Investor Services Pty Limited GPO Box 242 Melbourne VIC 3001;
- by faxing the enclosed Scheme Meeting Proxy Form to 1800 783 447 (within Australia) or +613 9473 2555 (outside Australia); or
- by hand delivering the enclosed Scheme Meeting Proxy Form to the Fantastic Registry at Computershare Investor Services Pty Limited, located at Level 4, 60 Carrington Street, Sydney NSW 2000.

To be valid, a proxy must be received by the Fantastic Registry by 10.00am (AEDT) on Monday, 5 December 2016.

1.3 What is the Directors' recommendation?

Your Directors unanimously recommend that you vote in favour of the Scheme at the upcoming Scheme Meeting on Wednesday, 7 December 2016, in the absence of a Superior Proposal.

The Directors (who collectively hold or control approximately 51% of the issued share capital in Fantastic) intend to vote all of the Fantastic Shares held or controlled by them in favour of the Scheme, in the absence of a Superior Proposal.

The Directors believe that in the absence of a Superior Proposal, the Scheme Consideration represents compelling value for Fantastic Shareholders and the reasons for Fantastic Shareholders to vote in favour of the Scheme outweigh the reasons to vote against it. The reasons and other relevant considerations are set out in Section 2.

Additionally, the Independent Expert has concluded that the Scheme is fair and reasonable, and therefore, is in the best interests of Fantastic Shareholders, in the absence of a Superior Proposal. You should also read the Independent Expert's Report which is contained in Annexure A.

2. KEY CONSIDERATIONS RELEVANT TO YOUR VOTE

2.1 Summary of reasons why you might vote for and against the Scheme

(a) Reasons to vote in favour of the Scheme

- ✓ In the absence of a Superior Proposal, your Directors unanimously recommend that you vote in favour of the Scheme and will themselves be voting any Shares they hold or control (including any proxies given at their discretion) in favour
- ✓ The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, in the best interests of Shareholders, in the absence of a Superior Proposal
- ✓ The all-cash Scheme Consideration provides Fantastic Shareholders the opportunity of certain and timely value realisation
- ✓ The cash payment of \$3.50 per Fantastic Share represents a significant premium for your Fantastic Shares
- ✓ The cash payment of \$3.50 per Fantastic Share exceeds the highest closing trading price of Fantastic Shares on ASX in over 3 years
- ✓ Since the announcement of the Scheme, no Superior Proposal has emerged
- ✓ The trading price of Fantastic Shares is likely to fall below current prices if the Scheme does not become Effective and no Superior Proposal is received
- ✓ If the Scheme does not proceed, you will continue to be subject to the risks and uncertainties associated with Fantastic's business and general market risks
- ✓ No brokerage or stamp duty is payable on the transfer of your Fantastic Shares under the Scheme

Reasons to vote in favour of the scheme are discussed in more detail in Section 2.2.

(b) Reasons to vote against the Scheme

- X You may disagree with the recommendation of your Directors and the conclusions of the Independent Expert
- X You may prefer to participate in the future financial performance of the Fantastic business
- X The tax consequences of the Scheme may not suit your financial position
- X You may wish to maintain an investment in a publicly listed company with Fantastic's specific characteristics
- X You may believe a Superior Proposal could emerge

Reasons to vote against the Scheme are discussed in more detail in Section 2.3.

2.2 Reasons to vote in favour of the Scheme

(a) Your Directors unanimously recommend that, in the absence of a Superior Proposal, you vote in favour of the Scheme and each Director will themselves be voting any shares they hold or control in favour

Your Directors have considered the advantages and disadvantages of the Scheme and unanimously recommend that, in the absence of a Superior Proposal, you vote in favour of the Scheme at the Scheme Meeting.

In reaching their recommendation, your Directors have carefully considered Fantastic's existing growth strategy and other standalone value creation opportunities, balanced against the uncertainties and risks that Fantastic would face if it were to continue as an independent entity. In particular, your Directors consider that Fantastic is well positioned for growth for the year ending 30 June 2017 through various initiatives, including improvements and efficiencies to supply chain, investment in e-commerce, refurbishment of existing sites and opening of new stores. Fantastic's 2016 annual report provides an overview of key initiatives for the current financial year. However, these growth initiatives would take time to fully implement, may require further capital investment, involve execution risks and are subject to competitive pressures, some of which are outside the control of Fantastic.

Given these considerations, the Fantastic Board believes that while Fantastic is well-positioned to deliver growth into the future, the all-cash Scheme Consideration presents a compelling opportunity which delivers certain value for Fantastic Shareholders, at a significant premium.

The Fantastic Board was unanimous in its decision to recommend the Scheme in the absence of a Superior Proposal and believe that the Scheme provides an opportunity for you to realise an attractive value for your Shares.

In the absence of a Superior Proposal, each Director intends to vote the Fantastic Shares they hold or control (including any proxies given at their discretion) in favour of the Scheme. Collectively, the Directors hold or control approximately 51% of the issued share capital and, in the absence of a Superior Proposal, these will be voted in favour of the Scheme. The interests of the Directors are set out in Section 9.1.

(b) The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, in the best interests of Shareholders, in the absence of a Superior Proposal

Your Directors commissioned the Independent Expert to prepare an Independent Expert's Report providing an opinion as to whether the Scheme is fair and reasonable and in the best interests of Fantastic Shareholders.

The Independent Expert has assessed the value of Fantastic, on a controlling interest basis, in the range of \$3.42 and \$3.77 per Fantastic Share. As the Scheme Consideration of \$3.50 per Fantastic Share is within the Independent Expert's valuation range, the Independent Expert has concluded that the Scheme is fair and reasonable and, is therefore in the best interests of Fantastic Shareholders, in the absence of a Superior Proposal.

A complete copy of the Independent Expert's Report is included as Annexure A. The Independent Expert's report should be read in its entirety as part of your assessment of the Scheme before casting your vote in relation to the Scheme.

(c) The all-cash Scheme Consideration provides Fantastic Shareholders the opportunity of certain and timely value realisation

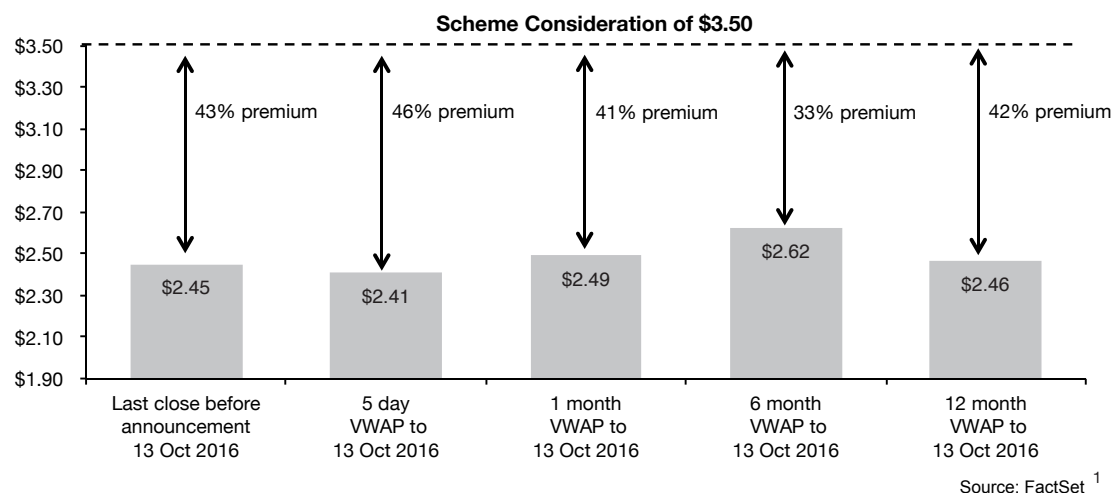
The Scheme Consideration is 100% cash. If the Scheme becomes Effective, the Scheme Consideration of \$3.50 cash per Fantastic Share will provide certain and timely value realisation, with Scheme Consideration to be paid on or around the Implementation Date, which is expected to be Wednesday, 21 December 2016.

In contrast, if the Scheme does not become Effective, the amount which Fantastic Shareholders will be able to realise for their Fantastic Shares, whether by selling Shares on market or by receiving dividends, will necessarily be uncertain and subject to (amongst other things) the risk factors set out in Section 7. The Scheme will remove this uncertainty for Fantastic Shareholders by providing Fantastic Shareholders with a cash payment of \$3.50 cash per Fantastic Share.

(d) The cash payment of \$3.50 per Fantastic Share represents a significant premium for your Fantastic Shares

The Scheme Consideration of \$3.50 cash per Fantastic Share represents an attractive premium to Fantastic's share price and trading prior to announcement of the Scheme. The cash payment of \$3.50 per Fantastic Share represents an attractive premium of:

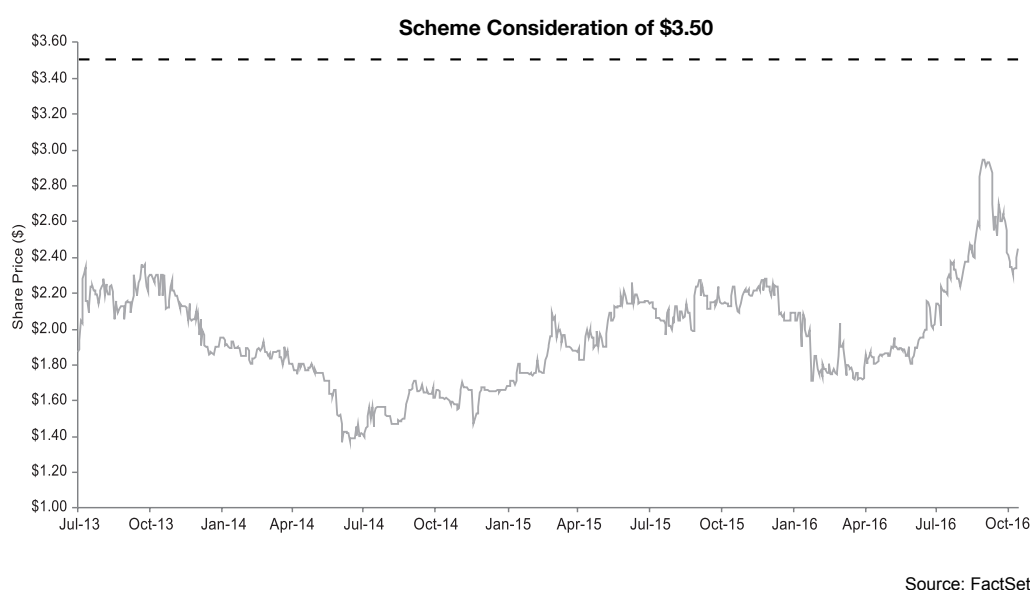
- 43% over the closing price of Fantastic Shares of \$2.45 on 13 October 2016, being the last trading day prior to the announcement of the Scheme;
- 46% over the 5-day VWAP of Fantastic Shares of \$2.41, up to and including 13 October 2016; and
- 41% over the 1-month VWAP of Fantastic Shares of \$2.49, up to and including 13 October 2016;
- 33% over the 6-month VWAP of Fantastic Shares of \$2.62, up to and including 13 October 2016; and
- 42% premium over the 12-month VWAP of Fantastic Shares of \$2.46, up to and including 13 October 2016.



(e) The cash payment of \$3.50 per Fantastic Share exceeds the highest closing trading price of Fantastic Shares on ASX in over 3 years

The Scheme Consideration of \$3.50 cash per Fantastic Share exceeds the highest closing price of Fantastic Shares in over 3 years and represents a significant premium to historical trading levels of Fantastic Shares over that period.

The chart below shows over 3 years the price performance of Fantastic Shares before the announcement of the Scheme on 14 October 2016.



(f) Since the announcement of the Scheme, no Superior Proposal has emerged

Since the announcement of the Scheme to ASX by Fantastic on 14 October 2016 and up to the date of this Scheme Booklet, no Superior Proposal has emerged and your Directors are not currently aware of any possible Superior Proposal that is likely to emerge.

(g) The trading price of Fantastic Shares is likely to fall below current prices if the Scheme does not become Effective and no Superior Proposal is received

Since the announcement of the Transaction on 14 October 2016, the trading price of Fantastic Shares has increased by 40% up to \$3.44 on the Last Practicable Date. If the Scheme does not become Effective, and in the absence of a Superior Proposal, Fantastic Shares are likely to trade below the price at which they have traded since the Scheme was announced on 14 October 2016.

In addition, if the Scheme does not become Effective, the future trading price of Fantastic Shares will continue to be subject to market volatility, the impact of general economic conditions and the demand for listed securities, versus the certain value of \$3.50 per Fantastic Share available under the Scheme.

¹ This Scheme Booklet contains various references to trading data from FactSet who has not consented to the use of such trading data in this Scheme Booklet.

(h) If the Scheme does not proceed, you will continue to be subject to the risks and uncertainties associated with Fantastic's business and other general market risks

Your Directors consider that Fantastic is well positioned for growth through expanding its retail store networks, accelerating its market-leading connected customer sales channel, better management of costs of doing business and leveraging the benefits of its wholly-owned, high-quality manufacturing and direct import capabilities². Notwithstanding, these medium-to-long term initiatives would take time to fully implement, may require further capital investment and involves execution risks, some of which are outside the control of Fantastic. Additionally, Fantastic operates in an intensely competitive industry with increasing price-based competition and discounting, which may put pressure on its operating margins and profitability in the future.

If the Scheme does not proceed, Fantastic Shareholders will continue to be subject to these risks, as well as other general and specific risks relating to Fantastic's business, including those set out in Section 7.

The Directors consider that the opportunity to receive \$3.50 cash per Fantastic Share under the Scheme provides Fantastic Shareholders with a superior outcome relative to the uncertainty and risks associated with implementing Fantastic's strategy.

(i) No brokerage or stamp duty is payable on the transfer of your Fantastic Shares under the Scheme

You should not incur any brokerage or stamp duty on the transfer of your Fantastic Shares to Steinhoff Asia Pacific pursuant to the Scheme.

2.3 Potential reasons for Fantastic Shareholders to vote against the Scheme

(a) You may disagree with the recommendation of the Directors and conclusion of the Independent Expert

Notwithstanding the recommendation of the Directors and the conclusion of the Independent Expert, Fantastic Shareholders may believe that the Scheme Consideration of \$3.50 cash per Fantastic Share is inadequate and/or that the Scheme is not in their best interests.

(b) You may prefer to participate in the future financial performance of the Fantastic business

If the Scheme becomes Effective, current Fantastic Shareholders will cease to hold Fantastic Shares and will no longer participate in the future performance of Fantastic. Your Directors consider that Fantastic is well positioned for growth for the year ending 30 June 2017 through various initiatives, including improvements and efficiencies to supply chain, investment in e-commerce, refurbishment of existing sites and opening of new stores. See Fantastic's 2016 annual report for details of key growth initiatives for the year ending 30 June 2017.

If the Scheme becomes Effective, Fantastic Shareholders will not participate in any potential upside that may result from remaining Fantastic Shareholders, and will forego the right to receive any potential future dividends paid by Fantastic and the benefit of any potential future increase in the price of Fantastic Shares.

As with all investments in securities, there can be no guarantee as to Fantastic's future performance, the share price of Fantastic Shares or the level of dividends that Fantastic may pay on Fantastic Shares in the future.

(c) The tax consequences of the Scheme may not suit your financial position

If the Scheme becomes Effective, it may trigger tax consequences (including CGT) that are not optimal for individual Fantastic Shareholders.

You should read the Tax Adviser's Report set out in Section 8 which provides an overview of the Australian tax consequences of the Scheme. Each Fantastic Shareholder should also obtain personal professional advice in relation to the tax consequences of the Scheme for their individual circumstances.

(d) You may wish to maintain an investment in a publicly listed company with Fantastic's specific characteristics

You may wish to keep your Fantastic Shares as you may want to preserve your investment in a publicly listed company with the specific features of Fantastic in terms of sector, size, business model, capital structure and yield potential from dividends.

If the Scheme becomes Effective, those who wish to maintain their investment profile may be disadvantaged as it may be difficult to identify an investment with similar characteristics to that of Fantastic and any new investment may result in transaction costs.

(e) You may believe a Superior Proposal could emerge

Fantastic Shareholders may believe that there is potential for a Superior Proposal to emerge in the foreseeable future. As at the date of this Scheme Booklet, no Competing Proposal has been received by Fantastic and the Directors are not aware of any Competing Proposal that is likely to be made.

² This is not a forecast of future performance and should be read accordingly.

2.4 Additional considerations

(a) You may sell your Fantastic Shares on ASX at any time prior to suspension of Fantastic's shares from trading

Fantastic Shareholders may sell their Fantastic Shares on ASX at any time prior to the close of trading on the Effective Date (expected to be Monday, 12 December 2016) if they do not wish to hold them and participate in the Scheme, although normal brokerage expenses on sale will be incurred.

(b) The Scheme may proceed even if you vote against it

The Scheme will be implemented if the Scheme Resolution is passed by the requisite majorities of Fantastic Shareholders (see Section 4.4), all other Conditions Precedent are satisfied or waived (as applicable) and the Scheme is approved by the Court, regardless of whether you vote against the Scheme Resolution or do not vote at the Scheme Meeting, to be held at 10.00am on Wednesday, 7 December 2016.

If the Scheme is approved and implemented, your Fantastic Shares will be transferred to Steinhoff Asia Pacific and you will receive the Scheme Consideration of \$3.50 cash per Fantastic Share.

(c) Break fee

A break fee of \$3.6 million (exclusive of GST) is payable by Fantastic to Steinhoff Asia Pacific in certain circumstances should the Scheme not proceed. A break fee will not be payable merely because Fantastic Shareholders do not vote in favour of the Scheme. For further information regarding the break fee, refer to Section 10.1(d).

(d) Call Option Deeds

Two of Fantastic's Directors who are also substantial shareholders, have entered into separate agreements which grant Steinhoff Asia Pacific options to acquire some of their shares (**Call Option Deeds**).

Steinhoff Asia Pacific has entered into Call Option Deeds with:

- Mr Julian Tertini and his Related Entities; and
- Mr Peter Brennan and his Related Entities.

The Call Option Deeds offer Steinhoff Asia Pacific the option to acquire, in aggregate, 19.9% of the issued Fantastic Shares. Under the Call Option Deeds, Steinhoff Asia Pacific can exercise its option to acquire the full 19.9% of the issued shares in Fantastic if:

- a Competing Proposal is publicly announced or proposed by a Third Party in respect of Fantastic at a price per Share that exceeds the Scheme Consideration of \$3.50 cash per Share; and
- in response to the Competing Proposal (that has been announced or proposed), Steinhoff Asia Pacific has, within 20 days of the Competing Proposal being publicly announced or proposed, publicly announced a counterproposal at an all-cash price per Share that is equal to or greater than that under the Competing Proposal, whether by off-market takeover offer or scheme or arrangement.

Steinhoff Asia Pacific lodged a notice of initial substantial holder with ASX on 17 October 2016, setting out the Relevant Interest in Fantastic Shares held by Steinhoff Asia Pacific, as a result of entering into the Call Option Deeds. The notice annexes (in full) copies of the Call Option Deeds.

Neither Mr Julian Tertini nor Mr Peter Brennan are contractually obliged to vote in favour of the Scheme Resolution under the terms of the Call Option Deeds. However, it is noted that the Scheme Implementation Deed requires Fantastic to use best endeavours, subject to certain exceptions, to ensure the Directors vote Fantastic Shares they control in favour of the Scheme (for more details see Section 10.1(e)). In the event that a Director changes their voting intention this could trigger payment of the break fee (for more details see section 10.1(d)).

In the absence of a Superior Proposal, Mr Julian Tertini and Mr Peter Brennan both intend to vote the Fantastic Shares they hold or control (including any proxies given at their discretion) in favour of the Scheme.

While the existence of the Call Option Deeds does not prevent a Competing Proposal being made, if exercised they will limit the extent of any competitive process for Fantastic and prevent a Third Party reaching compulsory acquisition without Steinhoff Asia Pacific's support. To this extent, it would be reasonable to assume the likelihood of a counter bidder emerging with a Superior Proposal is, at this stage, relatively unlikely (but not impossible). Irrespective, the opportunity to put forward a Superior Proposal remains until the Scheme Meeting, expected to be held on Wednesday, 7 December 2016.

3. FREQUENTLY ASKED QUESTIONS

This Section 3 answers some frequently asked questions about the Scheme. It is not intended to address all relevant issues for Fantastic Shareholders. This Section 3 should be read together with all other parts of this Scheme Booklet.

QUESTIONS	ANSWERS	MORE INFORMATION
Background and the Scheme at a glance		
What is the Scheme?	<p>The Scheme is a scheme of arrangement between Fantastic and Fantastic Shareholders.</p> <p>If the Scheme becomes Effective, Steinhoff Asia Pacific (a wholly-owned subsidiary of Steinhoff International) will acquire all of the Fantastic Shares on issue for \$3.50 cash per Fantastic Share and Fantastic will become a wholly-owned subsidiary of Steinhoff Asia Pacific and, ultimately, Steinhoff International.</p>	Section 4 contains an overview of the Scheme and a copy of the Scheme is contained in Annexure C.
What is a "scheme of arrangement"?	A scheme of arrangement is a means of implementing an acquisition of shares under the Corporations Act. It requires a vote in favour of the Scheme Resolution by certain majorities of Fantastic Shareholders at a meeting of Fantastic Shareholders convened by the Court, followed by Court approval.	Section 4 sets out further details relating to the Scheme.
What do your Directors recommend and how do they intend to vote?	<p>Your Directors unanimously recommend that in the absence of a Superior Proposal you vote in favour of the Scheme.</p> <p>Each Fantastic Director intends to vote in favour of the Scheme at the Scheme Meeting, in relation to the Fantastic Shares held or controlled by them (including any proxies given at their discretion), in the absence of a Superior Proposal. Collectively the Directors control approximately 51% of the issued share capital.</p> <p>Reasons to vote for, or against, the Scheme are set out in Section 2.</p>	Section 2 sets out the reasons to vote for, or against, the Scheme. Details of the Relevant Interests of each Director in Fantastic Shares are set out in Section 9.
What is the opinion of the Independent Expert?	The Independent Expert has concluded that the Scheme is fair and reasonable and therefore, is in the best interests of Fantastic Shareholders, in the absence of a Superior Proposal.	Annexure A contains the Independent Expert's Report.
What is the premium to trading prices of my Fantastic Shares?	<p>The Scheme Consideration of \$3.50 cash per Fantastic Share represents an attractive premium of:</p> <ul style="list-style-type: none"> 43% over the closing price of Fantastic Shares of \$2.45 on 13 October 2016, being the last trading day prior to the announcement of the Scheme; 46% over the 5-day VWAP of Fantastic Shares of \$2.41, up to and including 13 October 2016; 41% over the 1-month VWAP of Fantastic Shares of \$2.49, up to and including 13 October 2016; 33% over the 6-month VWAP of Fantastic Shares of \$2.62, up to and including 13 October 2016; and 42% premium over the 12-month VWAP of Fantastic Shares of \$2.46, up to and including 13 October 2016. 	Section 2.2 sets out further information relating to the premium to trading prices of Fantastic Shares.
Who is Steinhoff Asia Pacific and Steinhoff International?	<p>Steinhoff Asia Pacific is a retailer of furniture and homeware in Australia and New Zealand through 157 retail stores under the Freedom, Snooze, POCO and Bay Leather Republic brands.</p> <p>Steinhoff Asia Pacific employs over 2,500 people in Australia and New Zealand, and its Snooze and Freedom brands have been in business in Australia and New Zealand for over 40 years and 35 years, respectively.</p> <p>Steinhoff Asia Pacific is an Australian proprietary company which was incorporated on 7 August 2003, and its headquarters are in North Ryde, NSW. Steinhoff Asia Pacific is ultimately wholly-owned by Steinhoff International.</p> <p>Steinhoff International is a leading global discount retailer that manufactures, sources and retails furniture, household goods and general merchandise in Europe, USA, Africa and Australasia. Steinhoff International operates more than 40 brands across over 7,100 retail outlets and employs over 112,000 people and has a presence in 31 countries worldwide.</p> <p>Steinhoff International has a listing on the Frankfurt Stock Exchange and a secondary listing on the Johannesburg Stock Exchange, with a market capitalisation of approximately €20.9 billion (A\$30.6 billion) as at 10 October 2016.</p>	Further information relating to the Steinhoff Group is set out in Section 6.

QUESTIONS	ANSWERS	MORE INFORMATION
What will Fantastic Shareholders receive under the Scheme?		
Who is entitled to receive the Scheme Consideration?	<p>Fantastic Shareholders who are recorded on the Share Register as the holder of Fantastic Shares on the Scheme Record Date (expected to be 7.00pm on Wednesday, 14 December 2016).</p> <p>Fantastic Shareholders who sell any Fantastic Shares prior to the Scheme Record Date will not receive the Scheme Consideration and will instead receive an amount equal to the then prevailing market price of Fantastic Shares (which may vary from the Scheme Consideration).</p>	
What will I receive if the Scheme becomes Effective?	If the Scheme becomes Effective and is implemented, Fantastic Shareholders will receive the Scheme Consideration of \$3.50 cash for each Fantastic Share held on the Scheme Record Date.	Section 4 contains further information in relation to the Scheme Consideration.
When and how will I receive the Scheme Consideration?	<p>If the Scheme becomes Effective, the Scheme Consideration will be sent to Fantastic Shareholders on the Implementation Date (expected to be Wednesday, 21 December 2016).</p> <p>The Scheme Consideration will be paid by direct credit into your nominated bank account, as advised to the Share Registry as at the Scheme Record Date.</p> <p>If you have not nominated a bank account, the Scheme Consideration will be paid by Australian dollar cheque sent by post to your registered address as shown on the Share Register as at the Scheme Record Date.</p>	See clause 5.1(c) of the Scheme contained in Annexure C.
Will I have to pay brokerage or stamp duty?	No, you will not have to pay brokerage or stamp duty in relation to the implementation of the Scheme.	
What are the taxation implications of the Scheme?	<p>If the Scheme becomes Effective and is implemented, there will be tax consequences for Fantastic Shareholders which may include tax being payable on any gain on disposal of Fantastic Shares.</p> <p>For further detail regarding the Australian tax consequences of the Scheme, refer to Section 8. The tax treatment may vary depending on the nature and characteristics of each Fantastic Shareholder and their specific circumstances. Accordingly, Fantastic Shareholders should seek professional tax advice in relation to their particular circumstances.</p>	Section 8 contains further information on the taxation implications of the Scheme.
The Scheme Meeting and voting		
Am I entitled to vote?	If you are registered as a Fantastic Shareholder on the Share Register at 7.00pm on Monday, 5 December 2016, you will be entitled to attend and vote on the Scheme Resolution to be proposed at the Scheme Meeting on Wednesday, 7 December 2016.	The Notice of Scheme Meeting contained in Annexure E sets out further information on your entitlement to vote.
When and where will the Scheme Meeting be held?	The Scheme Meeting to approve the Scheme is scheduled to be held at 10.00am on Wednesday, 7 December 2016 at Rydges Bankstown, 874 Hume Highway (corner of Hume Highway and Strickland Street), Bass Hill NSW 2197.	The Notice of Scheme Meeting contained in Annexure E sets out further information on the Scheme Meeting.
How can I vote if I cannot attend the Scheme Meeting?	If you would like to vote but cannot attend the Scheme Meeting in person, you can vote by appointing a proxy or attorney (including lodging your proxy online via www.investorvote.com.au or www.intermediaryonline.com (for custodians that use Intermediary Online only)) to attend and vote on your behalf. You may also vote by corporate representative if that option is available to you. The last date and time for receipt of your proxy forms or powers of attorney for the Scheme Meeting is 10.00am (AEDT) on Monday, 5 December 2016.	The Notice of Scheme Meeting contained in Annexure E sets out further information on how to vote at the Scheme Meeting.
What vote is required to approve the Scheme?	<p>The Scheme needs to be approved by the requisite majority of Fantastic Shareholders, which is:</p> <ul style="list-style-type: none"> a majority in number (more than 50%) of Fantastic Shareholders present and voting (either in person or by proxy, corporate representative or attorney); and at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by Fantastic Shareholders present and voting at the Scheme Meeting (either in person or by proxy). <p>The Court has the discretion to waive the first of the above requirements.</p>	Refer to Section 4.4.

QUESTIONS	ANSWERS	MORE INFORMATION
Should I vote?	<p>Voting is not compulsory. However, your Directors believe that the Scheme is important for all Fantastic Shareholders and encourage you to vote.</p> <p>Your Directors unanimously recommend that all Fantastic Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal.</p>	Sections 1.3, 2.1(a) and 2.2 provide further information on your Directors' recommendation and voting intentions.
What happens to my Fantastic Shares if I do not vote or vote against the Scheme?	If you do not vote, or vote against the Scheme, and the Scheme becomes Effective, any Fantastic Shares held by you on the Scheme Record Date (expected to be Wednesday, 14 December 2016) will be transferred to Steinhoff Asia Pacific and you will be sent the Scheme Consideration, notwithstanding that you may not have voted on the Scheme Resolution or voted against the Scheme.	Section 4.7 contains further information on the voting options of Fantastic Shareholders.
Why should I vote?	<p>The Scheme Resolution needs to be passed by the requisite majority of Fantastic Shareholders to be approved.</p> <p>Your Directors have determined that the Scheme is in the best interests of Fantastic Shareholders and unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal.</p>	Sections 1.3, 2.1(a) and 2.2 provide further information on your Directors' recommendation and voting intentions.
What are my options?	<p>You may:</p> <ul style="list-style-type: none"> • vote on the Scheme at the Scheme Meeting (in person, or by proxy, attorney or, if applicable, corporate representative); • sell your Fantastic Shares on market at any time before close of trading on ASX on the Effective Date. If you do so, you may incur brokerage costs; or • do nothing, in which case, if the Scheme becomes Effective and is implemented, you will receive the Scheme Consideration, and if the Scheme does not become Effective and is not implemented, you will continue to hold Fantastic Shares. 	Section 4.7 contains further information on the voting options of Fantastic Shareholders.
When will the results of the Scheme Meeting be known?	<p>The results will be announced to ASX shortly after the conclusion of the Scheme Meeting and will be accessible from ASX's website at www.asx.com.au.</p> <p>Even if the Scheme is agreed to by the requisite majorities, the Scheme is still subject to the approval of the Court.</p>	

Implementation of the Scheme

What will happen to Fantastic if the Scheme becomes Effective?	<p>If the Scheme becomes Effective and is implemented:</p> <ul style="list-style-type: none"> • Steinhoff Asia Pacific will acquire all of the Fantastic Shares and ownership of Fantastic will transfer to Steinhoff Asia Pacific; and • Fantastic will be delisted from ASX. 	Section 4.
Are there conditions that need to be satisfied before the Scheme can proceed?	<p>There are a number of Conditions Precedent that will need to be satisfied or waived (as applicable) before the Scheme can become Effective.</p> <p>In summary, as at the date of this Scheme Booklet, the outstanding Conditions Precedent include:</p> <ul style="list-style-type: none"> • approval by Fantastic Shareholders by the requisite majorities; • approval by the Court; • prior to the Delivery Time on the Second Court Date, ASIC and ASX providing such consents or approvals required to implement the Transaction; • Steinhoff Asia Pacific obtaining FIRB Approval prior to the Delivery Time on the Second Court Date; • no Fantastic Prescribed Occurrences occurring between 13 October 2016 and the Delivery Time on the Second Court Date; • no Fantastic Material Adverse Change occurring between 13 October 2016 and the Delivery Time on the Second Court Date; • Fantastic has, at the Delivery Time on the Second Court Date, complied with all of its obligations specified in the Scheme Implementation Deed with respect to Fantastic Options; • no restraints being imposed by any court or Government Agency; and • the Fantastic Representations and Warranties being true and correct in all material respects. 	Sections 4.3 and 10.1 and Annexure B.
When will the Scheme become Effective?	Subject to the satisfaction or waiver (as applicable) of the Conditions Precedent, the Scheme will become Effective on the Effective Date (expected to be Monday, 12 December 2016).	Section 4.
What are the risks associated with an investment in Fantastic if the Scheme does not become Effective?	<p>The risks associated with an investment in Fantastic if the Scheme does not become Effective include existing risks relating to Fantastic's business and an investment in Fantastic. These risks will continue to be relevant to Fantastic's business if the Scheme does not become Effective.</p> <p>In addition, if the Scheme does not become Effective, and no Superior Proposal emerges, the Fantastic Share price is likely to fall.</p>	Section 7 sets out certain general market risks and certain specific risks associated with an investment in Fantastic.

QUESTIONS	ANSWERS	MORE INFORMATION
What happens if the Court does not approve the Scheme or the Scheme does not otherwise proceed?	<p>If the Scheme is not agreed to at the Scheme Meeting, or is agreed to at the Scheme Meeting but is not approved by the Court, then the Scheme will not be Effective and will not be implemented.</p> <p>In such a scenario, Fantastic Shareholders will not receive the Scheme Consideration but will retain their Fantastic Shares and be exposed to the risks set out in Section 7. Fantastic will, in the absence of another proposal, continue to operate as a company listed on the ASX.</p>	Section 4.
Other questions		
What are the prospects of receiving a Superior Proposal in the near future?	<p>The Directors are, at present, not aware of any alternative proposals for Fantastic.</p> <p>Moreover, a significant period of time has elapsed since Fantastic confirmed to ASX that it had entered into a Scheme Implementation Deed with Steinhoff Asia Pacific and Steinhoff Asia Pacific Holdings on 13 October 2016 and there has been ample opportunity for a Superior Proposal to emerge. The Directors consider that the possibility of a proposal that could give rise to a Superior Proposal emerging in the foreseeable future is low.</p> <p>In addition, Mr Julian Tertini and Mr Peter Brennan have both entered into separate Call Option Deeds with Steinhoff Asia Pacific, that enable Steinhoff Asia Pacific subject to certain conditions, to acquire 19.9% of the issued shares of Fantastic. While the existence of the Call Option Deeds does not prevent a Competing Proposal being made, if exercised they will limit the extent of any competitive process for Fantastic and prevent a Third Party reaching compulsory acquisition without Steinhoff Asia Pacific's support. To this extent, it would be reasonable to assume the likelihood of a counter bidder emerging with a Superior Proposal is, at this stage, relatively unlikely (but not impossible). Irrespective, the opportunity to put forward a Superior Proposal remains until the Scheme Meeting, expected to be held on Wednesday, 7 December 2016.</p>	Section 2.4 contains further information on the Call Option Deeds.
What happens if a Superior Proposal emerges?	<p>If a Superior Proposal emerges, your Directors will reconsider their recommendation in respect of the Scheme.</p> <p>Under the Call Option Deeds entered into by two of Fantastic's Directors and substantial shareholders (namely Mr Julian Tertini and Mr Peter Brennan), Steinhoff Asia Pacific may have the option to acquire 19.9% of the issued shares in Fantastic where a Superior Proposal emerges. The terms of the Call Option Deeds are summarised in Section 2.4 of this document.</p>	Section 2.4 contains further information on the Call Option Deeds.
Can I sell my Fantastic Shares now?	<p>You can sell your Fantastic Shares on market at any time before the close of trading on ASX on the Effective Date, at the then prevailing market price (which may vary from the Scheme Consideration of \$3.50 cash per Fantastic Share).</p> <p>Fantastic intends to apply to ASX for Fantastic Shares to be suspended from official quotation on ASX from close of trading on the Effective Date. You will not be able to sell your Fantastic Shares on market after this time.</p>	Sections 4.7 and 4.9.
Where can I get further information?	<p>For further information, you can call the Shareholder Information Line on +61 2 8052 5888.</p> <p>If you are in doubt about anything in this Scheme Booklet, please contact your financial, legal, tax or other professional adviser.</p>	

4. OVERVIEW OF THE SCHEME

4.1 Background

On 14 October 2016, Fantastic announced that it had entered into a Scheme Implementation Deed in relation to a proposal for the acquisition of all Fantastic Shares by Steinhoff Asia Pacific, a subsidiary of Steinhoff International, by way of a scheme of arrangement.

If the Scheme becomes Effective, Fantastic will be de-listed from ASX and become a wholly-owned subsidiary of Steinhoff Asia Pacific and, ultimately a subsidiary of Steinhoff International.

If the Scheme becomes Effective, Fantastic Shareholders will receive \$3.50 cash for each Scheme Share they hold as at the Scheme Record Date. The Scheme Consideration will be sent to Fantastic Shareholders on the Implementation Date which is expected to be Wednesday, 21 December 2016.

4.2 Independent Expert's conclusion

Fantastic commissioned the Independent Expert to prepare a report on whether the Scheme is, in the Independent Expert's opinion, in the best interests of Fantastic Shareholders.

The Independent Expert has assessed a value for Fantastic Shares (including a premium for control) to be in the range of \$3.42 and \$3.77 per Fantastic Share. As the Scheme Consideration for each Fantastic Share is within this range, the Independent Expert has concluded that the Scheme is fair and reasonable and, therefore in the best interests of Fantastic Shareholders, in the absence of a Superior Proposal.

The Independent Expert's Report is set out in Annexure A.

The Directors encourage Fantastic Shareholders to read the Independent Expert's Report in full before deciding whether to vote in favour of the Scheme.

4.3 Conditions of the Scheme

The Scheme is subject to a number of Conditions Precedent that will need to be satisfied or waived (as applicable) before the Scheme can become Effective.

In summary, as at the date of this Scheme Booklet, the outstanding Conditions Precedent include:

- approval by Fantastic Shareholders by the requisite majorities;
- approval by the Court;
- prior to the Delivery Time on the Second Court Date, ASIC and ASX providing such consents or approvals required to implement the Scheme;
- Steinhoff Asia Pacific obtaining FIRB Approval prior to the Delivery Time on the Second Court Date;
- no Fantastic Prescribed Occurrences occurring between 13 October 2016 and the Delivery Time on the Second Court Date;
- no Fantastic Material Adverse Change occurring between 13 October 2016 and the Delivery Time on the Second Court Date;
- Fantastic has, at the Delivery Time on the Second Court Date, complied with all of its obligations specified in the Scheme Implementation Deed with respect to Fantastic Options;
- no restraints being imposed by any court or Government Agency; and
- the Fantastic Representations and Warranties being true and correct at the Delivery Time on the Second Court Date.

The Conditions Precedent are set out in full in clause 3.1 of the Scheme Implementation Deed, as contained in Annexure B.

As at the date of this Scheme Booklet, none of the Fantastic Directors are aware of any circumstances which would cause any Condition Precedent not to be satisfied.

4.4 Scheme approval requirements

The Scheme will only become Effective and be implemented if it is:

- agreed to by Fantastic Shareholders at the Scheme Meeting; and
- approved by the Court at the Second Court Hearing.

Agreement by Fantastic Shareholders requires the Scheme Resolution to be agreed to by:

- a majority in number (more than 50%) of Fantastic Shareholders present and voting at the Scheme Meeting (either in person or by proxy) (the **Head Count Approval Requirement**); and
- at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by Fantastic Shareholders present and voting at the Scheme Meeting (either in person or by proxy).

It should be noted that the Court has the power to waive the Head Count Approval Requirement.

4.5 Court approval of the Scheme

In the event that:

- the Scheme is approved by the requisite majorities of Fantastic Shareholders at the Scheme Meeting (see Section 4.4 for the Scheme approval requirements); and
 - all Conditions Precedent capable of being satisfied or waived (as applicable) prior to the Second Court Date have been,
- then Fantastic will apply to the Court for orders approving the Scheme at the Second Court Hearing.

Each Fantastic Shareholder has the right to appear at the Second Court Hearing.

4.6 If the Scheme does not proceed

If the Scheme does not proceed:

- Fantastic Shareholders will continue to hold Fantastic Shares and will be exposed to the risks relating to Fantastic's business, including those set out in Section 7;
- Fantastic Shareholders will not receive the Scheme Consideration; and
- a break fee of \$3.6 million (exclusive of GST) may be payable by Fantastic to Steinhoff Asia Pacific in certain circumstances. Those circumstances will not of itself include the failure by Fantastic Shareholders to approve the Scheme at the Scheme Meeting.

If the Scheme does not proceed (and in the absence of a Superior Proposal), Fantastic will continue as an ASX listed company with management continuing to implement the business plan and financial and operating strategies it had in place prior to the announcement of the Scheme.

Prior to the Scheme Meeting, transaction costs will have been incurred, or will be committed by Fantastic in relation to the Scheme. Those transaction costs will be incurred by Fantastic regardless of whether or not the Scheme becomes Effective and is implemented.

The Fantastic Directors are of the opinion that if the Scheme does not proceed, the price of a Fantastic Share is likely to fall, in the absence of a Superior Proposal.

4.7 Your options as a Fantastic Shareholder

As a Fantastic Shareholder, you have three options currently available to you. These options are set out below.

(a) Vote in favour of or against the Scheme

Fantastic Shareholders may vote in favour of, or against, the Scheme in respect of some or all of their Fantastic Shares. Details of how to vote at the Scheme Meeting are set out in Section 1.2(b) and in the explanatory notes to the Notice of Scheme Meeting contained in Annexure E.

Fantastic Shareholders should note that if they vote against the Scheme but the Scheme is approved and becomes Effective, then any Fantastic Shares held by such Fantastic Shareholders on the Scheme Record Date will be transferred to Steinhoff Asia Pacific, and Fantastic Shareholders will receive the Scheme Consideration, notwithstanding that they may have voted against the Scheme.

(b) Sell your Fantastic Shares on market

Fantastic Shareholders may elect to sell some or all of their Fantastic Shares on market through ASX. The latest trading price for Fantastic Shares may be obtained from ASX website at www.asx.com.au. This price may vary from the Scheme Consideration.

Fantastic Shareholders who sell some or all of their Fantastic Shares on market may be liable for CGT on the disposal of their Fantastic Shares (as may also apply under the Scheme) and may incur a brokerage charge (see the Tax Adviser's Report set out in Section 8).

Fantastic Shareholders who wish to sell some or all of their Fantastic Shares on market should contact their broker for information on how to effect that sale.

(c) Do nothing

Fantastic Shareholders who do not wish to vote for or against the Scheme or sell their Fantastic Shares on market should do nothing.

Fantastic Shareholders should note that if they do nothing and the Scheme is approved and becomes Effective, then any Fantastic Shares held by Fantastic Shareholders on the Scheme Record Date will be compulsorily transferred to Steinhoff Asia Pacific, and Fantastic Shareholders will be sent the Scheme Consideration in respect of the Fantastic Shares they hold as at the Scheme Record Date, notwithstanding that they did not vote.

4.8 Scheme Meeting and how to vote

(a) Scheme Meeting

On 3 November 2016, the Court ordered Fantastic to convene the Scheme Meeting at which Fantastic Shareholders will be asked to approve the Scheme. The terms of the Scheme Resolution to be considered at the Scheme Meeting is set out in the Notice of Scheme Meeting in Annexure E.

The fact that the Court has ordered the Scheme Meeting to be convened and has approved this Scheme Booklet, which is required to accompany the Notice of Scheme Meeting does not mean that the Court has prepared, or is responsible for the content of this Scheme Booklet or has any view as to the merits of the Scheme, or as to how Fantastic Shareholders should vote. On these matters Fantastic Shareholders must reach their own decision.

The Scheme Meeting will be held at 10.00am (AEDT) on Wednesday, 7 December 2016 at Rydges Bankstown, 874 Hume Highway (corner of Hume Highway and Strickland Street), Bass Hill NSW 2197.

(b) Attendance at Scheme Meeting

The entitlements of holders of Fantastic Shares to vote at the Scheme are set out in the Notice of Scheme Meeting.

Instructions on how to attend and vote at the Scheme Meeting (in person, by proxy or in person through an attorney or corporate representative), are set out in the Notice of Scheme Meeting.

Voting is not compulsory. However, the Directors unanimously recommend that Fantastic Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal.

The results of the Scheme Meeting will be available as soon as possible after the conclusion of the Scheme Meeting and will be announced to the ASX once available. The results will also be published on Fantastic's website at www.fantasticholdings.com.au.

4.9 Effective Date

If the Court approves the Scheme, the Scheme will become Effective on the Effective Date, being the date an office copy of the Court order from the Second Court Hearing approving the Scheme is lodged with ASIC. Under the Scheme Implementation Deed, Fantastic must provide an office copy of the Court order from the Second Court Hearing to ASIC by no later than 5.00pm on the first Business Day after the day on which the Court approves the Scheme. Fantastic will, when the Scheme becomes Effective, give notice of that event to ASX.

Fantastic intends to apply to ASX for Fantastic Shares to be suspended from official quotation on ASX from close of trading on the Effective Date.

4.10 Scheme Record Date and entitlement to Scheme Consideration

Those Fantastic Shareholders on the Fantastic Register on the Scheme Record Date (currently expected to be 7.00pm (AEDT) on Wednesday, 14 December 2016) will be entitled to receive the Scheme Consideration in respect of the Fantastic Shares they hold at that time.

4.11 Implementation Date

If the Scheme becomes Effective, Steinhoff Asia Pacific will pay, or procure the payment of, the aggregate Scheme Consideration of \$3.50 cash per Fantastic Share to the Scheme Shareholders, in accordance with the terms of the Scheme and the Deed Poll.

On the Implementation Date, Fantastic Shareholders will be paid the Scheme Consideration in respect of the Fantastic Shares they hold as at the Scheme Record Date.

In exchange for Steinhoff Asia Pacific paying, or procuring the payment of the aggregate Scheme Consideration, the Fantastic Shares will be transferred to Steinhoff Asia Pacific.

4.12 Deed Poll

Steinhoff Asia Pacific and Steinhoff Asia Pacific Holdings have each executed the Deed Poll, pursuant to which Steinhoff Asia Pacific and Steinhoff Asia Pacific Holdings have agreed in favour of Fantastic Shareholders, to provide, or to procure that Steinhoff Asia Pacific provides, each Fantastic Shareholder with the Scheme Consideration to which they are entitled under the Scheme, subject to the Scheme becoming Effective.

A copy of the Deed Poll is contained in Annexure D.

4.13 Copy of Share Register

Under section 173 of the Corporations Act, any Fantastic Shareholder has a right to inspect, and to ask for a copy of the Share Register, which contains details of the name and address of each Fantastic Shareholder. Fantastic may require a Fantastic Shareholder to provide reasons for their request prior to providing a copy of the Share Register, and a Fantastic Shareholder must not use any information obtained for an improper purpose. A copy of the Share Register will be given to any Fantastic Shareholder upon request and payment of the prescribed fee under the Corporations Act where Fantastic is satisfied that the details provided are not likely to be used for an improper purpose.

4.14 Warranty by Fantastic Shareholders

The terms of the Scheme provide that each Fantastic Shareholder is taken to have warranted to Fantastic and Steinhoff Asia Pacific, and appointed and authorised Fantastic as its attorney and agent to warrant to Steinhoff Asia Pacific, that:

- all of their Fantastic Shares (including any rights and entitlements attaching to those shares) which are transferred under the Scheme will, at the date of transfer be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of Section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind;
- it has no existing right to be issued any Fantastic Shares, securities convertible into Fantastic Shares or which carry a right to be issued or transferred any Fantastic Shares, any convertible notes issued by Fantastic or any other Fantastic securities; and
- they have full power and capacity to transfer their Fantastic Shares to Steinhoff Asia Pacific together with any rights attaching to those shares.

Under the terms of the Scheme, Fantastic undertakes that it will provide such warranty to Steinhoff Asia Pacific as agent and attorney of each Fantastic Shareholder.

A copy of the Scheme is contained in Annexure C.

4.15 Delisting of Fantastic

On a date after the Implementation Date, Fantastic will apply for termination of the official quotation of Fantastic Shares on ASX and for Fantastic to be removed from the official list.

5. INFORMATION ABOUT FANTASTIC

5.1 Overview

(a) Introduction

The first Fantastic Furniture store was opened in 1991. Since that time, Fantastic Holdings Limited (ASX: FAN) has grown to become a leading retailer, importer and manufacturer of household furniture and bedding in Australia. Headquartered in Chullora NSW, Fantastic employs approximately 1,700 staff and operates over 125 stores across its three core furniture retail chains, namely Fantastic Furniture, Plush and Original Mattress Factory.

(b) Manufacturing and national supply chain

Fantastic's retail brands are supported by its in-house manufacturing operations and national supply chain. In particular, Fantastic Lounge Factory and Royal Comfort Bedding supply Fantastic with value-for-money Australian made lounges and mattresses (respectively), making Fantastic Australia's largest sofa manufacturer and one of the country's leading mattress manufacturers. Fantastic also has manufacturing facilities in Vietnam and China.

(c) Financial results summary and sales contribution by brand

In the financial year ended 30 June 2016, Fantastic generated revenue from continuing operations of \$505.4 million and EBIT of \$30.1 million, which excludes the impact of one-off items pre-tax. Specifically, these one-off items comprise trading losses from Le Cornu and Ashley (\$4.8 million), Le Cornu Keswick store closure asset adjustments (\$5.0 million) and restructuring costs (\$4.1 million). Including these one-off items, which total \$13.9 million, reported EBIT was \$16.2 million. These results, including each brand's contribution to, and percentage of, sales revenue are tabled below. For further historical financial information for Fantastic, refer to Section 5.5.

Financial Results Summary For the year ended 30 June 2016, \$m	Reported Results	% of Sales	Continuing Operations	% of Sales
Fantastic Furniture	\$387.2	71.2	\$387.2	76.6
Plush	\$95.5	17.6	\$95.5	18.9
Original Mattress Factory	\$20.6	3.8	\$20.6	4.1
Le Cornu	\$34.7	6.4	-	-
Ashley	\$3.6	0.7	-	-
Manufacturing	\$2.0	0.4	\$2.0	0.4
Total sales revenue	\$543.7	100.0	\$505.4	100.0
Gross profit	\$236.8		\$219.2	
EBIT	\$16.2		\$30.1	
NPAT	\$11.4		\$21.4	

(d) Store network

Fantastic is an omni-channel retailer with over 125 stores located in Australia's key urban and regional centres and has an online offering exceeding 250,000 stock keeping units. The store portfolio by brand and geography as at 30 June 2016, is summarised in the table below.

Brand	Number of Stores	Geographic Coverage
Fantastic Furniture ¹	73	Australia-wide
Plush	35	NSW, VIC, QLD, SA and ACT
Original Mattress Factory	18	NSW and ACT
Le Cornu ²	2	Darwin and Adelaide
Ashley ³	1	Adelaide
Total	129	



(1) Includes two franchised stores.

(2) The Le Cornu store in Adelaide is scheduled to be closed during the half year ending 31 December 2016.

(3) The Ashley store in Adelaide will transition to the Fantastic Furniture brand during the half year ending 31 December 2016.

(e) Retail brand summaries

Each of Fantastic's furniture retail brands pride themselves on delivering a high level of customer service and aims to offer a unique and exclusive product range available at everyday affordable prices. Fantastic's core retail brands are summarised in the table below.

Brand	Summary
	Fantastic Furniture is well-known for offering customers value-for-money furniture in Australia. Its aim is to provide customers with an extensive range of sofas, dining, entertainment, bedroom, occasional, storage and home office furniture at everyday affordable prices.
	Plush markets itself as a sofa specialist, offering high quality stylish sofas at everyday affordable prices. Its product range includes sofas, ottomans, recliners, sofa beds and lounge chairs.
	Original Mattress Factory is a mattress specialist offering customers 'factory direct prices' on a large range of mattresses. Its product range includes spring, Latex and Visco mattresses, all of which are available in a variety of sizes and comfort levels.

5.2 Fantastic Board and senior management

The Fantastic Board comprises the following persons:

Director's Name	Position
Julian Tertini	Chairman and Non-Executive Director
Peter Brennan	Non-Executive Director
Geoffrey Squires	Independent Non-Executive Director
John Hughes	Independent Non-Executive Director
Robyn Watts	Independent Non-Executive Director

Key members of Fantastic's senior management team include:

Name	Position
Debra Singh	Group CEO Retail
Brian Cassell	CFO and Company Secretary
Jason Newman	CEO FHL Manufacturing
Chris Burke	General Manager, Plush
Bill Keighran	General Manager, Original Mattress Factory
Melissa Blackley	Group Chief People Officer

5.3 Capital structure

(a) Capital structure

As at the date of this Scheme Booklet, Fantastic had the following securities on issue: 103,257,398 Fantastic Shares.

(b) Substantial Shareholders

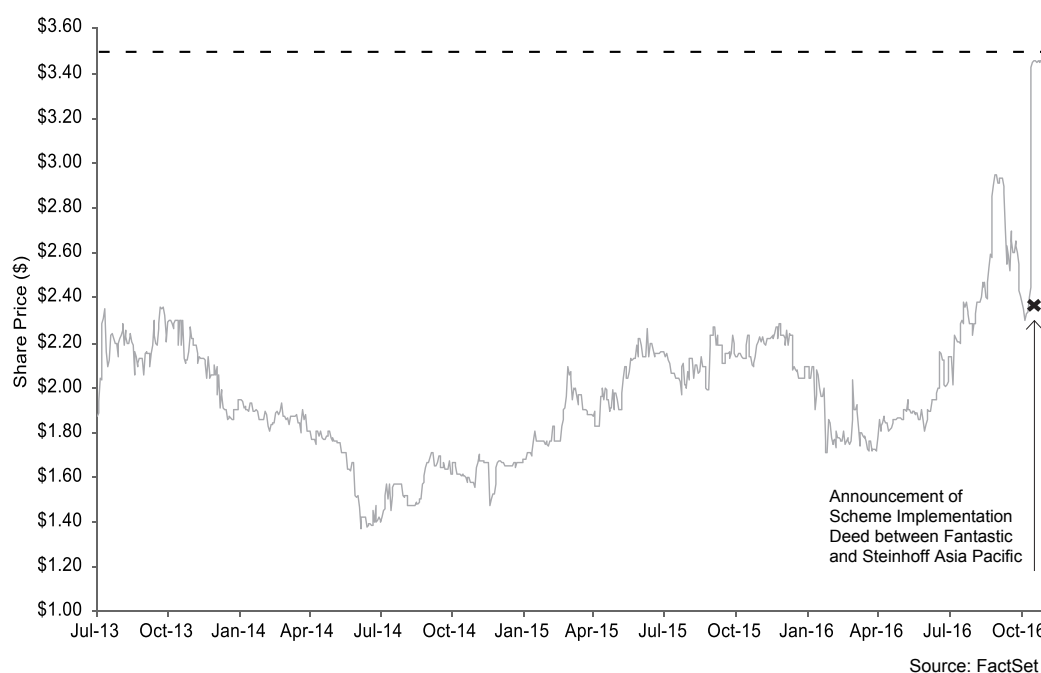
Based on filings to ASX, the substantial holders of Fantastic Shares as at the Last Practicable Date are:

Substantial Shareholder	Number of Shares	Percentage
Julian Tertini ³	41,776,211	40.46%
Steinhoff Asia Pacific Holdings ⁴	20,548,223	19.90%
Peter Brennan ⁵	10,698,016	10.36%
Perennial Investment Partners	8,182,322	7.92%
BT Investment Management	7,841,685	7.59%
Investors Mutual	5,420,000	5.25%
Trafalgar Capital Management (HK) Limited	5,383,040	5.21%

5.4 Fantastic Share price

During the period from 1 July 2013 to 13 October 2016 (being the last trading day prior to the announcement of the Scheme), the daily closing price of Fantastic Shares fluctuated between a low of \$1.37 and a high of \$2.95. Since 13 October 2016, the Fantastic Share price has increased by 40% to \$3.44 as at the Last Practicable Date. The chart below depicts the movements in Fantastic's Share price during this time period.

Fantastic Share price performance



5.5 Historical financial information

(a) Basis of presentation

This Section 5.5 sets out summary financial information in relation to Fantastic for the purpose of this Scheme Booklet. The financial information has been extracted from Fantastic's audited financial statements for the financial years ended 30 June 2016, 30 June 2015 and 30 June 2014.

The financial information of Fantastic in this Section 5.5 is in abbreviated form and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act. The financial information of Fantastic has been prepared in accordance with the recognition and measurement principles contained in Australian Accounting Standards.

³ The total includes 10 million shares by Yaquina Pty Ltd and 934,137 shares held by Lawncat Pty Ltd for which Mr Tertini has voting power over these shares.

⁴ Steinhoff Asia Pacific Holdings has lodged a substantial shareholder notice with ASX in relation to its Relevant Interest in 20,548,223 Fantastic Shares as a result of Steinhoff Asia Pacific entering into the Call Option Deeds. Refer to Section 2.4 for further detail.

⁵ The total includes 3,989,965 shares held by Mrs Patricia Brennan for which Mr Brennan has voting power over these shares.

Fantastic's full financial accounts, including notes to those accounts, are disclosed in the annual financial reports for the years ended 30 June 2016, 30 June 2015 and 30 June 2014, all of which are available on the ASX website at www.asx.com.au.

Fantastic's financial reports for the years ended 30 June 2016, 30 June 2015 and 30 June 2014 were audited in accordance with applicable accounting standards. The audit opinions relating to those financial reports were unqualified.

(b) Consolidated statement of comprehensive income

	Year Ended 30 June 2016 \$'000	Year Ended 30 June 2015 \$'000	Year Ended 30 June 2014 \$'000
Sales revenue	543,700	496,921	447,772
Cost of sales	(306,949)	(275,723)	(248,589)
Gross profit	236,751	221,198	199,183
Other income	2,402	3,171	3,702
Employment expenses	(91,436)	(87,062)	(76,614)
Property expenses	(58,411)	(58,600)	(57,719)
Marketing expenses	(36,534)	(34,885)	(33,299)
Sales related expenses	(8,715)	(5,908)	(5,581)
Depreciation and amortisation	(5,557)	(5,136)	(6,853)
Other expenses	(21,895)	(12,877)	(14,145)
Share of loss of a joint venture (net of tax)	(371)	(865)	-
Results from operating activities	16,234	19,036	8,674
Financial income	584	364	120
Financial expense	(153)	(124)	(434)
Profit before income tax	16,665	19,276	8,360
Income tax expense	(5,228)	(6,072)	(2,572)
Profit after tax attributable to equity holders of the parent entity	11,437	13,204	5,788
Attributable to:			
Equity holders of the Parent	11,437	13,204	5,859
Non-controlling interest	-	-	(71)
Other comprehensive income/(loss)			
<i>Items that may be classified to profit and loss:</i>			
Exchange difference on translation of foreign operations	166	1,380	(457)
Gain/(loss) on cash flow hedges	(2,346)	2,011	-
Income tax effect	654	(1,017)	127
Total comprehensive income for the year, net of tax	9,911	15,578	5,458
Attributable to:			
Equity holders of the Parent	9,911	15,578	5,529
Non-controlling interest	-	-	(71)
<i>Earnings per share for profit attributable to equity holders of the parent entity:</i>			
<i>Basic earnings per share</i>	<i>11.08¢</i>	<i>12.79¢</i>	<i>5.68¢</i>
<i>Diluted earnings per share</i>	<i>11.08¢</i>	<i>12.79¢</i>	<i>5.68¢</i>

Note: Non-continuing items included in the above consolidated statement of profit & loss and other comprehensive income for the year ended 30 June 2016 comprises trading losses for Le Cornu & Ashley of \$4.8 million, Le Cornu Keswick store closure asset adjustments of \$5.0 million and restructuring costs of \$4.1 million before tax. Excluding these items, profit after tax is \$21.4 million.

(c) Consolidated statement of financial position

	Year Ended 30 June 2016 \$'000	Year Ended 30 June 2015 \$'000	Year Ended 30 June 2014 \$'000
CURRENT ASSETS			
Cash and cash equivalents	31,863	36,721	21,127
Trade and other receivables	5,796	4,630	9,304
Other financial assets	-	2,011	-
Inventories	93,326	90,544	81,278
Total current assets	130,985	133,906	111,709
NON-CURRENT ASSETS			
Investment property	-	3,712	24,423
Property, plant and equipment	28,833	27,115	30,275
Investment in a joint venture	5,463	5,644	-
Intangible assets	6,760	7,772	8,069
Deferred tax assets	12,527	8,984	7,564
Other non-current assets	3	-	49
Total non-current assets	53,586	53,227	70,380
Total assets	184,571	187,133	182,089
CURRENT LIABILITIES			
Trade and other payables	39,737	38,415	35,726
Interest bearing loans and borrowings	-	5,000	-
Income tax payable	3,196	4,000	-
Employee benefits	19,171	20,263	13,499
Provisions	7,736	1,688	1,454
Total current liabilities	69,840	69,366	50,679
NON-CURRENT LIABILITIES			
Interest bearing loans and borrowings	-	-	15,000
Employee benefits	2,225	1,952	1,581
Provisions	3,165	3,564	2,518
Deferred tax liabilities	1,905	2,335	1,742
Total non-current liabilities	7,295	7,851	20,841
Total liabilities	77,135	77,217	71,520
Net assets	107,436	109,916	110,569
EQUITY			
Share capital	23,608	23,608	23,270
Reserves	552	2,078	(295)
Retained earnings	83,276	84,230	84,515
Equity attributable to equity holders of the parent	107,436	109,916	107,490
Non-controlling interest	-	-	3,079
Total equity	107,436	109,916	110,569

(d) Consolidated statement of cash flows

	Year Ended 30 June 2016 \$'000	Year Ended 30 June 2015 \$'000	Year Ended 30 June 2014 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	600,888	552,464	504,683
Payments to suppliers and employees	(571,851)	(527,850)	(484,978)
Interest received	584	364	120
Interest paid	(83)	(124)	(434)
Income tax paid	(9,329)	(541)	(7,667)
Net cash from/(used in) operating activities	20,209	24,313	11,724
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisitions of property, plant and equipment	(6,152)	(4,950)	(7,490)
Proceeds from sale of property, plant and equipment	106	-	12,056
Proceeds from sale of investments	-	26,811	-
Payment for investments	-	(1,712)	(487)
Payment for intangibles	(1,682)	(1,328)	(310)
Deconsolidation of China subsidiary	-	(4,142)	-
Net cash from/(used in) investing activities	(7,728)	14,679	3,769
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of external borrowings	(5,000)	(10,000)	(10,324)
Proceeds from issuance of shares to non-controlling interest	-	-	3,150
Dividends paid	(12,391)	(13,418)	(6,184)
Net cash from/(used in) financing activities	(17,391)	(23,418)	(13,358)
Net increase/(decrease) in cash and cash equivalents	(4,910)	15,574	2,135
Cash and cash equivalents at the beginning of the period	36,721	21,127	18,993
Effect of foreign exchange on cash held	52	20	(1)
Cash and cash equivalents at the end of the period	31,863	36,721	21,127

5.6 Material changes to Fantastic's financial position since 30 June 2016

Other than:

- the accumulation of profits in the ordinary course of trading;
- payment of a 100% franked final dividend and special dividend of \$0.07 and \$0.15 (respectively) per Fantastic Share on 19 September 2016;
- as disclosed in this Scheme Booklet or otherwise disclosed to ASX by Fantastic; or
- in accordance with generally known market conditions,

within the knowledge of the Fantastic Directors, the financial position of Fantastic has not materially changed since 30 June 2016, being the date of the Fantastic full year financial report for the 12 months ended 30 June 2016, released to ASX on 23 September 2016.

5.7 Publicly available information about Fantastic

Fantastic is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed company, Fantastic is subject to the Listing Rules which require continuous disclosure of any information known to Fantastic that a reasonable person would expect to have a material effect on the price or value of Fantastic Shares.

ASX maintains files containing publicly disclosed information about all listed companies. Information disclosed to ASX by Fantastic is available on the ASX website at www.asx.com.au and on Fantastic's website at www.fantasticholdings.com.au.

In addition, Fantastic is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Fantastic may be obtained from an ASIC office.

On request to Fantastic, and free of charge, Fantastic Shareholders may obtain a copy of:

- the annual report of Fantastic for the year ended 30 June 2016 (being the annual report most recently lodged with ASIC before the registration of this Scheme Booklet with ASIC); and
- any continuous disclosure notice given to ASX by Fantastic after the lodgement by Fantastic of the 2016 annual report and before the registration of this Scheme Booklet with ASIC.

A list of announcements made by Fantastic to ASX from 23 September 2016 (being the date on which Fantastic lodged its 2016 annual report with ASX) to the Last Practicable Date is listed in the table below.

Date	Announcement
31/10/2016	Change in substantial holding from IFL
28/10/2016	Becoming a substantial holder
26/10/2016	FAN Resolutions at FY16 AGM
26/10/2016	FAN Chairman's AGM Address
17/10/2016	Becoming a substantial holder
14/10/2016	FAN Scheme of Arrangement
06/10/2016	Change in substantial holding from IFL
23/09/2016	FAN Appendix 4G
23/09/2016	FAN Notice of AGM and Proxy Form for AGM 2016
23/09/2016	FHL Annual Report 2016

A substantial amount of information about Fantastic, including financial information and releases to ASX, is available in electronic form from the Fantastic website at www.fantasticholdings.com.au.

Further information regarding Fantastic's financial performance is also set out in the Independent Expert's Report which forms Annexure A.

6. STEINHOFF INFORMATION

6.1 Introduction

This Section 6 has been prepared by Steinhoff Asia Pacific. The information concerning Steinhoff Asia Pacific, its related entities and the intentions, views and opinions contained in this Section 6 are the responsibility of Steinhoff Asia Pacific. Fantastic and its officers and advisers do not assume any responsibility for the accuracy or completeness of the information.

6.2 Overview of Steinhoff Asia Pacific

Steinhoff Asia Pacific is a retailer of furniture and homeware in Australia and New Zealand through 157 retail stores under the Freedom, Snooze, POCO and Bay Leather Republic brands.

Steinhoff Asia Pacific operates 50 Freedom stores in Australia and New Zealand, which are large format furniture and homeware retail outlets. Steinhoff Asia Pacific also offers kitchen design services and kitchen cabinetry under its Freedom Kitchens brand. Steinhoff Asia Pacific's 81 Snooze stores in Australia and New Zealand are mattress and bedding specialists, predominantly operating under a franchise model. Snooze also retails bedroom furniture, such as beds, drawers and bedside tables.

Steinhoff Asia Pacific also owns a mattress manufacturing business, Selectopedic, which has production facilities in four Australian capital cities, as well as a furniture importing specialist, G&G Furniture. In addition, Steinhoff Asia Pacific operates Unitrans Asia Pacific, a supply chain specialist with 7 depots in Australia and over 69,500m² of warehousing space and over 100 vehicles.

Steinhoff Asia Pacific employs over 1,800 people in Australia and New Zealand. Steinhoff Asia Pacific's Snooze and Freedom brands have been in business in Australia and New Zealand for over 40 years and 35 years, respectively.

Steinhoff Asia Pacific is an Australian proprietary limited company which was incorporated on 7 August 2003, and its headquarters are in North Ryde, NSW. It is ultimately a wholly-owned subsidiary of Steinhoff International.

Further details about Steinhoff Asia Pacific can be found on the website, www.steinhoff.com.au.

The directors of Steinhoff Asia Pacific are:

- **Markus Johannes Jooste (55)**

BAcc, CA(SA)

Markus is Group Chief Executive Officer for Steinhoff International. He serves on the board of several subsidiaries of Steinhoff International in Africa, Europe, UK and Australia and as a non-executive director on the boards of PSG Group Limited (member of the remuneration committee), Phumelela Gaming and Leisure Limited (member of the remuneration committee) and KAP Industrial Holdings Limited.

- **Daniël Maree van der Merwe (58)**

BCom, LLB

Daniël is Group Chief Operating Officer for Steinhoff International. He was appointed as a director of Steinhoff International in 1999, and serves on the boards of Steinhoff Asia Pacific and Steinhoff UK Holdings Limited. He is also a non-executive director on the board of KAP Industrial Holdings Limited (member of the human resources and remuneration and nomination committees).

- **Timothy William Schaafsma (43)**

LLB

Tim joined Steinhoff Asia Pacific (formerly Freedom Group Limited) in 2002 as General Counsel, responsible for the group's legal and compliance functions. Tim has had responsibility for certain operational areas of the business, including Freedom Home, Bayswiss and Bay Leather Republic since 2008. Tim was appointed Managing Director of Freedom in 2010. Tim is a director of Steinhoff Asia Pacific Group Holdings Pty Ltd, Steinhoff Asia Pacific and a number of subsidiary entities. Prior to joining Steinhoff Asia Pacific, Tim was a corporate lawyer with McDonald's Australia Limited and a solicitor in private legal practice.

- **Michael Jonathan Gordon (50)**

BCom, BAcc CA

Michael is the Managing Director of Group Services for Steinhoff Asia Pacific and also the Chief Financial Officer. Prior to Steinhoff, Michael spent ten years with PricewaterhouseCoopers in South Africa, the United Kingdom and Australia. Michael joined the listed Freedom Group as Chief Financial Officer in November 2000 and was appointed as a director of the Board in April 2003. In December 2003, Michael and other key senior executives led the privatisation of Freedom Group Limited. In November 2006, Michael led the restructure of the Freedom Group of companies into the Asia Pacific subsidiary of Steinhoff International.

- **Sean Robin Summers (63)**

Sean Summers is a director and Chief Executive Officer of the Steinhoff UK Group. In June 2010, Sean joined Steinhoff International Group Services focusing on Furniture and Homewares Retail. Sean started in an advisory capacity in Group Services and his initial involvement was in the South African and Australian / New Zealand operations. In 2011, he was additionally given oversight of Steinhoff UK, which included all Retail Operations, Manufacturing in five factories and UK Group Logistics. Previously Sean was the CEO of Pick 'n Pay, South Africa. Sean spent 33 years with Pick 'n Pay.

- **Philip Jean Dieperink (60)**

BCom (Hons) (Accountancy), CTA, Chartered Accountant, Higher Diploma in Tax Law
Philip is a director and Chief Financial Officer of the Steinhoff UK group. Philip was a Deloitte Tax partner in the South African practice until 1996, when he joined Murray & Roberts, an international construction company. In 1997, he was appointed Chief Financial Officer of Unitrans Limited, a large Johannesburg listed logistics company. After Steinhoff International acquired the entire share capital of Unitrans in 2007, Philip was seconded to the UK into his current position. He acts as a director for various companies in the Steinhoff International group.

- **Stephanus Jonannes Grobler (57)** (as an alternate director for Mr. Jooste)

BCom (Hons) (Economics), LLB
Stéhan is Executive Group Treasury and Financing Activities for the Steinhoff International group. In December 1999, Stéhan was appointed Company Secretary of Steinhoff International Holdings Limited and joined the group more formally in July 2000. Stéhan was admitted as an attorney of the High Court of South Africa in 1989. He was also admitted as a notary public, conveyancer and to appear in the High Court of South Africa. Stéhan gained extensive experience practising in the business and corporate law fields advising various listed and unlisted companies on commercial and company law issues. He also heads the legal department of the group. He acts as director for various groups and companies.

6.3 Overview of Steinhoff International

Steinhoff International is an integrated retailer that retails, sources and manufactures household goods and general merchandise in Europe, Africa, the USA and Australasia. Retail operations are positioned towards price conscious (value) consumer segments, providing consumers with affordable products through a vertically integrated supply chain. Our integrated retail divisions comprise of:

- Household goods (furniture and homeware retail businesses)
- General Merchandise, focusing on clothing and footwear, accessories and homeware
- Automotive dealerships in South Africa which provides a broad range of new and pre-owned vehicles, parts, insurance, accessories and servicing. In addition, Hertz car rental outlets are included in this segment

Steinhoff international and its subsidiaries employ over 112,000 employees and has a listing on the Frankfurt Stock Exchange and a secondary listing on the Johannesburg Stock Exchange.

Steinhoff International's Australian and New Zealand furniture, bedding and household goods retail operations are primarily operated by Steinhoff Asia Pacific. In addition, Steinhoff International's general merchandise division in Australasia is operated through Pepkor South East Asia Pty Limited (Pepkor), which is ultimately wholly-owned by Steinhoff International. Pepkor retails clothing, footwear and homewares under Australian brands including Best & Less, Harris Scarfe, Mozi and Store & Order with approximately 300 stores across Australia and New Zealand.

Steinhoff international and its subsidiaries employ over 6,000 employees in Australia.

Steinhoff International's board comprises a Management Board and a Supervisory Board. The directors of Steinhoff International and their respective functions are set out below:

Management Board Directors	Function
Markus Johannes Jooste	Chief Executive Officer
Andries Benjamin la Grange	Chief Financial Officer
Daniël Maree van der Merwe	Chief Operating Officer

Supervisory Board Directors	Function
Christoffel Hendrik Wiese	Chairman and Non-Executive Director
Deenadayalen Konar	Deputy Chairman and Lead Independent Non-Executive Director
Claas Edmund Daun	Independent Non-Executive Director
Stefanes Francois Booysen	Independent Non-Executive Director
Marthinus Theunis Lategan	Independent Non-Executive Director
Johan van Zyl	Independent Non-Executive Director
Heather Sonn	Independent Non-Executive Director
Bruno Ewald Steinhoff	Non-Executive Director
Angela Krüger-Steinhoff	Non-Executive Director
Thierry Louis Joseph Guibert	Non-Executive Director
Jacob Daniel Wiese	Non-Executive Director

Further details about Steinhoff International can be found on the website, www.steinhoffinternational.com.

6.4 Rationale for Steinhoff Asia Pacific's proposed acquisition of Fantastic

Steinhoff International has a proven track record of acquiring and successfully growing businesses, their brands and their manufacturing operations as part of Steinhoff International's network of retail companies, supported by an integrated supply chain in Europe, the USA, Africa and the Asia Pacific.

Steinhoff Asia Pacific is developing a fast-growing retail furniture and homeware business in Australia through its existing brands. Steinhoff Asia Pacific believes Fantastic will be an attractive addition to its existing furniture and homewares retail brands in Australia, and is expected to accelerate Steinhoff Asia Pacific's market penetration and growth in the Australian furniture and homeware market. Steinhoff Asia Pacific considers that Fantastic's upholstery and mattress manufacturing operations provide Steinhoff Asia Pacific with an opportunity to leverage and grow Fantastic's vertically integrated model.

Steinhoff Asia Pacific believes that by bringing Fantastic into Steinhoff International's global operations, an opportunity exists to grow and develop Fantastic's existing core brands (namely, Fantastic Furniture, Plush and OMF) and Fantastic's upholstery and mattress manufacturing operations. The Steinhoff Asia Pacific Board and management are enthusiastic about the related opportunities for its existing brands in Australia and New Zealand that are expected to arise as a result of the combination of the businesses.

6.5 Intentions of Steinhoff Asia Pacific if the Scheme is implemented

This Section 6.5 sets out Steinhoff Asia Pacific's intentions in relation to:

- the continuation of the business of Fantastic;
- any major changes to the business of Fantastic, including the redeployment of the fixed assets and property of Fantastic; and
- the future employment of the present employees of Fantastic,

in each case, if the Scheme is implemented.

Steinhoff Asia Pacific's intentions described in this Section 6.5 are based on the facts and information concerning Fantastic, and the general business environment, known to Steinhoff Asia Pacific as at the time of preparing this Scheme Booklet. Final decisions relating to Fantastic's business will only be made by Steinhoff Asia Pacific in light of all material facts and circumstances at the relevant time. Accordingly, the statements set out in this Section 6.5 are statements of current intention only, which may change as new information becomes available, or as circumstances change, and the statements in this Section 6.5 should be read in that context.

The intentions of Steinhoff Asia Pacific described in this Section 6.5 are the same as the intentions of Steinhoff International.

(a) Continuation and review of the Fantastic business

If the Scheme is implemented, Steinhoff Asia Pacific intends that the combined business will continue in Australia as a leading furniture, bedding and homeware retailer and manufacturer, offering affordable quality products to customers. Steinhoff Asia Pacific intends that Fantastic's existing core brands (namely, Fantastic Furniture, Plush and OMF) and existing upholstery and mattress manufacturing operations will continue. Steinhoff Asia Pacific has no current intention to materially change the existing Fantastic store network or manufacturing operations across Australia.

Steinhoff Asia Pacific intends to work with Fantastic's management team to identify areas in which Fantastic's business can be optimised, including opportunities for Fantastic's existing upholstery and mattress manufacturing operations to be supplied into Steinhoff Asia Pacific's Australian businesses, as well as into Steinhoff International's broader global supply chain.

In order to achieve these outcomes, if the Scheme is implemented, Steinhoff Asia Pacific intends to undertake a detailed review of Fantastic's business, to verify Steinhoff Asia Pacific's understanding of the Fantastic business, including strategic, financial and commercial operating matters, and to identify areas in which Fantastic's business can be optimised.

Decisions about matters relating to the future operation of the business will be made by Steinhoff Asia Pacific following completion of this review. The review will take place following the implementation of the Scheme.

(b) Fantastic to be delisted

If the Scheme is implemented, Steinhoff Asia Pacific will cause Fantastic to request the ASX to remove Fantastic from the ASX's official list with effect from or shortly after the Implementation Date.

(c) Fantastic Board of directors

If the Scheme is implemented, Steinhoff Asia Pacific will replace the board members of Fantastic and its subsidiaries with Timothy William Schaafsma and Michael Jonathan Gordan and at least one other nominee of Steinhoff Asia Pacific. The identity of any other such nominee of Steinhoff Asia Pacific has not yet been determined, but Steinhoff Asia Pacific expects that such nominees will include some of the directors of Steinhoff Asia Pacific identified in Section 6.2 above.

(d) Employees

Steinhoff Asia Pacific considers Fantastic's senior management and employees to be a critical factor behind the success of Fantastic's business.

Accordingly, Steinhoff Asia Pacific intends to retain the services of Fantastic's current operational employees in its Fantastic Furniture, Plush and OMF stores and in its upholstery and mattress manufacturing operations in the ordinary course.

Steinhoff Asia Pacific's current intention is to leave the Fantastic management structure substantially unchanged. Steinhoff Asia Pacific recognises the knowledge and experience of the Fantastic senior management team and looks forward to working with them following implementation of the Scheme. In cases where particular management or administrative roles may no longer be required, such as due to changes relating to Fantastic ceasing to be a publicly listed company, Steinhoff Asia Pacific will attempt to identify opportunities for alternative employment within Steinhoff Asia Pacific's operations.

No final determination has been made by Steinhoff Asia Pacific at this time regarding such matters, nor is it practical to make any such determination until after implementation of the Scheme and conclusion of the review and integration of the Fantastic business described in Section 6.5(a) above.

(e) Other intentions

Other than as set out in this Section 6.5, if the Scheme is implemented, Steinhoff Asia Pacific intends to:

- continue the retail business and manufacturing operations of Fantastic;
- not redeploy the fixed assets or property of Fantastic; and
- continue the employment of the present employees of Fantastic.

6.6 Funding arrangements for the Scheme Consideration

(a) Total Scheme consideration

If the Scheme becomes Effective, Steinhoff Asia Pacific will pay, or procure the payment of, the Scheme Consideration of \$3.50 in cash per Fantastic Share to the Scheme Shareholders, in accordance with the terms of the Scheme and the Deed Poll.

The total cash amount payable by Steinhoff Asia Pacific as Scheme Consideration is \$361,400,893 (**Total Scheme Consideration**).

The Total Scheme Consideration is calculated on the basis of:

- Fantastic's total issued share capital being 103,257,398 Fantastic Shares as at the date of this Scheme Booklet; and
- the Scheme Consideration of \$3.50 in cash per Fantastic Share.

On the basis of the arrangements described in this Section 6.6, Steinhoff Asia Pacific is of the opinion that it has a reasonable basis for forming the view, and it holds the view, that it will be able to satisfy its payment obligations in respect of the Total Scheme Consideration under the Scheme, as well as the costs associated with the Scheme.

(b) Steinhoff Asia Pacific's funding arrangements

Pursuant to an executed agreement, Steinhoff International has agreed to provide Steinhoff Asia Pacific, through Steinhoff International's wholly-owned subsidiary Steinhoff Europe AG, with all amounts Steinhoff Asia Pacific requires to pay the Total Scheme Consideration, as well as any costs associated with the Scheme. These amounts will be provided under a loan agreement to be entered into between Steinhoff Europe AG and Steinhoff Asia Pacific.

Drawdown under the loan agreement will not be subject to any conditions precedent other than the Scheme becoming Effective and the presentation to Steinhoff Europe AG of a draw down notice which is signed by Steinhoff Asia Pacific.

(c) Steinhoff International's groups funding arrangements

As at the date of this Scheme Booklet, Steinhoff International and its subsidiaries have existing cash and cash equivalents at call and existing undrawn credit facilities materially in excess of the Total Scheme Consideration. Steinhoff International and its subsidiaries intend to utilise such available funds to allow Steinhoff Asia Pacific to fund the Total Scheme Consideration (as described in Section 6.6(b) above).

As at 30 June 2016 and based on an exchange rate of €1/A\$1.4929, Steinhoff International had cash and cash equivalents of €3.6 billion (A\$5.3 billion) held through it and its subsidiaries and undrawn debt capacity under its subsidiaries' credit facilities in excess of €2.7 billion (A\$4.1 billion). Steinhoff International has a market capitalisation of approximately €20.9 billion (A\$30.6 billion) as at 10 October 2016 and has an issuer rating of Baa3 from Moody's.

Since 30 June 2016:

- Steinhoff International (through its subsidiaries) has acquired Poundland Limited (in the United Kingdom) and Mattress Firm Holding Corp. (in the United States) for £610 million (A\$990 million) and US\$2.4 billion (A\$3.2 billion), respectively; and
- Steinhoff International has undertaken an equity capital raising in the amount of approximately €2.4 billion (A\$3.5 billion), with the funds raised used to fund those acquisitions.

To the extent that Steinhoff International and its subsidiaries elect to utilise third party funds rather than its existing cash and cash equivalents at call to fund any of the Total Scheme Consideration payable by Steinhoff Asia Pacific, such funds will be drawn pursuant to existing credit facilities. As at 30 June 2016, Steinhoff International and its subsidiaries had available undrawn debt capacity under its subsidiaries' credit facilities in excess of €2.7 billion (A\$4.1 billion), and its undrawn debt capacity is materially unchanged since 30 June 2016. The credit facilities are a combination of bilateral facilities and facilities provided by a syndicate of lenders comprising various international financial institutions. Steinhoff International and its subsidiaries regularly refinance those credit facilities and their working capital facilities. The availability of funds under the credit facilities are subject to customary conditions to borrowing, none of which relate to the Scheme, and Steinhoff International expects that this will also be the case in respect of any new or refinanced facilities. As at the date of this Scheme Booklet, Steinhoff International is not aware of any reason why any conditions precedent to drawdown under its subsidiaries' existing credit facilities will not be satisfied.

6.7 Information on Fantastic securities

(a) Steinhoff's interest in Fantastic

As at the date of this Scheme Booklet, Steinhoff International, its subsidiaries and their respective Associates collectively hold a Relevant Interest in approximately 19.9% of the Fantastic Shares. These interests arise as a result of the call option arrangements described below and in Section 2.4.

On 13 October 2016, Steinhoff Asia Pacific entered into separate Call Option Deeds with Mr Julian Tertini and Mr Peter Brennan respectively (and entities separately controlled by each of them) pursuant to which Steinhoff Asia Pacific was granted an option to collectively acquire 19.9% of the Fantastic Shares.

Each Call Option Deed was lodged with ASX on 17 October 2016 by Steinhoff Asia Pacific as annexures to its notice of initial substantial holder. Therefore, as at the date of this Scheme Booklet, Steinhoff International and its subsidiaries collectively have a Relevant Interest in:

- 20,548,223 Fantastic Shares; and
- 19.9% voting power in Fantastic.

For further details regarding the Call Option Deeds, please refer to Section 2.4.

(b) No dealings in Fantastic Shares in the previous four months

Other than in respect of the Call Option Deeds and the consideration to be provided under the Scheme, during the period of four months prior to the date of this Scheme Booklet, none of Steinhoff International, any of its subsidiaries nor any of their respective Associates have provided, or agreed to provide, consideration for Fantastic Shares under a purchase agreement.

(c) Benefit to holders of Fantastic Shares

During the period of four months prior to the date of this Scheme Booklet, none of Steinhoff International, any of its subsidiaries nor any of their respective Associates gave or offered or agreed to give a benefit to another person which is likely to induce the other person, or an Associate of the other person, to:

- vote in favour of the Scheme; or
- dispose of Fantastic Shares,

and which is not offered to all Fantastic Shareholders.

(d) Benefits to Fantastic Directors

Other than benefits payable by Fantastic to the Directors, as detailed in Section 10.2, none of Steinhoff International, any of its subsidiaries or any of their respective Associates will be making any payment or giving any benefit to any current member of the Board as compensation or consideration for, or otherwise in connection with, their resignation from the Board, if the Scheme is implemented and the Board is accordingly reconstituted.

6.8 No other material information

Except as disclosed elsewhere in this Scheme Booklet, there is no other information that is material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any director of Steinhoff Asia Pacific, at the date of this Scheme Booklet, which has not previously been disclosed to Fantastic Shareholders.

7. RISK FACTORS

7.1 Introduction

In considering the Scheme, Fantastic Shareholders should be aware that there are a number of risk factors, which could materially adversely affect the future operating and financial performance of Fantastic and the value of Fantastic Shares.

This Section outlines:

- general market risks (see Section 7.2); and
- specific risks (see Section 7.3)

Additional risks and uncertainties not currently known to Fantastic may have a material adverse effect on Fantastic's business and the information set out below does not purport to be, nor should it be construed as representing, an exhaustive list of the risks that may affect Fantastic.

If the Scheme is implemented, you will receive the Scheme Consideration, will cease to be a Fantastic Shareholder and will also no longer be subject to the risks set out below. If the Scheme does not proceed, you will continue to hold your Fantastic Shares and continue to be exposed to risks associated with that investment.

In deciding whether to vote in favour of the Scheme, you should read this Scheme Booklet carefully in its entirety. Fantastic Shareholders should carefully consider the risk factors outlined below. This Section is general in nature only and does not take into account your individual investment objectives, financial situation, taxation position or particular needs.

7.2 General market risks

As with many listed companies, Fantastic is subject to a number of general risks that could materially adversely affect its financial position, assets and liabilities, reputation, profits, prospects and market price and/or value of Fantastic Shares and/or dividends that may be paid by Fantastic in respect of Fantastic Shares. These could include any of the following:

- fluctuations in economic conditions in Australia and overseas, including changes in economic growth, interest rates, inflation, employment levels, housing starts, property prices, commodity prices and consumer demand;
- fluctuations in investor sentiment and overall performance of the Australian and international stock markets;
- international political upheaval impacting markets, supply chains and overall economic activity;
- changes in government fiscal, monetary, regulatory and foreign policy in relevant jurisdictions;
- increases in expenses (including wage inflation);
- changes to accounting or financial reporting standards, and changes to taxation laws (or other interpretation); and
- natural disasters and catastrophic events, whether on a global, regional or local scale.

7.3 Specific risks relating to Fantastic

(a) Market risk

Key macro-economic factors that may adversely affect demand for Fantastic's products include increases to interest rates, household savings rates and unemployment levels or decreases in the asset values of homes and other dwellings. Other factors that may have an impact on Fantastic's sales include the number of new dwelling approvals ('housing starts') and government stimulus provided (or removed) for new home buyers.

In addition, declines in consumer confidence and retail sentiment may result in reduced demand for Fantastic's products, thereby reducing sales revenue.

Fantastic's products are also subject to unpredictable changes in customer preferences and trends. Consequently, failure to predict or respond to any such changes could adversely affect its future financial performance.

(b) Competition and new entrants into the Australian market

The Australian furniture retailing industry in which Fantastic operates is highly competitive, has relatively low barriers to entry and is subject to changes in customer preferences. Fantastic is subject to competition from both internal and external sources, including other furniture retailers, department stores and online furniture retailers.

Competition is based on a variety of specific factors including merchandise selection, price, quality, advertising, new stores, store location, store appearance, product presentation and customer service.

Fantastic's competitive position may deteriorate as a result of factors including actions taken by existing competitors, entry of new competitors or a failure by Fantastic to successfully respond to changes in the industry. Any weakening in Fantastic's competitive position may have an adverse impact on Fantastic's future financial performance.

(c) Store network performance and leases

Fantastic's retail stores may fail to perform at an acceptable level to cover fixed costs of operation and provide the required rate of return on invested capital due to store traffic, sales density, margin structures, rental rates and staff costs.

Fantastic's store network is regularly assessed and revised in order to optimise financial and operational performance. While stores that are not performing are either closed or the leases in respect of those stores are not renewed on expiry, lease terms are typically long-term (3 to 7 years) and the rent payable under these leases is relatively difficult to renegotiate, despite underperformance.

Fantastic also seeks to open new stores in appropriate locations consistent with its growth strategy. The financial performance and future growth of Fantastic is dependent on its ability to both retain existing store sites and secure new store sites in suitable locations on acceptable terms. Fantastic's ability to achieve this may be impacted by a range of factors including availability of new store sites, profitability of new stores, potential cannibalisation of existing stores by new store openings, higher than budgeted operating costs and landlord disputes. Furthermore, changing population concentrations, demographics and new centres of retail activity can impact on individual store profitability.

These factors may adversely affect Fantastic's future financial and operational performance.

(d) Operational risk

Fantastic sources product from a relatively limited number of domestic and international suppliers and is dependent on continuing product flow for the sustainability of its business. Disruption to any of these supply lines through failure of the supplier, shipping channels or from political events may result in loss of sales and additional costs.

(e) People risk

Fantastic competes in labour markets to attract and retain key talent among its management and operational staff. The competitive nature of these labour markets may result in the loss of key employees from time to time or make it difficult and costly to attract or retain employees.

Interruptions at Fantastic's workplaces arising from industrial disputes, work stoppages and accidents may result in business operations delays or losses.

While a strong emphasis is placed on the implementation of health and safety standards, Fantastic is exposed to health and safety risk concerning its people due to the number of locations and number of people visiting its stores.

(f) Foreign currency risk

Fantastic is exposed to foreign exchange rate movements. Most of Fantastic's imported product purchases, a significant part of raw materials used in the company's domestic manufacturing activities and manufacturing costs through its facilities in China and Vietnam are denominated in US dollars. Although Fantastic is engaged in currency hedging, which provides some shorter-term exchange rate certainty, a severe and sustained decline in the AUD/USD exchange rate may adversely affect Fantastic's financial performance by increasing its business costs.

(g) Cost pressure on business

Fantastic's cost structure includes a number of components with pre-determined increases for example, lease costs and wages. There is a risk that sales volumes will not increase sufficiently to cover the cost increases.

In addition, input prices may increase as a result of changes in commodity prices, labour inflation or other impacts and the resulting higher costs may not be readily and/or fully passed on to customers.

(h) Sustainability of growth and operating margins

The sustainability of growth in Fantastic's revenue, profit and extent of operating profit margins are dependent on a number of factors, some of which are outside the control of Fantastic. Margins across Fantastic's products may be faced with varying degrees of margin pressure, driven by competitor discounting. There is no assurance that the historical financial performance of Fantastic is indicative of its future financial performance.

(i) Quality

A product quality issue, including a product quality issue that may give rise to a product recall, could adversely impact the brand reputation and brand equity of products sold by Fantastic as well as exposing Fantastic to litigation for product liability and increased regulatory oversight. Quality controls are entrenched in Fantastic's operations, from material sourcing and product design through to manufacturing and distribution, including quality control checks.

(j) Reputation risk

Fantastic relies on the strength of its reputation to retain and attract customers, suppliers and employees, secure lines of credit and gain access to capital. Unethical business practices, negative media exposure and poor project outcomes are all factors which can damage reputation.

(k) Technology

As with all e-commerce businesses, Fantastic is heavily reliant on the security of its websites and associated payments systems to ensure that customers are confident of transacting online. Breaches of security could impact customer satisfaction and confidence in Fantastic.

Fantastic is also exposed to cyberattacks or breaches of cybersecurity, as well as other malicious attacks or unintentional security issues, which could result in material data security breaches or damage to Fantastic's systems.

Fantastic maintains a database of confidential customer information. The failure of Fantastic to maintain the confidentiality of its customer database could result in significant operational, reputational, legal and cost ramifications for Fantastic. It could also result in access to online payment systems being withdrawn by financial product providers.

(l) Regulatory and compliance risk

As an Australian retailer, Fantastic operates under a regulated environment, including in the areas of competition, consumer protection and privacy. Any regulatory breach by Fantastic could have a material negative impact on Fantastic's reputation.

(m) Financial and information risk

Fantastic may be exposed to financial and information risk if there is a failure to provide adequate, effective and timely financial information to inform decision making.

(n) Litigation

There are no current litigation matters that are considered likely to have a material adverse effect on Fantastic, however there remains a risk that Fantastic may be exposed to litigation which could materially impact Fantastic's financial performance in the future.

(o) Insurance risks

No assurance can be given that any insurance that Fantastic may maintain will be available in the future on a commercially reasonable basis or that the cover will be adequate and available to cover all or any future claims. If Fantastic incurs uninsured losses or liabilities, its financial position and prospects may be adversely affected.

8. TAX ADVISER'S REPORT

8.1 Taxation considerations

The comments in Section 8.2 below provide a general outline of certain Australian tax issues for Australian tax resident shareholders who dispose of Fantastic Shares pursuant to the Scheme of Arrangement and that hold Shares in Fantastic on capital account for Australian income tax purposes. The categories of Shareholders considered in this summary are limited to individuals, companies (other than life insurance companies), trusts, partnerships and complying superannuation funds that hold their shares on capital account.

This summary does not consider the consequences for foreign resident Shareholders, life insurance companies, banks, Shareholders that hold their shares on revenue account or carry on a business of trading in shares, Shareholders who are exempt from Australian tax, or Shareholders who are subject to the Taxation of Financial Arrangements rules contained in Division 230 of the *Income Tax Assessment Act 1997*.

The summary in Section 8.2 is general in nature and is not exhaustive of all Australian tax consequences that could apply in all circumstances of any given Shareholder. The individual circumstances of each Shareholder may affect the taxation implications of the investment of the Shareholder.

It is recommended that all Shareholders consult their own independent tax advisers regarding the income tax (including capital gains tax), stamp duty and GST consequences of acquiring, owning and disposing of Shares, having regard to their specific circumstances.

The summary in Section 8.2 is based on the relevant Australian tax law in force, established interpretations of that law and understanding of the practice of the relevant tax authority at the time of issue of the Scheme of Arrangement. The summary does not take into account the tax law of countries other than Australia.

Tax laws are complex and subject to ongoing change. The tax consequences discussed in these summaries does not take into account or anticipate any changes in law (by legislation or judicial decision) or any changes in the administrative practice or interpretation by the relevant authorities. If there is a change, including a change having retrospective effect, the income tax, stamp duty and GST consequences should be reconsidered by Shareholders in light of the changes. The precise implications of ownership or disposal of the Shares will depend upon each Shareholder's specific circumstances.

This summary does not constitute financial product advice as defined in the *Corporations Act 2001*. This summary is confined to taxation issues and is only one of the matters which need to be considered by Shareholders before making a decision about their investments.

8.2 Income tax treatment of dividends received by Australian tax resident Shareholders

8.2.1 Australian resident individuals and complying superannuation entities

Where dividends on a Share are paid by Fantastic, those dividends will constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders who are individuals or complying superannuation entities should include the dividend in their assessable income in the year the dividend is paid, together with any franking credits attached to that dividend.

The rate of tax payable by each Australian Shareholder that is an individual will depend on the individual circumstances of the Shareholder and his/her prevailing marginal rate of income tax.

Shareholders who are individuals or complying superannuation entities should be entitled to a "tax offset" equal to the franking credits attached to the dividend subject to being a "qualified person" (refer further comments below). The tax offset can be applied to reduce the tax payable on the Shareholder's taxable income. Where the tax offset exceeds the tax payable on the Shareholder's taxable income, such Shareholders should be entitled to a tax refund.

Where a dividend paid by Fantastic is unfranked, the Shareholder will generally be taxed at his or her prevailing marginal rate on the dividend received with no tax offset.

8.2.2 Corporate shareholders

Corporate Shareholders are also required to include both the dividend and associated franking credits in their assessable income. A tax offset is then allowed up to the amount of the franking credits on the dividend.

An Australian resident corporate Shareholder should be entitled to a credit in its own franking account to the extent of the franking credits attached to the dividend received. Such corporate Shareholders can then pass on the benefit of the franking credits to their own shareholder(s) on the payment of franked dividends.

Excess franking credits received by a corporate Shareholder cannot give rise to a refund, but may in certain circumstances be converted into carry forward tax losses.

8.2.3 Trusts and partnerships

Australian tax resident Shareholders who are Trustees (other than Trustees of “complying superannuation entities”) or Partnerships should include the dividend and franking credits in determining the net income of the trust or partnership. A beneficiary, trustee or partner may be entitled to a tax offset equal to the beneficiary’s or partner’s share of the net income of the trust or partnership as the case may be.

8.2.4 Shares held at risk

To be eligible for the benefit of franking credits and tax offset a Shareholder must satisfy both the “holding period” and “related payment” rules. This requires that a Shareholder hold the Shares in Fantastic “at risk” for more than 45 days continuously (not including the date of acquisition and disposal).

Any day on which a Shareholder has a materially diminished risk of loss or opportunity for gain in respect of the Shares (e.g. through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) will not be counted as a day on which the Shareholder held the Shares “at risk”. In addition, a Shareholder must not be obliged to make a “related payment” in respect of any dividend, unless they hold the Shares “at risk” for the required holding period around the dividend dates.

Where these rules are not satisfied the Shareholder will not be able to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed A\$5,000. Special rules apply to trusts and beneficiaries.

Shareholders should obtain their own professional tax advice to determine if these requirements, as they apply to them, have been satisfied.

The dividend washing integrity rules prevent a Shareholder from obtaining franking credits if the Shareholder has engaged in dividend washing. Shareholders should consider the impact these rules together with the broader integrity provisions that apply to the claiming of tax offsets given their own personal circumstances.

8.2.5 Capital gains tax (CGT) implications for Australian tax resident Shareholders on a disposal of Shares

The disposal of a share by a Shareholder will be a CGT event. A capital gain will arise where the “capital proceeds” on disposal exceed the “cost base” of the share (broadly, the amount paid to acquire the share plus any transaction costs incurred in relation to the acquisition or disposal of the shares). In the case of an “arm’s length” on-market sale, the capital proceeds will generally be the cash proceeds received from the sale of the shares.

A CGT discount may be applied against the net capital gain where the Shareholder is an individual, complying superannuation entity or trustee, and the Shares have been held for more than 12 months prior to the CGT event. Where the CGT discount applies, any capital gain arising to individuals and entities acting as Trustees (other than a trust that is a complying superannuation entity) may be reduced by one-half after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one-third, after offsetting current year or prior year capital losses.

Where the Shareholder is the trustee of a trust that has held the Shares for more than 12 months before disposal, the CGT discount may flow through to the beneficiaries of the trust if those beneficiaries are not companies. Shareholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

A capital loss will be realised where the “reduced cost base” of the share exceeds the “capital proceeds” from disposal. Capital losses may only be offset against capital gains realised by the Shareholder in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other forms of assessable income.

8.2.6 Tax File Numbers (TFNs)

Shareholders are not required to quote their tax file number (“TFN”), or where relevant Australian Business Number (“ABN”), to Fantastic. However, if a valid TFN, ABN or exemption details are not provided, Australian tax may be required to be deducted by Fantastic from distributions and / or unfranked dividends at the maximum marginal tax rate plus the Medicare levy. Australian tax should not be required to be deducted by Fantastic in respect of fully franked dividends.

A Shareholder that holds Shares as part of an enterprise may quote their Australian Business Number (“ABN”) instead of their TFN. Non-residents are exempt from this requirement.

8.2.7 GST implications

No GST should be payable by Shareholders in respect of the disposal of their Shares in Fantastic, regardless of whether or not the Shareholder is registered for GST.

Shareholders may not be entitled to claim full input tax credits in respect of any GST included in the costs they have incurred in connection with their acquisition of the Shares. Separate GST advice should be sought by Shareholders in this respect relevant to their particular circumstances.

No GST should be payable by Shareholders on receiving dividends distributed by Fantastic.

8.2.8 Stamp duty

Shareholders should not be liable for stamp duty on the disposal of their Shares in Fantastic.

9. INFORMATION RELATING TO FANTASTIC DIRECTORS

9.1 Interests of Fantastic Directors

(a) Fantastic Directors' Relevant Interests in Fantastic Shares

As at the date immediately before the date of this Scheme Booklet, the Fantastic Directors had the following Relevant Interests in Fantastic Shares:

Director's Name	Number of Fantastic Shares
Julian Tertini ⁶	41,776,211
Peter Brennan ⁷	10,698,016
Geoffrey Squires	171,405
Robyn Watts	10,000
John Hughes	Nil

(b) Fantastic Directors' dealings in Fantastic Shares

No Fantastic Director acquired or disposed of a Relevant Interest in any Fantastic Shares in the four-month period ending on the date immediately before the date of this Scheme Booklet.

9.2 Interests and dealings in Steinhoff Group securities

(a) Interests in Steinhoff Group securities

As at the date immediately before the date of this Scheme Booklet, no Fantastic Director had a Relevant Interest in any shares or other securities in any Steinhoff Group Member.

(b) Dealings in Steinhoff Group securities

No Fantastic Director acquired or disposed of a Relevant Interest in any shares or other securities in any Steinhoff Group Member in the four-month period ending on the date immediately before the date of this Scheme Booklet.

9.3 Benefits and agreements

(a) Benefits in connection with retirement from office

No payment or other benefit is proposed to:

- be made or given to any director, company secretary or executive officer of Fantastic as compensation for the loss of, or as consideration for or in connection with his or her retirement from office in Fantastic; or
- be made or given to any director, company secretary or executive officer of any Related Body Corporate of Fantastic as compensation for the loss of, or as consideration for or in connection with his or her retirement from, office in that Related Body Corporate of Fantastic,

in connection with the Scheme, other than in his or her capacity as a Fantastic Shareholder.

(b) Interests of Fantastic Directors in contracts with the Fantastic Group

None of the Fantastic Directors has any interest in any contract entered into by a Fantastic Group Member other than in their capacity as a Fantastic Shareholder, except as set out below:

- Bytenew Pty Ltd, an entity controlled by Mr Tertini, is a party to a licence agreement with a Fantastic Group Member in respect of which it is granted the right as licensee to conduct the Fantastic Furniture franchised store located at Caringbah, NSW. The licence agreement is on normal arm's length commercial terms; and
- Bytenew Pty Ltd and Tertan Management Services Pty Limited (as trustee of the Tertan Management Services Unit Trust), being entities controlled by Mr Julian Tertini, are parties to lease agreements with a Fantastic Group Member in respect of which they are the landlord relating to certain premises from which Fantastic Group owned stores are operated. Each lease agreement is on arm's length commercial terms.

(c) Agreements or arrangements with Fantastic Directors

Except for the Call Option Deeds with Mr Julian Tertini and Mr Peter Brennan discussed at Section 2.4, there are no agreements or arrangements made between any Fantastic Director and any other person in connection with, or conditional on, the outcome of the Scheme, other than in their capacity as a Fantastic Shareholder.

⁶ The total includes 10 million shares by Yaquina Pty Ltd and 934,137 shares held by Lawncat Pty Ltd for which Mr Tertini has voting power over these shares.

⁷ The total includes 3,989,965 shares held by Mrs Patricia Brennan for which Mr Brennan has voting power over these shares.

(d) Interests of Fantastic Directors in contracts with the Steinhoff Group

Except for the Call Option Deeds executed by Mr Julian Tertini and Mr Peter Brennan (refer to Section 2.4 for detail), none of the Fantastic Directors have any interest in any contract entered into by a Steinhoff Group Member, other than in their capacity as a Fantastic Shareholder.

(e) Benefits from the Steinhoff Group

None of the Fantastic Directors has agreed to receive, or is entitled to receive, any benefit from any Steinhoff Group Member which is conditional on, or is related to, the Scheme other than in their capacity as a Fantastic Shareholder.

10. ADDITIONAL INFORMATION

10.1 Scheme Implementation Deed

(a) Overview

Fantastic, Steinhoff Asia Pacific and Steinhoff Asia Pacific Holdings entered into the Scheme Implementation Deed on 13 October 2016. The key terms of the Scheme Implementation Deed are summarised below.

A full copy of the Scheme Implementation Deed is set out in Annexure B.

(b) Conditions Precedent

Implementation of the Scheme is subject to the Conditions Precedent which must be satisfied or waived (as applicable). In summary, as at the date of this Scheme Booklet, the outstanding Conditions Precedent include:

- approval by Fantastic Shareholders by the requisite majorities;
- approval by the Court;
- prior to the Delivery Time on the Second Court Date, ASIC and ASX providing such consents or approvals required to implement the Transaction;
- Steinhoff Asia Pacific obtaining FIRB Approval prior to the Delivery Time on the Second Court Date;
- no Fantastic Prescribed Occurrences occurring between 13 October 2016 and the Delivery Time on the Second Court Date;
- no Fantastic Material Adverse Change occurring between 13 October 2016 and the Delivery Time on the Second Court Date;
- Fantastic has at the Delivery Time on the Second Court Date complied with all of its obligations specified in the Scheme Implementation Deed with respect to Fantastic Options;
- no restraints being imposed by any court or Government Agency; and
- the Fantastic Representations and Warranties being true and correct in all material respects.

For full details of the Conditions Precedent, see clause 3.1 of the Scheme Implementation Deed, a full copy of which is set out in Annexure B.

(c) Exclusivity arrangements

The Scheme Implementation Deed contains certain exclusivity arrangements granted by Fantastic in favour of Steinhoff Asia Pacific and Steinhoff Asia Pacific Holdings.

Those exclusivity arrangements are set out in full in clause 10 of the Scheme Implementation Deed, a full copy of which is set out in Annexure B.

In summary, Fantastic has granted the following exclusivity rights during the Exclusivity Period:

- **No Existing Discussions** – Fantastic represents and warrants that, other than the discussion with the Steinhoff Group in respect of the Scheme, Fantastic is not currently in negotiations or discussions with any Third Party in respect of any Competing Proposal and is not a party to any agreement or arrangement with any Third Party entered into for the purpose of facilitating a Competing Proposal;
- **No Talk** – Fantastic must not participate in discussions or provide information that may lead to an actual, proposed or potential Competing Proposal;
- **No Shop** – Fantastic must not solicit any enquiries, discussions or proposals from any Third Party, or negotiate or enter into any agreement or understanding with any Third Party that may lead to an actual, proposed or potential Competing Proposal;
- **Notification of Approach** – if Fantastic becomes aware of an approach by a Third Party in relation to an actual, proposed or potential Competing Proposal, Fantastic must notify Steinhoff Asia Pacific and Steinhoff Asia Pacific Holdings of any such approach and must set out the price, timing considerations, conditions precedent, any break fee and any minimum acceptance condition contemplated by the Competing Proposal promptly, on becoming aware of such an approach, although Fantastic will not be required to provide the identity of the relevant Third Party making or proposing the Competing Proposal; and
- **Matching Right** – Fantastic is prohibited from entering into any arrangement in connection with a Competing Proposal unless the Competing Proposal is a Superior Proposal and the Board has given Steinhoff Asia Pacific at least 5 Business Days to provide a proposal that is superior to the Competing Proposal. If Steinhoff Asia Pacific provides a proposal that is superior to the Competing Proposal, and Fantastic subsequently receives a further Competing Proposal that is, or may reasonably be expected to be, superior to Steinhoff Asia Pacific's further proposal, Steinhoff Asia Pacific will have 5 Business Days to provide a proposal that is superior to that subsequent Competing Proposal.

However, Fantastic is not required to comply with the No Talk provisions in the Scheme Implementation Deed in respect of a bona fide Competing Proposal if compliance with that clause would, in the opinion of the Fantastic Board, formed in good faith after consultation with, and receiving written advice from, its:

- Financial Advisers, that the Competing Proposal is or may reasonably be expected to lead to a Superior Proposal; and
- external legal advisers, that failing to respond to the Competing Proposal would be likely to constitute a breach of the fiduciary or statutory duties owed by the Fantastic Board.

(d) Break fee

Fantastic must pay a break fee of \$3.6 million (exclusive of GST) in certain circumstances:

- Fantastic materially breaches the exclusivity provisions;
- the Fantastic Board fails to make, or withdraws, changes or adversely modifies its recommendation to Fantastic Shareholders or its intention to vote in favour of the Scheme at the Scheme Meeting in relation to the Fantastic Shares held or controlled by them, or otherwise recommends or supports a Competing Proposal, including if:
 - the Independent Expert changes its recommendation due to the existence of a Superior Proposal; or
 - the Independent Expert otherwise supports a Competing Proposal,but not if the Independent Expert changes its view on whether the Scheme is in the best interests of Fantastic Shareholders for another sole or dominant reason⁸;
- a general meeting of Fantastic is convened to consider and, if thought fit, approve the taking, or not taking of any step that prevents a Condition Precedent being satisfied, or results in a Condition Precedent not being satisfied, and any of the Fantastic Directors recommend that Fantastic Shareholders vote in favour of implementing or taking, or not taking that step;
- a Competing Proposal is publicly announced or made at any time prior to the End Date and, within 12 months from the date of the public announcement of the Competing Proposal, that Competing Proposal is (or becomes) free from any defeating conditions (or if the Competing Proposal is a scheme of arrangement, the scheme becomes Effective); or
- Fantastic voluntarily agrees to implement a Competing Proposal.

A break fee will not be payable merely because Fantastic Shareholders do not vote in favour of the Scheme.

(e) Change in recommendation

Fantastic must use its best endeavours to ensure that the Fantastic Board:

- unanimously recommends that Fantastic Shareholders vote in favour of the Scheme Resolution;
- vote in favour of the Scheme at the Scheme Meeting in relation to the Fantastic Shares held or controlled by them; and
- must not change, withdraw or modify its recommendation or voting intention,

in each case, unless:

- the Independent Expert concludes that the Scheme is not in the best interests of Fantastic Shareholders; or
- Fantastic has received, other than as a result of a breach of the exclusivity arrangements, a Superior Proposal.

Further details on Fantastic's obligations regarding the recommendation of the Scheme by the Fantastic Board and the intention of the Fantastic Board to vote in favour of the Scheme at the Scheme Meeting in relation to the Fantastic Shares held or controlled by them, are set out in clause 5.9 of the Scheme Implementation Deed, a full copy of which is in Annexure B.

(f) Conduct of business

Clause 5.4 of the Scheme Implementation Deed sets out the obligations of Fantastic from the date of the Scheme Implementation Deed up to and including the Implementation Date in relation to the conduct of its business.

Broadly, Fantastic has agreed to conduct its business in the ordinary and proper course of business in a manner generally consistent with the manner in which it was conducted in the 12-month period prior to the date of the Scheme Implementation Deed.

Fantastic has also agreed to work in a collaborative manner to, where reasonable, assist Steinhoff Asia Pacific and Steinhoff Asia Pacific Holdings to prepare for the implementation of the Scheme, and to allow Steinhoff Asia Pacific and Steinhoff Asia Pacific Holdings to develop and prepare for the implementation of transition plans for Fantastic following implementation of the Scheme.

Lastly, Fantastic has agreed not to undertake certain activities with respect to conduct of the Fantastic Group, unless such activities have been expressly permitted by Steinhoff Asia Pacific or Steinhoff Asia Pacific Holdings. These activities include:

- Fantastic, or a financier, proposes to increase or decrease the size of any existing financial indebtedness of Fantastic by an amount exceeding \$2 million;
- incurring capital expenditure for an amount exceeding \$1 million individually or \$10 million in aggregate;
- employing a new person to work in the Fantastic Group where:
 - the total remuneration payable to that individual would exceed \$300,000 in any 12-month period; or
 - that individual would report directly to the Chairman, Chief Executive Officer or Chief Financial Officer of the Fantastic Group, or any of their respective direct reports; or
- enter into or amend a contract which is material to the conduct of the business of the Fantastic Group, involves aggregate expenditure greater than \$6 million, annual revenue greater than \$2 million, or has a committed term which is greater than 12 months with annual expenditure of more than \$1 million.

These provisions are set out in full in clause 5.4 of the Scheme Implementation Deed which is set out in Annexure B.

(g) Termination rights

Either Fantastic, Steinhoff Asia Pacific or Steinhoff Asia Pacific Holdings may terminate the Scheme Implementation Deed if (unless waived), one or more Conditions Precedent (including with respect to the occurrence of a Fantastic Material Adverse Change or a Fantastic Prescribed Occurrence) is not satisfied within the relevant time specified in the Scheme Implementation Deed.

⁸ Note: Fantastic is not currently aware of any reasons why the Independent Expert may change its view other than where there is a Superior Proposal or recommended Competing Proposal.

Steinhoff Asia Pacific may terminate the Scheme Implementation Deed if, before the Delivery Time on the Second Court Date:

- Fantastic commits a material breach of the Scheme Implementation Deed and such breach continues to exist 5 Business Days from the earlier of the Delivery Time and the date that Fantastic is provided with notice of such breach by Steinhoff Asia Pacific;
- Fantastic is, or becomes, Insolvent;
- a Fantastic Director recommends, endorses or supports any Competing Proposal or fails to make, or withdraws, changes or otherwise makes a public statement that is inconsistent with, his or her:
 - recommendation to Fantastic Shareholders to vote in favour of the Scheme at the Scheme Meeting; or
 - intention to vote in favour of the Scheme at the Scheme Meeting in relation to the Fantastic Shares held or controlled by him or her (other than where the Independent Expert changes its recommendation);
- Fantastic voluntarily enters into any agreement or arrangement in relation to the implementation of any Competing Proposal.

Fantastic has made certain representations and warranties to Steinhoff Asia Pacific and Steinhoff Asia Pacific Holdings (see Schedule 2 of the Scheme Implementation Deed). At any time before the Delivery Time on the Second Court Date, Steinhoff Asia Pacific may terminate the Scheme Implementation Deed for breach by Fantastic of any of the representations and warranties made by Fantastic if such breach is material in the context of the Scheme taken as a whole and continues to exist 5 Business Days from the date that Fantastic is provided with notice of such breach by Steinhoff Asia Pacific.

Fantastic may terminate the Scheme Implementation Deed if before the Delivery Time on the Second Court Date:

- either of Steinhoff Asia Pacific or Steinhoff Asia Pacific Holdings commits a material breach of the Scheme Implementation Deed and such breach continues to exist 5 Business Days from being provided notice of such breach by Fantastic;
- if either Steinhoff Asia Pacific or Steinhoff Asia Pacific Holdings is, or becomes, Insolvent; or
- provided that Fantastic has complied with the exclusivity arrangements set out in the Scheme Implementation Deed, if a majority of the Fantastic Board recommends a Superior Proposal and has not reinstated the Fantastic Board's recommendation of the Transaction within 5 Business Days of its recommendation relating to the Superior Proposal.

Each of Steinhoff Asia Pacific and Steinhoff Asia Pacific Holdings has made certain representations and warranties to Fantastic (see Schedule 1 of the Scheme Implementation Deed). At any time before the Delivery Time on the Second Court Date, Fantastic may terminate the Scheme Implementation Deed for breach by Steinhoff Asia Pacific or Steinhoff Asia Pacific Holdings of the representations and warranties made by Steinhoff Asia Pacific and Steinhoff Asia Pacific Holdings and such breach is material in the context of the Scheme taken as a whole and continues to exist 5 Business Days from the date that Steinhoff Asia Pacific and Steinhoff Asia Pacific Holdings (as the case may be) is provided with notice of such breach by Fantastic.

10.2 Fantastic executive incentive arrangements

Prior to execution of the Scheme Implementation Deed the Board of Fantastic resolved to implement a new long term incentive plan which would allow for the issue of performance rights to certain nominated senior employees. The Board had instructed that it intended to issue performance rights to the following senior employees; Debra Singh, Brian Cassell, Jason Newman, Bill Keighran and Melissa Blackley.

At the time of execution of the Scheme Implementation Deed, no such performance rights had been issued. Instead, it was agreed with each of the employees named above that, if the Scheme becomes Effective, certain cash payments totalling \$2,023,146, would be made to these employees in lieu of such performance rights being issued. Steinhoff has agreed to these payments being made.

If the Scheme does not become Effective no payments will be made.

10.3 Disputes and litigation

Fantastic is from time to time involved in disputes and litigation.

As at the date of this Scheme Booklet, the Fantastic Directors do not believe that any Fantastic Group Member is involved in any ongoing litigation or dispute which is material in the context of Fantastic and its subsidiaries taken as a whole.

10.4 Consents and disclosures

(a) Consents

The Scheme Booklet contains statements made by, or statements said to be based on statements made by:

- Steinhoff Asia Pacific and Steinhoff Asia Pacific Holdings in respect of the Steinhoff Information only;
- Ernst & Young as the Tax Adviser; and
- Leadenhall Corporate Advisory Pty Ltd as the Independent Expert.

Each of those persons named above has consented to the inclusion in this Scheme Booklet of each statement it has made, in the form and context in which the statements appear and has not withdrawn that consent at the date of this Scheme Booklet.

The following parties have given and have not, before the time of registration of this Scheme Booklet with ASIC, withdrawn their consent to be named in this Scheme Booklet in the form and context in which they are named:

- Monash Private Capital Pty Limited as Fantastic's financial adviser;
- Computershare Investor Services Pty Limited as Fantastic's Share Registry; and
- Watson Mangioni Pty Limited as Fantastic's Australian legal adviser.

(b) Disclosures and responsibility

Further, each person named in Section 10.4(a):

- has not authorised or caused the issue of this Scheme Booklet;
- does not make, or purport to make, any statement in this Scheme Booklet, or any statement on which a statement in this Scheme Booklet is based, other than:
 - Steinhoff Asia Pacific and Steinhoff Asia Pacific Holdings, in respect of the Steinhoff Information only;
 - Ernst & Young, in relation to its Tax Adviser's Report; and
 - Leadenhall Corporate Advisory Pty Ltd, in relation to its Independent Expert's Report; and
- to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representations regarding, and takes no responsibility for, any part of this Scheme Booklet other than a reference to its name and the statement (if any) included in this Scheme Booklet with the consent of that party as specified in this Section 10.4(b).

10.5 Intentions of Directors

If the Scheme is approved and implemented, Steinhoff Asia Pacific will replace the existing Fantastic Board with nominees of Steinhoff Asia Pacific with effect from after the Implementation Date. Accordingly, it is not possible for the current Directors to provide a statement of their intentions regarding:

- the continuation of the business of Fantastic or how Fantastic's existing business will be conducted;
- any major changes to be made to the business of Fantastic, including any redeployment of the fixed assets of Fantastic; or
- the future employment of the present employees of Fantastic,

in each case, after the Scheme is implemented.

If the Scheme is implemented, Steinhoff Asia Pacific will have 100% ownership and control of Fantastic. The Directors have been advised that the intentions of Steinhoff Asia Pacific in relation to the Fantastic Group are as set out in Section 6.

If the Scheme is not implemented, and no Superior Proposal is received, the Fantastic Directors intend to continue to operate the business of Fantastic in the ordinary course of the business.

10.6 Regulatory relief

No regulatory relief has been sought from ASIC or ASX in relation to the Scheme.

10.7 No unacceptable circumstances

The Directors believe that the Scheme does not involve any circumstances in relation to the affairs of Fantastic that could reasonably be characterised as constituting 'unacceptable circumstances' for the purposes of Section 657A of the Corporations Act.

10.8 No other material information

Except as set out in this Scheme Booklet, so far as the Directors are aware, there is no information material to the making of a decision by a Fantastic Shareholder in relation to the Scheme, being information that is within the knowledge of any Director or any director of any Related Bodies Corporate of Fantastic at the time of lodging this Scheme Booklet with ASIC for registration, which has not previously been disclosed to Fantastic Shareholders.

10.9 Supplementary disclosure

Fantastic will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date:

- a material statement in this Scheme Booklet is false or misleading in a material respect;
- a material omission from this Scheme Booklet;
- a significant change affecting a matter included in this Scheme Booklet; or
- a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC.

Depending on the nature and timing of the changed circumstances, and subject to obtaining any relevant approvals, Fantastic may circulate and publish any supplementary document by:

- making an announcement to ASX;
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting the supplementary document to Fantastic Shareholders at their registered address as shown in the Share Register; or
- posting a statement on Fantastic's website at www.fantasticholdings.com.au,

as Fantastic in its absolute discretion considers appropriate.

11. GLOSSARY AND INTERPRETATION

11.1 Glossary

The meanings of the terms used in this Scheme Booklet are set out below.

TERM	MEANING
A\$ or \$	Australian dollar.
AEDT	Australian Eastern Daylight Time.
ASIC	the Australian Securities and Investments Commission.
Associate	has the meaning given in Section 12 of the Corporations Act.
ASX	ASX Limited (ACN 008 624 691) and, where the context requires, the financial market operated by it known as the “Australian Securities Exchange”.
Business Day	has the meaning given in the Listing Rules.
Call Option Deeds	The documents entitled “Call Option Deed” entered into on 13 October 2016, as described in Section 2.4, between Steinhoff Asia Pacific and the following: <ul style="list-style-type: none"> • Mr Julian Tertini and his Related Entities; and • Mr Peter Brennan and his Related Entities.
Call Option Shares	The 20,548,223 Fantastic Shares which are the subject of the Call Option Deeds.
CGT	Australian Capital Gains Tax.
Competing Proposal	<p>any inquiry, offer, proposal, expression of interest, agreement, arrangement or transaction, which, if entered into or completed, would mean a Third Party (either alone or together with any Associate of the Third Party) may directly or indirectly:</p> <ol style="list-style-type: none"> acquire a Relevant Interest in, or have the right to acquire, a legal, beneficial or economic interest in, or control of, 20% or more of the Fantastic Shares or the shares of any other Fantastic Group Member; acquire, or obtain a right to acquire, Control of Fantastic or Control of any other Fantastic Group Member; acquire or become the holder of, or otherwise acquire, have a right to acquire or have an economic interest in, all or 20% or more by value of the business or assets of the Fantastic Group; otherwise acquire or merge with Fantastic or any other Fantastic Group Member; or enter into any agreement, arrangement or understanding requiring Fantastic to abandon or otherwise fail to proceed with, the Transaction or which may otherwise compete with, or be inconsistent in any material respect with the consummation of, the Transaction, <p>whether by way of takeover bid, scheme of arrangement, shareholder approved acquisition, capital reduction or share buy-back, sale or purchase of shares, securities or assets, global assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), reverse takeover or other transaction or arrangement.</p>
Conditions Precedent	each of the conditions set out in clause 3.1 of the Scheme Implementation Deed.
Confidentiality Deed	the confidentiality deed between Fantastic and Steinhoff Asia Pacific dated around June 2016.
Control	has the meaning given in Section 50AA of the Corporations Act.
Controller	has the meaning given in Section 9 of the Corporations Act.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Corporations Regulations	the <i>Corporations Regulations 2001</i> (Cth).

Court	the Federal Court of Australia (NSW registry) or such other court of competent jurisdiction under the Corporations Act agreed to in writing by Fantastic and Steinhoff Asia Pacific.
Deed Poll	a deed poll substantially in the form of Annexure D under which Steinhoff Asia Pacific and Steinhoff Asia Pacific Holdings covenant in favour of the Fantastic Shareholders to perform the obligations attributed to them under the Scheme.
Delivery Time	in relation to the Second Court Hearing on the Second Court Date, the time being 2 hours before the commencement of the Second Court Hearing on the Second Court Date.
EBIT	earnings before interest and tax.
Effective	when used in relation to the Scheme, means the coming into effect, under Section 411(10) of the Corporations Act, of the order of the Court made under Section 411(4)(b) in relation to the Scheme.
Effective Date	the date on which the Scheme becomes Effective, which is expected to be Monday, 12 December 2016.
End Date	14 March 2017 (being five months after the date of the Scheme Implementation Deed) or such other date as is agreed in writing between Steinhoff Asia Pacific and Fantastic.
FactSet	FactSet Research Systems Inc. (NYSE: FDS, NASDAQ: FDS) of Merritt 7 Corporate Park 601 Merritt 7, Norwalk, CT 06851, United States.
Fantastic	Fantastic Holdings Limited (ACN 004 000 775) of 62 Hume Highway, Chullora NSW 2190.
Fantastic Board	the board of directors of Fantastic from time to time.
Fantastic Directors or Directors	each member of the Fantastic Board.
Fantastic Group	Fantastic and each of its Related Bodies Corporate and a reference to a Fantastic Group Member is to Fantastic or any of its Related Bodies Corporate.
Fantastic Information	information regarding the Fantastic Group prepared by Fantastic for inclusion in the Scheme Booklet, being all the contents of the Scheme Booklet other than the Steinhoff Information, the Independent Expert's Report and the Tax Adviser's Report.
Fantastic Material Adverse Change	has the meaning given in clause 3.1(g) of the Scheme Implementation Deed.
Fantastic Prescribed Occurrence	has the meaning given in section 1.1 of the Scheme Implementation Deed as contained in Annexure B.
Fantastic Share Registry	Computershare Investor Services Pty Limited (ACN 078 279 277) of Level 4, 60 Carrington Street, Sydney, NSW, 2000, Australia.
Fantastic Representations and Warranties	the representations and warranties of Fantastic as set out in Schedule 2 of the Scheme Implementation Deed.
Fantastic Share or Share	a fully paid ordinary share in the capital of Fantastic.
Fantastic Shareholder or Shareholder	a holder from time to time of one or more Fantastic Shares, as shown in the Share Register.
FATA	<i>Foreign Acquisitions and Takeovers Act 1975</i> (Cth).
Financial Adviser	any financial adviser retained by Fantastic in relation to the Scheme or a Competing Proposal from time to time.
FIRB Approval	either: 1) the Treasurer of the Commonwealth of Australia (or his delegate) has provided a notice in writing (without any term or condition which Steinhoff Asia Pacific reasonably considers unacceptable) stating, or to the effect that, there are no objections under the FATA to Steinhoff Asia Pacific acquiring the Scheme Shares; or 2) the Treasurer of the Commonwealth of Australia (and each of his delegates) becomes precluded by passage of time from making any order or decision under Division 2 of Part 3 of the FATA in respect of the acquisition of the Scheme Shares by Steinhoff Asia Pacific.
First Court Date	the first day on which an application made to the Court for orders under Section 411(1) of the Corporations Act convening the Scheme meeting to consider the Scheme is heard.
Government Agency	any government or any governmental, semi-governmental, statutory or judicial entity, agency or authority, whether in Australia, or elsewhere, including any self-regulatory organisation established under statute or otherwise discharging substantially public or regulatory functions, and the ASX or any other stock exchange.

GST	has the meaning given in <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
Implementation Date	the fifth Business Day after the Scheme Record Date or such other date as agreed in writing by Steinhoff Asia Pacific and Fantastic.
Independent Expert	the independent expert in respect of the Scheme appointed by Fantastic, being Leadenhall Corporate Advisory Pty Ltd (ACN 114 534 619).
Independent Expert's Report	the report prepared by the Independent Expert in connection with the Scheme dated 13 October 2016 set out in Annexure A.
Insolvent	<p>a person is insolvent if:</p> <ol style="list-style-type: none"> 1) it is (or states that it is) an insolvent under administration or insolvent (each as defined in the Corporations Act); 2) it is in liquidation, in provisional liquidation, under administration or wound up or a Controller receiver, receiver and manager or other insolvency official is appointed to the person or any part of its property; 3) it is subject to any arrangement, assignment, moratorium or composition with its creditors generally or is otherwise protected from creditors under any statute or dissolved (in each case, other than to carry out a reconstruction or amalgamation while solvent on terms approved by the other parties to the Scheme Implementation Deed); 4) an application or order has been made (and in the case of an application, it is not stayed, withdrawn or dismissed within 30 days), in connection with that person, which could reasonably result in any of (1), (2) or (3) above; 5) a meeting to consider a resolution to wind up the person is called or an application or order for the winding up or deregistration of the person is made, other than where the application or order (as the case may be) is set aside or withdrawn within 14 days; 6) it is deregistered as a company or otherwise dissolved; 7) it suspends or threatens to suspend payment of its debts as and when they become due; 8) it is taken (under Section 459F(1) of the Corporations Act) to have failed to comply with a statutory demand; 9) it is the subject of an event described in Section 459C(2)(b) or Section 585 of the Corporations Act (or it makes a statement from which another party to the Scheme Implementation Deed reasonably deduces it is so subject); 10) it executes a deed of company arrangement; 11) it is otherwise unable to pay its debts when they fall due; or 12) something having a substantially similar effect to (1) to (10) happens in connection with that person under the law of any jurisdiction.
JSE	JSE Limited, or, where the context requires, the financial market operated by it known as the "Johannesburg Stock Exchange".
Last Practicable Date	the date prior to the provision of this Scheme Booklet to the Court, expected to be 1 November 2016.
Listing Rules	the official listing rules of ASX.
Notice of Scheme Meeting	the notice of meeting relating to the Scheme Meeting which is contained in Annexure E.
NPAT	net profit after tax.
Proxy Form	the proxy form which accompanies this Scheme Booklet.
Related Body Corporate	has the meaning given to it in the Corporations Act.
Related Entity	<p>Related Entity means:</p> <ol style="list-style-type: none"> 1) in relation to a body corporate, any entity that is related to that body corporate within the meaning of section 50 of the Corporations Act or which is an economic entity (as defined in any approved Australian accounting standard) that is Controlled by that body corporate; and 2) in relation to an individual means an economic entity (as defined in any approved Australian accounting standard) Controlled by that individual.
Relevant Interest	has the meaning given in Sections 608 and 609 of the Corporations Act.
Scheme	the members' scheme of arrangement under Part 5.1 of the Corporations Act between Fantastic and the Scheme Shareholders, substantially in the form contained in Annexure C, subject to any alterations or conditions agreed to in writing by Fantastic, Steinhoff Asia Pacific and Steinhoff Asia Pacific Holdings and approved by the Court or made or required by the Court under Section 411(6) of the Corporations Act and agreed to by Fantastic, Steinhoff Asia Pacific and Steinhoff Asia Pacific Holdings.

Scheme Booklet	this scheme booklet, including the annexures to it.
Scheme Consideration	in respect of each Scheme Share, \$3.50 cash.
Scheme Implementation Deed	the scheme implementation deed dated 13 October 2016 between Fantastic, Steinhoff Asia Pacific and Steinhoff Asia Pacific Holdings relating to the implementation of the Scheme. A copy of the scheme implementation deed is contained in Annexure B.
Scheme Meeting	the meeting of Fantastic Shareholders ordered by the Court to be convened under Section 411(1) of the Corporations Act at which Fantastic Shareholders will consider and vote on the Scheme.
Scheme Record Date	7.00pm on the second Business Day after the Effective Date of the Scheme (which is currently expected to be Wednesday, 14 December 2016) or such other date as agreed in writing by Steinhoff Asia Pacific and Fantastic.
Scheme Resolution	the resolution set out in the Notice of Scheme Meeting to approve the terms of the Scheme.
Scheme Share	a Fantastic Share held by a Fantastic Shareholder as at the Scheme Record Date.
Scheme Shareholders	Fantastic Shareholders as at the Scheme Record Date.
Second Court Date	the first day on which an application made to the Court for an order under Section 411(4)(b) of the Corporations Act approving the Scheme is heard.
Second Court Hearing	the hearing of the application made to the Court for an order under Section 411(4)(b) of the Corporations Act approving the Scheme is heard.
Share Register	the register of Fantastic Shareholders maintained in accordance with the Corporations Act.
Shareholder Information Line	+61 2 8052 5888.
Steinhoff Asia Pacific	Steinhoff Asia Pacific Holdings Pty Limited (ABN 44 105 828 957) of Level 4, 1 Epping Road, North Ryde, Sydney NSW 2113.
Steinhoff Asia Pacific Holdings	Steinhoff Asia Pacific Group Holdings Pty Limited (ABN 21 612 890 874) of Level 4, 1 Epping Road, North Ryde, Sydney NSW 2113.
Steinhoff Group	Steinhoff Asia Pacific, Steinhoff Asia Pacific Holdings and any Related Bodies Corporate of either of Steinhoff Asia Pacific or Steinhoff Asia Pacific Holdings and a reference to Steinhoff Group Member is to either of Steinhoff Asia Pacific, Steinhoff Asia Pacific Holdings or any Related Body Corporate of either of Steinhoff Asia Pacific or Steinhoff Asia Pacific Holdings.
Steinhoff Information	information regarding the Steinhoff Group prepared by Steinhoff International Group Holdings for inclusion in the Scheme Booklet, being only that information contained in Section 6.
Steinhoff International	Steinhoff International Holdings N.V. of Herengracht 466, 1017 CA Amsterdam, The Netherlands.
Steinhoff Representations and Warranties	the representations and warranties made by each of Steinhoff Asia Pacific and Steinhoff Asia Pacific Holdings set out in Schedule 1 in the Scheme Implementation Deed.
Superior Proposal	<p>a bona fide Competing Proposal received after the date of the Scheme Implementation Deed which the Board, acting in good faith and in order to satisfy what the Board reasonably considers to be its fiduciary or statutory duties (and after receiving written legal advice from its legal advisers and written advice from its Financial Advisers), determines:</p> <ul style="list-style-type: none"> • is reasonably capable of being valued and completed, taking into account all aspects of the Competing Proposal including any timing considerations, conditions precedent, financial matters and relevant regulatory considerations relating to the Competing Proposal and the Fantastic Board's reasonable assessment (based on the facts and circumstances known to it at the relevant time) of the ability of the proposing party or parties to consummate the transactions contemplated by the Competing Proposal; and • would, if completed substantially in accordance with its terms, result in a transaction that would be more favourable to Fantastic Shareholders (as a whole) than the Transaction taking into account all terms and conditions of the Competing Proposal, including consideration, conditionality, funding, certainty (based on the facts and circumstances known to the Board at the relevant time) and timing.
Tax Act	the <i>Income Tax Assessment Act 1936</i> (Cth) and the <i>Income Tax Assessment Act 1997</i> (Cth) or either of them.
Tax Adviser's Report	the report issued by Ernst & Young which provides a summary of the Australian tax implications for Fantastic Shareholders in connection with the Scheme. A copy of the Tax Adviser's Report is set out in Section 8.

Third Party	a person other than Steinhoff Asia Pacific, Steinhoff Asia Pacific Holdings and each of their respective Associates.
Timetable	the indicative timetable for the implementation of the Transaction as attached as Annexure A to the Scheme Implementation Deed.
Transaction	the acquisition of Fantastic by Steinhoff Asia Pacific through implementation of the Scheme.
VWAP	the volume weighted average price.

11.2 Interpretation

In this Scheme Booklet, unless the context otherwise requires or appears:

- Other words and phrases not in the glossary have the same meaning (if any) given to them in the Corporations Act.
- Words of any gender include all genders.
- Words importing the singular include the plural and vice versa.
- An expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa.
- A reference to a Section or annexure is a reference to a Section or annexure of this Scheme Booklet as relevant.
- A reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them.
- Headings and bold type are for convenience only and do not affect the interpretation of this Scheme Booklet.
- A reference to time is a reference to AEDT.
- A reference to dollars, \$, A\$, AUD, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

Annexure **A**

INDEPENDENT EXPERT'S REPORT



FANTASTIC HOLDINGS LIMITED

Takeover offer from Steinhoff Asia Pacific Holdings
Pty Ltd by Scheme of Arrangement

INDEPENDENT EXPERT'S REPORT
AND FINANCIAL SERVICES GUIDE

13 OCTOBER 2016



13 October 2016

The Directors
Fantastic Holdings Limited
62 Hume Highway
Chullora NSW 2190

Dear Directors,

Independent Expert's Report for Fantastic Holdings Limited

1. Introduction

Fantastic Holdings Limited ("**Fantastic**") is a public company listed on the Australian Securities Exchange ("**ASX**") that is engaged in the manufacture and retail of furniture. As at 7 October 2016 Fantastic had a market capitalisation of approximately \$240.6 million.

Steinhoff Asia Pacific Holdings Pty Ltd ("**Steinhoff**") is also engaged in the manufacture and retail of furniture, with brands including Freedom and Snooze. Steinhoff is a subsidiary of Steinhoff International Holdings NV, a company listed on the Frankfurt Stock Exchange.

On 13 October 2016 Fantastic and Steinhoff entered into a scheme implementation deed for Steinhoff to acquire 100% of the shares in Fantastic, by way of a scheme of arrangement ("**Proposed Transaction**"). Steinhoff has offered \$3.50 in cash for each Fantastic share.

Further details of the Proposed Transaction are set out in Section 1 of our detailed report.

2. Purpose of report

There is no formal requirement for an independent expert's report in relation to the Proposed Transaction. However, the directors of Fantastic have requested Leadenhall Corporate Advisory Pty Ltd ("**Leadenhall**") to prepare an independent expert's report to assess whether the Proposed Transaction is in the best interests of Fantastic's shareholders ("**Shareholders**"). This report will be included in the scheme booklet in relation to the Proposed Transaction ("**Scheme Booklet**") to assist Shareholders to evaluate the Proposed Transaction.

Further details of the purpose of this report are set out in Section 2 of our detailed report.

3. Basis of evaluation

In order to assess whether the Proposed Transaction is in Shareholders' best interests we have considered whether it is fair and reasonable to Shareholders. In order to assess whether the Proposed Transaction is fair and reasonable we have:

- ◆ Assessed it as fair if the consideration offered by Steinhoff is greater than or equal to the value of a Fantastic share on a control basis
- ◆ Assessed it as reasonable if it is fair, or if despite not being fair the advantages to Shareholders outweigh the disadvantages

Further details of the basis of evaluation are set out in Section 2 of our detailed report.

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T 1800 355 778

4. Analysis of fairness

We have assessed the fair market value of a Fantastic share to be in the range of \$3.42 to \$3.77, using the capitalisation of earnings approach as follows:

Table 1: Valuation summary

	EBITDA		EBIT	
	Low	High	Low	High
Selected maintainable earnings	43.5	45.0	36.0	37.5
Selected multiple	7.5	8.0	9.0	9.5
Enterprise value	326.3	360.0	324.0	356.3
Surplus assets	1.0	1.0	1.0	1.0
Net cash	29.7	29.7	29.7	29.7
Non-operating liabilities	(1.5)	(1.5)	(1.5)	(1.5)
Equity value	355.4	389.2	353.2	385.4
Number of share on issue	103.3	103.3	103.3	103.3
Value per share	\$3.44	\$3.77	\$3.42	\$3.73

Source: Leadenhall analysis

In applying the capitalisation of earnings approach we have:

- ◆ Determined a maintainable level of EBIT of \$36.0 million to \$37.5 million. This equates to a maintainable level of EBITDA of \$43.5 million to \$45.0 million after adjusting for depreciation and amortisation. This level of earnings was assessed after consideration of historical earnings (normalised to remove non-recurring items), management forecasts, year to date earnings and brokers' forecasts
- ◆ Applied an EBIT multiple of 9.0 to 9.5 times and an EBITDA multiple of 7.5 times to 8.0 times. These are control multiples, derived from analysis of takeover transactions and share market trading prices of companies with similar businesses to Fantastic
- ◆ Added surplus assets of \$1.0 million in relation to surplus land held by Fantastic
- ◆ Added surplus cash of \$29.7 million
- ◆ Deducted a non-operating liability in relation to closure costs for one store which is due to be closed

The result from this methodology was cross-checked using an analysis of share market trading prior to the announcement of the Proposed Transaction. Further details of the valuation of Fantastic are set out in Section 6 of our detailed report.

We have assessed whether the Proposed Transaction is fair by comparing our assessed fair market value of a Fantastic share on a control basis with the consideration offered. This comparison is set out in the table below.

Table 2: Assessment of fairness

	Low	High
Fair market value of a Fantastic share	\$3.42	\$3.77
Consideration	\$3.50	\$3.50

Source: Leadenhall analysis

Since the consideration offered is within the assessed range of values of a Fantastic share the Proposed Transaction is fair to Shareholders.

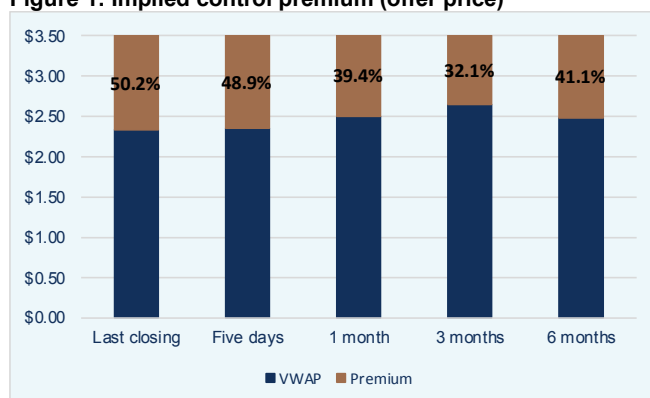
5. Analysis of reasonableness

We have defined the Proposed Transaction as reasonable if it is fair, or if despite not being fair, there are sufficient reasons for Shareholders to vote for the proposal. We have therefore considered the following advantages and disadvantages of the Proposed Transaction to Shareholders.

Advantages

- ◆ **Premium to market price** - The offer price reflects a meaningful premium to the Fantastic share price immediately prior to the announcement as set out in the figure below:

Figure 1: Implied control premium (offer price)



Source: FactSet and Leadenhall analysis

Note: Last closing is as at 9 October 2016

- ◆ **Share price in the absence of an alternative offer** - In the absence of any alternative takeover offer, the only alternative to dispose of Fantastic shares would be to sell them on the market at a price which does not include a premium for control and would incur transaction costs (e.g. brokerage). If the Proposed Transaction is not approved, it is likely that Fantastic shares would trade at a price below the offer price, at least in the short term.
- ◆ **No superior alternative offer** - We are not aware of any competing proposals to acquire Fantastic by any third party. However, we note that there would be an opportunity for any other interested party to put forward a competing offer prior to the scheme meeting being held. In these circumstances Shareholders would need to consider the competing offer before concluding on the Proposed Transaction.

Disadvantages

- ◆ **Loss of exposure to Fantastic business** - If the Proposed Transaction is completed Shareholders would lose their exposure to the future performance of Fantastic. We note that the Fantastic management team has set out a medium term plan for the business including material growth in store numbers and profitability. If this plan is achieved, it is possible that Fantastic shares may trade at prices higher than the consideration under the Proposed Transaction in the medium term. By accepting the Proposed Transaction, Shareholders will not be able to participate in this potential upside.
- ◆ **Synergy benefits** - Given the complementary nature of Steinhoff's business with Fantastic, it is likely that Steinhoff will be able to realise some synergy benefits from acquiring Fantastic. Based on our analysis, the offer price does not appear to include a material amount related to potential synergies as the selected multiples are towards the lower end of the comparable ranges and no synergies have been allowed for in the selected earnings. However, in the absence of a competing proposal, it is common for an acquirer not to pay for potential synergies they may obtain in a business combination.
- ◆ **Tax implications** - The acceptance of the offer by the purchaser may have varying tax implications for individual investors which may impact the net cash consideration received. Shareholders should seek their own independent advice as to any potential tax implications upon acceptance of the offer.

Since the Proposed Transaction is fair it is also reasonable.

Fantastic Holdings Limited
Independent Expert's Report and Financial Services Guide
13 October 2016



6. Opinion

In our opinion the Proposed Transaction is fair and reasonable to Shareholders. The Proposed Transaction is therefore in the best interests of Shareholders.

This opinion should be read in conjunction with our detailed report which sets out our scope, analysis and findings in more detail.

Yours faithfully

Richard Norris
Director

Dave Pearson
Director

Note: All amounts stated in this report are in Australian dollars unless otherwise stated.

Tables in this report may not add due to rounding.

LEADENHALL CORPORATE ADVISORY PTY LTD

ABN 11 114 534 619

Australian Financial Services Licence No: 293586

FINANCIAL SERVICES GUIDE

Leadenhall Corporate Advisory Pty Ltd ("**Leadenhall**" or "**we**" or "**us**" or "**our**" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

Financial Services Guide

In providing this report, we are required to issue this Financial Services Guide ("**FSG**") to retail clients. This FSG is designed to help you to make a decision as to how you might use this general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

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We hold Australian Financial Services Licence 293586 which authorises us to provide financial product advice in relation to securities (such as shares and debentures), managed investment schemes and derivatives.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product. Our report will include a description of the circumstances of our engagement and the party who has engaged us. You will not have engaged us directly but will be provided with a copy of the report because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial service licensee authorised to provide the financial product advice contained in that report.

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The advice produced in our report is general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

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We charge fees for providing reports. These fees will be agreed with the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis. Leadenhall is entitled to receive a fixed fee of \$55,000 (excl. GST) for preparing this report. This fee is not contingent upon the outcome of the Proposed Transaction.

Except for the fees referred to above, neither Leadenhall, nor any of its directors, consultants, employees or related entities, receive any pecuniary or other benefit, directly or indirectly, for or in connection with the provision of this report.

Remuneration or Other Benefits Received by our Employees, Directors and Consultants

All our employees receive a salary. Our employees are eligible for bonuses which are not based on the outcomes of any specific engagement or directly linked to the provision of this report. Our directors and consultants receive remuneration based on time spent on matters.

Fantastic Holdings Limited
Independent Expert's Report and Financial Services Guide
13 October 2016



Referrals

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As the holder of an Australian Financial Services Licence, we are required to have a system in place for handling complaints from persons to whom we have provided reports. All complaints must be in writing, to the following address:

Leadenhall Corporate Advisory Pty Ltd
GPO Box 1572
Adelaide SA 5001

Email: office@leadenhall.com.au

We will try to resolve your complaint quickly and fairly and will endeavour to settle the matter within 14 days from the time the matter is brought to our attention.

If you do not get a satisfactory outcome, you have the option of contacting the Financial Ombudsman Service ("FOS"). The FOS will then be able to advise you as to whether or not they can assist in this matter. The FOS can be contacted at the following address:

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001

Telephone: 1300 780 808
Email: info@fos.org.au

Compensation Arrangements

Leadenhall holds professional indemnity insurance in relation to the services we provide. The insurance cover satisfies the compensation requirements of the Corporations Act 2001.

13 October 2016

CONTENTS

1	Terms of the Proposed Transaction	9
2	Scope	10
3	Furniture Retailing Industry	12
4	Profile of Fantastic	19
5	Valuation Methodology	33
6	Valuation of Fantastic	34
7	Evaluation	46
	Appendix 1 : Glossary	48
	Appendix 2 : Valuation Methodologies	49
	Appendix 3 : Comparable Entities	52
	Appendix 4 : Control Premium	55
	Appendix 5 : Qualifications, Declarations and Consents	60

1 TERMS OF THE PROPOSED TRANSACTION

1.1 Overview

Fantastic is listed on the ASX and has a market capitalisation of approximately \$240 million as at 7 October 2016. Fantastic is engaged in the manufacture and retail of furniture.

Steinhoff is also engaged in the manufacture and retail of furniture, with brands including Freedom and Snooze. Steinhoff is a subsidiary of Steinhoff International Holdings NV, a company listed on the Frankfurt Stock Exchange with a market capitalisation of approximately €18.3 billion (A\$26.9 billion) as at 7 October 2016.

On 13 October 2016 Fantastic and Steinhoff entered into a scheme implementation deed for Steinhoff to acquire 100% of the shares in Fantastic via a scheme of arrangement. The agreed consideration is \$3.50 in cash per share, or \$361 million in total.

Steinhoff also acquired an option to acquire a 19.9% interest in the shares of Fantastic from a major shareholder. The option is exercisable in the event that a competing proposal is announced and Steinhoff increases its offer to be equal to or greater than that competing offer.

1.2 Approval

For the Proposed Transaction to become effective it will need to be approved at a meeting of Shareholders. Approval requires both of:

- ◆ A majority in number (i.e. more than 50%) of Shareholders present and voting (either in person or by proxy) at the meeting due to be held on 7 December 2016 to vote in favour of the Proposed Transaction
- ◆ At least 75% of the votes in respect of the resolution to be cast in favour of the Proposed Transaction

If approved by Shareholders, the scheme will then require approval by the Federal Court of Australia (NSW Registry).

1.3 Conditions

The Proposed Transaction is also subject to a number of conditions including:

- ◆ Steinhoff receiving the necessary regulatory approvals, including approval from the Foreign Investment Review Board
- ◆ No material adverse events occurring in respect of Fantastic

2 SCOPE

2.1 Purpose of the Report

The Proposed Transaction is to be implemented by a scheme of arrangement under Section 411 of the Corporations Act 2001 ("Section 411"). Under Section 411, the scheme must be approved by Shareholders as described in Section 1.2 above.

Part 3 of Schedule 8 of the Corporations Regulations 2001 (Cwlth) ("Part 3") prescribes the information to be provided to shareholders in relation to schemes of arrangement. Part 3 requires an independent expert's report stating whether a proposed scheme is in the best interests of shareholders of the company subject to the scheme if either:

- ◆ The other party to the scheme is entitled to more than 30% of the voting shares in the company which is the subject of the scheme
- ◆ A director of the corporation that is the other party to the scheme is also a director of the company that is the subject of the scheme

As Steinhoff does not have any directors in common with Fantastic and does not hold greater than 30% of its shares, there is no formal requirement for an independent expert's report in relation to the Proposed Transaction. However, the directors of Fantastic have requested Leadenhall to prepare an independent expert's report in relation to the Proposed Transaction, as if it was required under Part 3, to assist Shareholders evaluate the Proposed Transaction.

2.2 Basis of Evaluation

Best Interests

There is no legal definition of the expression '*in the best interests*'. However, Regulatory Guide 111: Content of Expert Reports ("RG111") issued by the Australian Securities and Investments Commission ("ASIC") provides guidance on its meaning. RG111.19 requires an expert to assess whether a scheme of arrangement involving a change of control is '*fair and reasonable*'. A transaction would be '*in the best interests*' of shareholders if it is either '*fair and reasonable*' or '*not fair but reasonable*'.

As the Proposed Transaction is a control transaction, we have assessed whether it is fair and reasonable to Shareholders. Neither the ASX Listing Rules nor the Corporations Act 2001 define the term '*fair and reasonable*' and both contain no guidance on what should be considered when assessing whether a proposed transaction is fair and reasonable. However, guidance on what an independent expert should consider and how '*fair and reasonable*' should be defined is contained in RG 111 which states that there should be separate assessments of whether a transaction is '*fair*' and whether it is '*reasonable*'. We have therefore considered the concepts of '*fairness*' and '*reasonableness*' separately as discussed below.

Fairness

RG 111.11 defines a takeover offer as being fair if the value of the consideration is equal to, or greater than, the value of the securities subject to the offer. Accordingly, we have assessed whether the Proposed Transaction is fair by comparing the value of a Fantastic share with the consideration offered to Shareholders.

The value of a Fantastic share has been determined on a control basis (i.e. including a control premium). This is consistent with the requirement of RG 111.11 that the comparison for a takeover must be made assuming a 100% interest in the target company.

We have assessed the value of Fantastic using the concept of fair market value, which is defined by the International Glossary of Business Valuation Terms as:

The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.

While there is no explicit definition of value in RG111, this definition of fair market value is consistent with the basis of value described at RG 111.11 and common market practice.

Special value is defined as the amount a specific purchaser is willing to pay in excess of fair market value. A specific purchaser may be willing to pay a premium over fair market value as a result of potential economies of scale, reduction in competition or other synergies they may enjoy arising from the acquisition of the asset. However, to the extent a pool of hypothetical purchasers could all achieve the same level of synergies the value of those synergies may be included in fair market value. Our assessed value of Fantastic does not include any special value in accordance with RG111.

Reasonableness

In accordance with RG111, we have defined the Proposed Transaction as being reasonable if it is fair, or if, despite not being fair, Leadenhall believes that there are sufficient reasons for Shareholders to vote in favour of the proposal. We have therefore considered whether the advantages to Shareholders of the Proposed Transaction outweigh the disadvantages. To assess the reasonableness of the Proposed Transaction we have considered the following significant factors recommended by RG111.13:

- ◆ Any pre-existing interest of Steinhoff in Fantastic
- ◆ Existing shareholder composition of Fantastic shares
- ◆ The liquidity of the market in Fantastic's shares
- ◆ Taxation losses, cash flow or other benefits through achieving 100% ownership of Fantastic
- ◆ Any special value of Fantastic to Steinhoff
- ◆ The likely market price of Fantastic shares if the Proposed Transaction is unsuccessful
- ◆ The value of Fantastic to an alternative bidder and the likelihood of an alternative offer

We have also considered the other significant advantages and disadvantages to Shareholders of the Proposed Transaction.

2.3 Individual Circumstances

We have evaluated the Proposed Transaction for the Shareholders as a whole. We have not considered its effect on the particular circumstances of individual investors. Due to their personal circumstances, individual investors may place a different emphasis on various aspects of the Proposed Transaction from the one adopted in this report. Accordingly, individuals may reach a different conclusion to ours on whether the Proposed Transaction is fair and reasonable. If in doubt investors should consult an independent financial adviser about the impact of this Proposed Transaction on their specific financial circumstances.

3 FURNITURE RETAILING INDUSTRY

3.1 Summary

Fantastic operates in the furniture retailing industry which involves procurement and sales of household furniture (such as lounge, dining, bedroom and outdoor furniture), blinds, awnings and mattresses.

The industry has weathered a challenging period over the last four years and is expected to post annualised growth of only 1.3% over the five years to June 2017, according to IBISWorld. This moderate growth was largely driven by a rise in discretionary income and demand from the residential property construction sector but moderated to some extent by negative consumer sentiment attributable to instability in global financial markets and uncertainty around the domestic economy.

The past five years have also seen intensifying price-based competition within the industry as well as competition from external sources, such as department stores and pure-play online retailers, resulting in a contraction in industry profit margins. This has forced the exit of smaller, unprofitable retailers and increased the market share of the larger industry participants.

Over the next five years, the industry is expected to grow at an annualised rate of 1.9% in response to continuing growth in discretionary incomes and increasing residential property construction activity. However, industry growth is expected to be constrained by high levels of competition and the continuation of weak consumer sentiment.

3.2 Products

Table 3 below segments the industry products into five broad categories with a description of each category and its share of industry revenue.

Table 3: Product descriptions and share of industry revenue

Product	Revenue share	Description
Lounge and dining room	48.6%	Includes some of the most expensive types of furniture. This segment has experienced a decline (as a share of total industry revenue) over the past five years attributable to a shift in consumer preference to outdoor furniture and more casual living.
Bedroom	34.0%	Similar to lounge and dining room furniture, this category has also experienced a decline as a share of industry revenue over the past five years. Declining housing affordability is thought to have had a significant impact on bedroom furniture sales.
Blinds and awnings	8.7%	Experienced an increase in share of revenue driven by the growing popularity of outdoor rooms and an increase in the usage of blinds as an alternative to curtains.
Outdoor and garden	6.5%	Includes outdoor dining and lounge settings. Strong growth has been observed in this segment over the past five years in line with increasing popularity of outdoor entertaining and garden design.
Other furniture	2.2%	Includes office furniture and antique-reproduction furniture. Demand in this product segment is driven by a typically older demographic or consumers with higher discretionary income. Its share of revenue has remained stable.

Source: IBISWorld

3.3 Key External Drivers

Table 4 below describes the key external drivers for the industry:

Table 4: Key external drivers

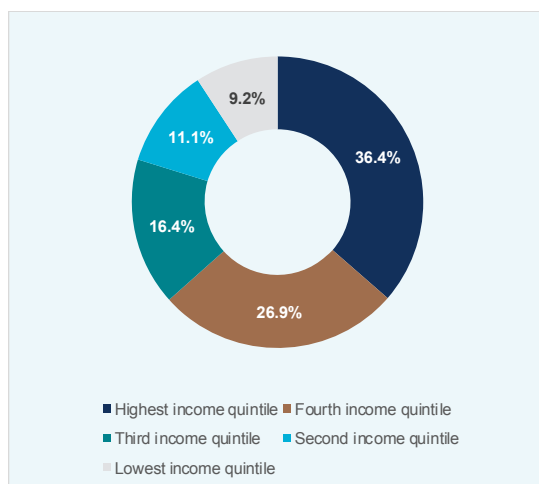
Driver	Description
Real household discretionary income	Refers to the amount of money available to households after deducting essential expenses such as food and housing. Upward trends in discretionary income broaden the type, quality and range of furniture that consumers can afford. The past five years has seen growth in discretionary income driving demand for furniture.
Consumer sentiment	Represents consumer evaluations of their individual financial situations as well as their attitude towards the overall economy. Negative consumer sentiment generally translates to reduced expenditure and curtailed demand for household furniture. In the last few years, unstable global financial markets and poor domestic employment numbers have made consumers pessimistic about the domestic economy resulting in reduced retail spending.
Demand from residential building construction	Housing growth has a strong effect on demand for furniture as new properties are often furnished with new furniture. Residential construction activity has fluctuated significantly over the past five years and is expected to decline in FY17 due to a scale back in multi-unit apartment construction.
Interest rates	Mortgage interest rates influence the amount of discretionary income available to consumers. Falling interest rates result in reduced household debt repayments; freeing up discretionary income. With current interest rates at extremely low levels, limited room exists for further rate reductions.
Exchange rates	A weakening Australian dollar will push up the price of imported furniture products and result in increased prices to consumers (reducing demand) or have a negative effect on the profitability of retailers. The trade-weighted index has fallen by approximately 16% over the past four years and the Australian dollar is now close to what many observers believe to be its fair value.

Source: IBISWorld

3.4 Major Markets

Households are the major market for furniture products. Demand is driven by both discretionary income and individual consumer needs / preferences. As such, the market can be segmented by household income quintiles. The highest income quintile comprises consumers with the highest average annual disposable income. Average income decreases from the highest quintile to the lowest quintile.

Figure 2: Proportion of industry revenue by income quintile (FY17)



Source: IBISWorld

Going forward, the global trend of increasing income inequality will likely translate to further growth of the highest income quintile and consequently, increased industry demand from that group.

The highest income quintile represents the most significant contributor to industry revenue while the lowest income quintile has contributed the least to industry revenue. This is intuitive given the higher a consumer's average income, the higher their level of discretionary income.

Contribution from the highest income segment has trended upward over the past five years due to rising discretionary income.

The second highest income quintile has remained static which is attributable to a growing trend of bargain hunting and increased competition from online retailers.

The three lowest quintiles have been experiencing a decrease in contribution to revenue marked by low wage growth and the increasing popularity of online marketplaces.

3.5 Competitive Environment

The industry experiences a moderate level of competition. Sources of competition are both internal and external to the industry. Internally, price-based competition remains the predominant form of competition between operators. Heavy discounting strategies over the past five years have caused industry profit margins to contract. While price is the main basis of internal competition, range and quality of products has a significant influence on consumer shopping patterns and ultimately on customer loyalty.

In respect of price, retailers range from those seeking to offer a value for money proposition to those offering premium products with matching price points. In respect of range, retailers vary between those offering a specialist range (i.e. only bedroom or sofas) to those covering a large and diversified product range such as department stores that stock a furniture range as well as a variety of other consumer products.

The figure below categorises Australian furniture retailers based on their strategies in respect of price and product range.

Figure 3: Competitive landscape



Source: Leadenhall Analysis

Of the Australian furniture retailers set out in the chart above, Super Amart is the most similar to Fantastic, in particular the Fantastic Furniture brand, in terms of value proposition and range (details of Fantastic's range of retail brands are included in Section 4.3). Super Amart offers a large range of home furnishing solutions, similar to the range offered by Fantastic Furniture, however their range tends to be less targeted towards current trends and more traditional in style, targeting an older demographic. Super Amart operates 50 stores across Australia which represents a smaller national footprint compared to Fantastic Furniture and the Fantastic group as a whole.

Ikea offers products at a similar price point to Fantastic Furniture, but has a much wider range which spans value for money towards mid-range in price and includes a wide range of homewares as well as kitchen and bathroom design offerings. Ikea also operates using a different business model based on large big box stores in a relatively small number of locations. Ikea, like Fantastic Furniture, targets the first homeowner market and those consumers looking for a large fashionable value for money range.

Most of the other retailers above tend towards the mid-range to premium market, targeting one off significant purchases rather than whole room purchases in a single transaction.

A brief description of the top five players in the industry, by market share, is set out in the table below:

Table 5: Major companies in the furniture retailing industry in Australia

Product	Market share	Description
Harvey Norman Holdings Ltd	17.4%	An Australian publicly listed company with furniture retailing operations including Harvey Norman, Domayne and Joyce Mayne. Harvey Norman has maintained market dominance due to its large network of stores and strong branding.
IKEA Pty Limited	9.6%	Owned by Ingka Holding Overseas BV (based in the Netherlands). IKEA will operate ten stores Australia-wide by the end of 2016 with plans to introduce 22 smaller-format stores and online pick-up points supported by a new multipurpose distribution centre slated for completion in March or April 2017.
BBQSAM Holdings Pty Ltd	9.2%	A privately held holding company formed through the merger of Super Amart and Barbeques Galore in 2012. BBQSAM operates over 50 stores in Australia with strong growth in market share over the past five years (albeit from a low base) following the launch of new stores in Western Australia, Queensland and South Australia from 2008 to 2010.
Fantastic Holdings Limited	4.6%	Fantastic's trading businesses include Fantastic Furniture, Plush, Le Cornu (only two stores, one of which is in the process of being closed), and Original Mattress Factory.
Steinhoff Asia Pacific Holdings Pty Ltd	4.1%	Commonly known as Freedom Group and part of the Steinhoff International Group. Steinhoff's brands include Freedom Australia, Freedom New Zealand and Snooze.

Source: IBISWorld

The sector exhibits a moderate level of market share concentration with the four largest players making up over 40% of total industry revenue according to IBISWorld. The remainder of the industry is characterised by low market share concentration and a large number of smaller operators.

The past five years has seen the rationalisation of smaller players as shrinking profit margins forced the exit of less profitable players from the industry and increased merger and acquisition activity as the competition for market share intensified.

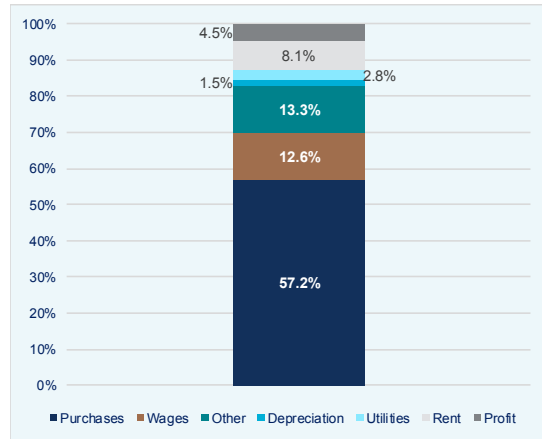
Furniture retailers have also been experiencing increased external competition from department stores and online retailers which has contributed to further price deflation in the industry. Department stores have been making forays into the furniture market by offering a growing range of furniture products. Pure-play online retailers, on the other hand, tend to be more of a threat to industry players at the lower end of the market as mid-range and premium operators generally offer products which have some degree of luxury or customisation associated with them.

The industry is considered to have low barriers to entry, particularly at the lower end, given the low level of capital investment required and the low rate of technology change. However, barriers are expected to increase over the next five years due to the increasingly competitive nature of the industry and its well-established players.

3.6 Industry Cost Structure

Figure 4 below analyses the benchmark cost structure of the industry.

Figure 4: Cost structure (FY17)



Purchases make up the largest component of industry expenses. Retailers typically purchase their stock from wholesalers or manufacturers.

Over the past five years, purchase costs have decreased as a percentage of industry revenue with a higher proportion of stock being sourced from low-cost countries. This was further supported by a strong Australian dollar between 2011 and 2013.

With the majority of industry imports being sourced from China, purchase costs are expected to decrease further in the short term following continued devaluation of the renminbi over the past two years.

Source: IBISWorld

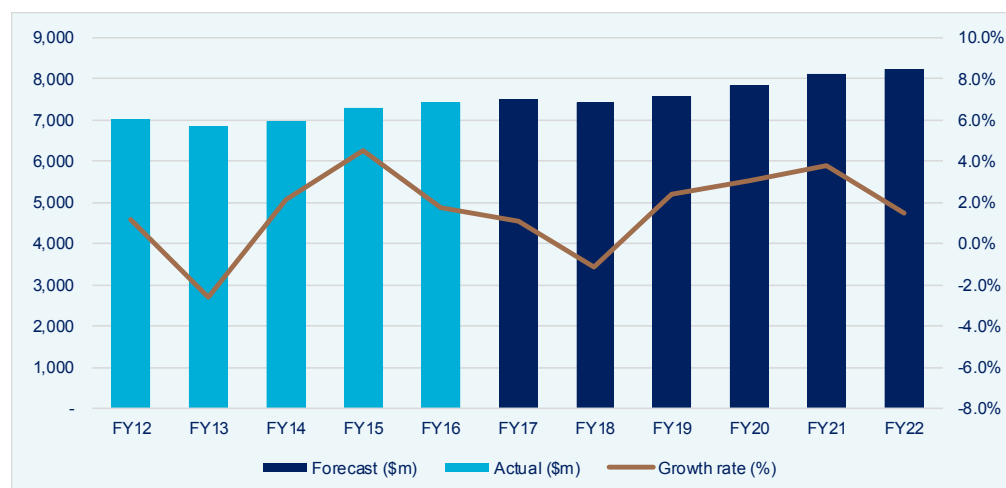
Other key items to note about the cost structure of the industry over the past five years include:

- ◆ A general decline in wages as a percentage of industry revenue due to decreasing levels of employment in the industry. This decline was partly offset by a rise in average wages attributable to the introduction of the General Retail Industry Award in 2010
- ◆ An increase in IT wage and IT outsourcing costs incurred by industry operators in order to establish and expand their online presence
- ◆ Additional advertising / marketing expenditure due to the increased role of advertising in reaching consumers and maintaining competitiveness

3.7 Industry Outlook

Figure 5 below illustrates historical and forecast industry revenue and growth from FY12 to FY22.

Figure 5: Industry revenue and growth



Source: IBISWorld

The following factors are expected to affect industry growth and profitability over the next five years:

- ◆ Continuing growth of household discretionary income and increasing housing demand will contribute to industry revenue
- ◆ Current historic low interest rates and a recovering economy are both likely to support increased consumer spending in the medium term
- ◆ Price is expected to continue to be the main aspect of competition and existing levels of price-based competition will continue to hinder industry profitability
- ◆ External competition from department stores and online-only retailers will continue placing downward pressure on industry profit margins
- ◆ Retailers in the lower end of the market are expected to be increasingly vulnerable to online retailers and used furniture sales through online marketplaces such as eBay and Gumtree
- ◆ Bricks-and-mortar retailers are expected to implement online business models to supplement their existing businesses in order to prevent further erosion of their customer base
- ◆ Product design in line with industry trends and store layout will remain crucial along with quality and range of products
- ◆ The mature nature of the industry suggests that further consolidation is likely with smaller enterprises being acquired by larger operators

Based on the above factors, in the medium term, the industry is likely to favour larger operators who exhibit greater capacity to control costs and maintain profit margins. However, these retailers, particularly those operating in the value for money segment, will need to focus on developing a clear online strategy as well as easy to use e-commerce offerings in order to address the growing threat of pure online furniture retailers.

4 PROFILE OF FANTASTIC

4.1 Introduction

Fantastic is a leading Australian furniture retailer and manufacturer. Fantastic operates more than 125 stores across the four brands of Fantastic Furniture, Plush, Original Mattress Factory and Le Cornu.

Fantastic is also Australia's largest lounge manufacturer, with its factory able to produce 160,000 lounges each year. In addition, Royal Comfort Bedding, Fantastic's mattress manufacturing operation, has the capacity to produce over 125,000 mattresses each year. Fantastic also operates a manufacturing plant in Vietnam and has a 60% interest in a sofa manufacturing joint venture in China.

4.2 History

A brief history of Fantastic is set out in the table below:

Table 6: History of Fantastic

Year	Event
1989	Business established by Paul Harding and Jonathan De Jong selling plastic garden furniture at Sydney's Parklea Markets.
1991	The first Fantastic Furniture store was opened at Birkenhead Point, NSW.
1992	The Fantastic Lounge Factory was opened and commenced production of lounges for the Fantastic Furniture stores.
1995	The Fantastic Metal Factory was opened and it began producing sturdy metal furniture at competitive prices.
1996	Due to pressures created by rapid growth, the business was placed into Administration. The business was subsequently acquired by Peter Brennan, Peter Draper and Julian Tertini. Over the next few years, the company embarked on a sustainable growth plan.
1999	Fantastic Furniture distributed its first retail catalogue to over 1 million households. Fantastic Holdings Limited listed on the ASX.
2000	Fantastic launched Plush, a lounge specialist retail brand, offering high quality lounges at affordable prices. Fantastic Furniture expanded into Victoria.
2006	Fantastic launched Original Mattress Factory, a mattress specialist offering factory direct prices on a large range of mattresses. In the same year, Fantastic expanded its manufacturing capabilities by acquiring Royal Comfort Bedding, a NSW mattress manufacturer.
2008	Fantastic acquired Dare Gallery, a retail chain offering a range of home furnishings and LeCornu, a South Australian furniture retailer. Fantastic becomes Australia's largest vertically integrated furniture company.
2012	Fantastic Manufacturing, a purpose built manufacturing facility in Vietnam, was established. Fantastic Manufacturing can produce more than 200,000 units per year.
2015	The Dare Gallery business was sold and manufacturing commenced in the Chinese joint venture facility.
2016	Announced the closure of the Le Cornu store and conversion of the Ashley store in South Australia.

Source: Fantastic

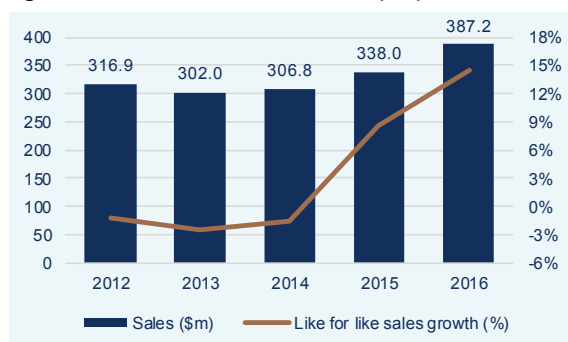
4.3 Retail Brands

Fantastic Furniture

Fantastic Furniture operates over 70 stores, plus two franchised stores, throughout Australia and employs approximately 700 people in their retail operations. Fantastic Furniture focuses on value for money by providing stylish affordable furniture to the Australian market. Fantastic Furniture has a large product range that spans all aspects of household furniture and includes a range of package deals tailored to consumers who are looking to fill a room at an affordable price without compromising quality. First home owners are therefore a key target segment for the business.

Fantastic Furniture has experienced strong sales growth over the last two years as set out in the graph below:

Figure 6: Fantastic Furniture sales (\$m) 2012 to 2016



Sales dipped in 2013, with little growth in 2014, predominantly due to an adverse macroeconomic environment (economic weakness and low consumer confidence), increasing competition and a lower exchange rate placing pressure on pricing.

Sales increased in 2015 and 2016 due to strategic initiatives aimed at enhancing the product offering, improving customer service, engaging the workforce and investing in more effective marketing solutions.

Source: Fantastic

Longer term, management expect that there is potential to grow the Fantastic Furniture network to 100 stores in Australia. In FY17 four to six new stores are planned and an additional 14 existing stores will be refurbished. In addition, Fantastic Furniture now has a fully operational e-commerce platform and has experienced strong growth in online sales (the online channel is now the largest store in the network). Further innovation is anticipated to continue to grow the online sales channel.

Beyond FY17 additional growth is expected to be underpinned by:

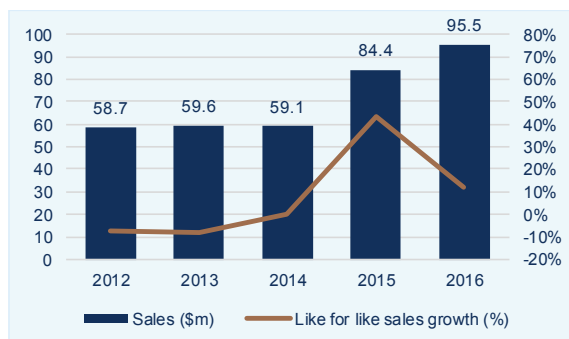
- ◆ Improved margins through new product innovations and supply chain efficiency and productivity
- ◆ Refurbishment of stores to improve the customer experience and like for like sales
- ◆ Further investment in e-commerce to drive sales growth
- ◆ New store growth in potential new territories and markets

Plush

Plush is a specialist sofa retailer which operates 35 stores across the east coast of Australia and South Australia. In 2000 Plush opened its first store in Victoria which specialised in affordable designer leather sofas imported from Italy and Asia. In 2004 Plush expanded its range to include fabric sofa options. Plush strives to create high quality, hand-crafted sofas that are designed for comfort and built to last. The Plush sofa range includes over 100,000 sofa combinations and each sofa comes with a ten year warranty.

Although smaller than Fantastic Furniture, Plush generates significant revenue as illustrated in the graph below:

Figure 7: Plush sales (\$m) 2012 to 2016



Sales were static between 2012 and 2014 predominantly due to an adverse macroeconomic environment (economic weakness and low consumer confidence), increasing competition, a lower exchange rate and discounting required to clear excess inventory.

Sales increased in 2015 and 2016 due to strategic initiatives aimed at enhancing the product offering, improving customer service, engaging the workforce and investing in more effective marketing solutions.

Source: Fantastic

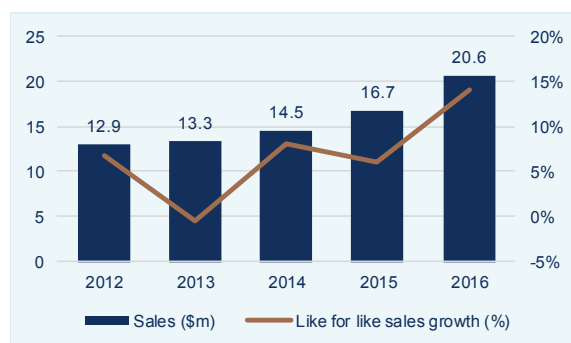
Longer term, management expect that there is potential to grow the Plush network to 60 stores in Australia, with four new showrooms planned for FY17. Sales will also benefit from the Plush e-commerce platform which was launched in August 2016. Other growth initiatives include trialling two new concept showrooms and a continued focus on improving the product offering and customer experience.

Original Mattress Factory

Original Mattress Factory was established in 2006 and operates 18 stores across NSW and the ACT. It is a specialist mattress retailer and unlike other retailers does not sell other bedroom furniture and accessories. Original Mattress Factory delivers a large range of mattresses at low prices and provides consumers with a five to ten year workmanship guarantee and a 100 night comfort guarantee.

Original Mattress Factory is a small but growing business in the Fantastic group as demonstrated in the graph below:

Figure 8: Original Mattress Factory sales (\$m) 2012 to 2016



Sales were fairly flat between 2012 and 2014 predominantly due to an adverse macroeconomic environment (economic weakness and low consumer confidence), increasing competition and a lower exchange rate placing pressure on pricing.

Sales improved between 2014 and 2016 due to strategies targeting improved marketing messages, development of product mix and team engagement and training.

Source: Fantastic

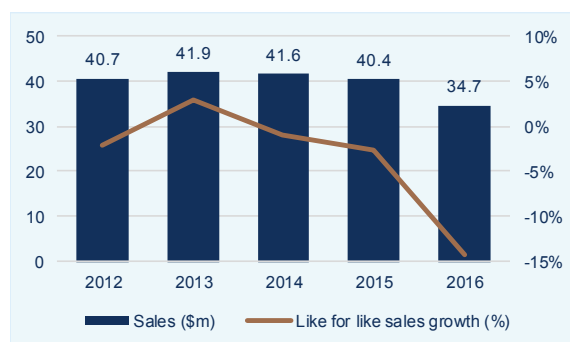
Longer term, management expect that there is potential to grow the Original Mattress Factory network to 90 stores, with rapid expansion planned for NSW and QLD in the medium term, with 6 new stores expected to open in FY17. In order to achieve this growth, management are focussing on:

- ◆ Continued product development with both local and overseas suppliers to deliver innovation and value
- ◆ Driving growth through e-commerce platforms
- ◆ Increased brand recognition in the market

Le Cornu

The Le Cornu brand and two stores (Adelaide and Darwin) were acquired by Fantastic in 2008. Le Cornu has a long history in South Australia with its origins dating back to 1861. The Le Cornu stores offer a large range of furniture options across the living, dining, bedroom, outdoor and office segments. Sales have been relatively flat since 2012 with a significant decline in 2016 as set out in the graph below.

Figure 9: Le Cornu sales (\$m) 2012 to 2016



Source: Fantastic

Sales over the period have been negatively impacted by increased competition, including from Fantastic Furniture.

Despite the adoption of a recovery plan in the first half of FY16, sales continued to decline. This decline was mostly attributable to the Adelaide store which traded at a loss of approximately \$4 million in FY16.

As a result of the poor trading performance of the Adelaide store and the proposed sale of the existing leased premises, Fantastic have decided to undertake an orderly wind down of this store over the first half of FY17. This will result in some one off costs, including redundancies. The Darwin store will continue to operate under the Le Cornu name with a hybrid product offering, by introducing Fantastic Furniture product lines to the Northern Territory for the first time.

Ashley Furniture Homestore

Fantastic opened an Ashley Furniture Homestore in Gepps Crossing South Australia in FY15 as a trial of their new partnership arrangement with Ashley Homestores Ltd, an American furniture and homewares company. The Ashley store has been loss making since inception and as such management have decided to transition the Ashley Furniture Homestore to a Fantastic Furniture store in the second half of 2016.

4.4 Manufacturing Operations

Fantastic owns three manufacturing facilities (two in Australia and one in Vietnam) and also has a 60% interest in a Chinese joint venture manufacturing facility. Most of the manufacturing output is sold directly through Fantastic's retail brands with an additional \$2 million of sales, largely to two franchised stores, in FY15 and FY16. In FY16, the manufacturing operations focussed on adopting world's best practice, introducing Lean Six Sigma approaches with internal teams in all factories, examining every point of the manufacturing process to improve efficiencies. A brief overview of each of the manufacturing facilities is provided below.

Fantastic Lounge Factory

Fantastic Lounge Factory is Australia's largest lounge manufacturer with over 150 employees and the capacity to produce over 155,000 lounges each year. In FY16 over 130,000 sofas were manufactured by the Fantastic Lounge Factory and it has the ability to rapidly increase production to meet Fantastic's growth plans. The Fantastic Lounge Factory provides Fantastic Furniture customers with the ability to customise their furniture sofa and bedhead choices with over 100 fabric choices on offer. Products are manufactured exclusively for Fantastic Furniture and the factory currently produces over 40 different models in its 15,000m² purpose built facility at Fairfield East in NSW. The factory dispatches over 4,000 trucks per year to Fantastic Furniture stores all over Australia.

Royal Comfort Bedding

Royal Comfort Bedding was acquired by Fantastic in 2006 and produces an exclusive range of Australian made mattresses for Fantastic Furniture. Since acquisition, Royal Comfort Bedding has grown significantly from producing 200 mattresses per day in 2006 to manufacturing 11 different mattress models with a capacity of 500 mattresses per day currently. Royal Comfort Bedding supplies Fantastic Furniture with 100% of their mattress range. The Royal Comfort Bedding factory will be relocating to a new state of the art factory in Sydney's Western suburbs late in 2017. This factory is expected to provide future efficiency benefits and a reduced environmental footprint.

Fantastic Manufacturing Vietnam

Fantastic opened its first purpose built manufacturing facility in Vietnam in 2012. In 2016 a new 10,000 m² manufacturing facility was built and is now fully operational. The Vietnam factory produces steel beds and metal components for the Australian manufacturing facilities. Fantastic Manufacturing Vietnam employs over 70 people and can produce more than 200,000 units per year. The new factory has the ability to produce a complete range of metal furniture for the global market and recently displayed products at a trade show in Vietnam. In the future it is expected that Fantastic Manufacturing Vietnam will continue to supply the Australian Fantastic brands as well as other global customers.

China Joint Venture

Fantastic 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 China. The joint venture is located in Changzhou, China and is involved in the manufacture of household furniture. The joint venture manufacturing facility was completed in FY14 (production commencing FY15) and supplies sofas and upholstered beds direct to Fantastic retail stores and is also pursuing opportunities to sell to external retailers. The 40,000 m² facility is focused on manufacturing entry level sofa products and is currently producing around 400 sofas a day with a capacity to produce around 1,000 sofas per day with incremental cost as minimal additional capital expenditure would be required.

4.5 Property

Fantastic owns the sites for two of its retail stores, as set out below:

- ◆ 978 Hunter Street, Newcastle West, NSW
- ◆ 143 Gladstone Road, Allensdown, QLD

The Newcastle store site holds development potential for the future with significant development activity currently occurring in the area. The Rockhampton store currently only occupies half of the land area. Based on negotiations with prospective purchasers, the other half of the land is expected to be realised for approximately \$1 million net of tax.

In addition, Fantastic previously owned a property in Dandenong, Victoria which was sold in 2015 for \$26 million. The gain on the sale was approximately \$0.6 million.

4.6 Directors and Senior Management

The key management personnel of Fantastic include:

Table 7: Senior management

Key Personnel	Experience
Debra Singh Group CEO Retail	Prior to appointment as Group CEO in March 2016, Ms Singh held roles as the CEO of Fantastic Furniture and Chief Operating Officer of Fantastic. Ms Singh has over 30 years of experience in retail operations, organisational design, human resources and change management.
Brian Cassell CFO and Company Secretary	Mr Cassell was appointed interim CFO of Fantastic in February 2016. Subsequently in August 2016, Mr Cassell accepted a permanent role as CFO of Fantastic. Mr Cassell has more than 20 years' experience as a public company CFO, having previously held this position with Rural Press Limited and Fairfax Media Limited. He was previously an Audit Partner at KPMG.
Jason Newman CEO Manufacturing	Mr Newman has over 20 years of furniture manufacturing and leadership experience with particular emphasis in bedding, upholstery and metal manufacturing. Mr Newman started with Fantastic in 2007 as General Manager Royal Comfort Bedding. He was appointed CEO Fantastic Manufacturing in 2016 and currently oversees the operation of Fantastic's furniture factories.
Bill Keighran General Manager Original Mattress Factory	Mr Keighran has been a senior executive with Fantastic for 15 years, involved in the development and growth of both the Fantastic Furniture and Plush retail brands. Previously Mr Keighran was retail CEO of The Galore group and a founding Director of the Freedom Furniture group. Mr Keighran has over 30 years' of retail experience with a focus on business start-ups and retail brand development, along with extensive business experience in South East Asia.
Chris Burke General Manager Plush	Mr Burke has over 25 years' experience in retail, property management and fashion, holding CEO, Country Manager and General Manager positions. After joining Marks & Spencer as a graduate, he worked in Habitat for over 10 years during which time he established profitable businesses in Europe and Asia. He joined the Fantastic, leading the turnaround of Dare Gallery and moving to Plush Sofas in 2013.
Melissa Blackley Group Chief People Officer	Ms Blackley joined Fantastic in May 2016 and 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 United States.

Source: Fantastic

The Board of Directors of Fantastic comprises:

Table 8: Directors

Directors	Experience
Julian Tertini Non-executive Director	Mr Tertini has over 30 years' experience in the retail industry and was a founding shareholder and Executive Director responsible for retail operations and product development for Freedom Furniture. Mr Tertini has served on a number of private company boards in the retail, hospitality and broadcasting industries.
Peter Brennan Non-executive Director	Mr 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. He spent ten years in the banking and finance sector and held a number of senior management positions with St George Bank Limited.
Geoffrey Squires Independent Non-executive Director	Mr Squires has over 40 years' experience in the building and construction industry. He spent 24 years with Monier Limited and was the General Manager – Roofing division from 1986 to 1994. Mr Squires currently serves on a number of private company boards in the building and shipping industries.
John Hughes Independent Non-executive Director	Mr Hughes has over 40 years' business experience. An experienced Senior Executive and Director, Mr Hughes led Thorn Group Limited as CEO/MD through a significant business expansion and profit growth following its IPO in 2006 before retiring from Thorn in 2014. Previously, he was CEO/MD of Ruralco Limited and led the company through ten years of growth and diversification.
Robyn Watts Independent Non-executive Director	Ms Watts has over 27 years' experience as CEO of various businesses, most recently as CEO of ABC Enterprises and was previously CEO of Southern Star Sales. Ms Watts brings specialist skills and knowledge in the areas of business strategy and marketing. Ms Watts is currently a director of publicly listed The Vita Group and is also a director of private company Geyer as well as the Australian School of the Performing Arts.

Source: Fantastic

4.7 Financial Performance

The audited statements of financial performance for the three years ended 30 June 2014, 2015 and 2016 are set out in the table below.

Table 9: Financial performance

\$'000	FY14	FY15	FY16
Sales	447,772	496,921	543,700
Cost of sales	(245,352)	(274,624)	(305,822)
Gross profit	202,420	222,297	237,878
Other income	4,812	3,961	2,634
Expenses			
Employment expenses	(76,614)	(87,062)	(91,436)
Property expenses	(57,719)	(58,600)	(58,411)
Marketing expenses	(33,299)	(34,885)	(36,534)
Sales related expenses	(5,581)	(5,908)	(8,715)
Other expenses	(14,145)	(12,877)	(21,895)
Share of loss of joint venture	-	(865)	(371)
Total expenses	(187,358)	(200,197)	(217,362)
EBITDA	19,874	26,061	23,150
Depreciation	(9,423)	(5,775)	(5,552)
EBITA	10,451	20,286	17,598
Amortisation	(1,777)	(1,250)	(1,364)
EBIT	8,674	19,036	16,234
Financial income	120	364	584
Financial expense	(434)	(124)	(153)
Net profit before tax	8,360	19,276	16,665
Income tax expense	(2,572)	(6,072)	(5,228)
Net profit after tax	5,788	13,204	11,437
Other comprehensive income	(330)	2,374	(1,526)
Total comprehensive income net of tax	5,458	15,578	9,911
Margins			
Gross margin %	45.2%	44.7%	43.8%
EBITDA margin %	4.4%	5.2%	4.3%
EBITA margin %	2.3%	4.1%	3.2%
EBIT margin %	1.9%	3.8%	3.0%
Expenses / sales	41.8%	40.3%	40.0%

Source: Fantastic

Note: the audited financial statements include some depreciation which is allocated to cost of sales and other income. We have grossed up these items for the allocated depreciation and included all depreciation as a single line item

In relation to the historical financial performance of Fantastic set out above we note the following:

- ◆ There has been strong sales growth across the three years, despite the sale of the Dare Gallery business in FY15. This growth is due to delivering on key initiatives including creating a stronger customer value proposition, developing e-commerce solutions, strengthening of product mix and improved workforce engagement
- ◆ Gross margin contracted by approximately 1% in FY16 due to the sale of the higher margin Dare business, the decline in the Le Cornu and Ashley businesses and the weakening Australia dollar

- ◆ Other income predominantly relates to franchise fees and property income. FY15 also includes \$1.2 million in relation to the gain on the sale of the Dare business. In the statutory accounts other income is presented net of applicable depreciation. In order to determine an accurate EBITDA figure, we have grossed up other income for depreciation
- ◆ Total expenses as a percentage of sales declined over the period reflecting productivity gains and efficiency on utilisation of fixed costs. This overhead efficiency has also resulted in an increasing EBITDA margin over the period
- ◆ Depreciation was higher in FY14 because of the full year impact of Dare (sold in FY15) and non-recurring asset write offs of \$3.8 million
- ◆ Other comprehensive income predominantly relates to exchange differences on translation of foreign operations and gains/losses on cash flow hedges net of any income tax effect

4.8 Financial Position

The audited statements of financial position as at 30 June 2014, 2015 and 2016 are set out in the table below.

Table 10: Financial position

\$'000	FY14	FY15	FY16
Current assets			
Cash and cash equivalents	21,127	36,721	31,863
Trade and other receivables	9,304	4,630	5,796
Other financial assets	-	2,011	-
Inventories	81,278	90,544	93,326
Total current assets	111,709	133,906	130,985
Non-current assets			
Investments	24,423	3,712	-
Property, plant & equipment	30,275	27,115	28,833
Investment in joint venture	-	5,644	5,463
Intangible assets	8,069	7,772	6,760
Deferred tax assets	7,564	8,984	12,527
Other non-current assets	49	-	3
Total non-current assets	70,380	53,227	53,586
Total assets	182,089	187,133	184,571
Current liabilities			
Trade and other payables	(35,726)	(38,415)	(39,737)
Interest bearing loans	-	(5,000)	-
Current tax payable	-	(4,000)	(3,196)
Employee benefits	(13,499)	(20,263)	(19,171)
Provisions	(1,454)	(1,688)	(7,736)
Total current liabilities	(50,679)	(69,366)	(69,840)
Non-current liabilities			
Interest bearing loans	(15,000)	-	-
Employee benefits	(1,581)	(1,952)	(2,225)
Provisions	(2,518)	(3,564)	(3,165)
Deferred tax liabilities	(1,742)	(2,335)	(1,905)
Total non-current liabilities	(20,841)	(7,851)	(7,295)
Total liabilities	(71,520)	(77,217)	(77,135)
Net assets	110,569	109,916	107,436

Source: Fantastic

In relation to the historical financial position of Fantastic set out above we note the following:

- ◆ The increase in cash in FY15 was due to the sale of the Dare business and the Dandenong property
- ◆ Trade and other receivables relate to external and related party (franchisees) trade receivables of approximately \$1.4 million in FY16 and other receivables predominantly comprising of various prepayments relating to workers compensation premiums, deposits placed with suppliers and marketing prepayments
- ◆ Other financial assets in FY15 relate to forward exchange contracts for the purposes of cash flow hedging

- ◆ Inventory increased in FY15 and FY16 due to the implementation of the 'Always in store' position and the impact of the decline in the Australian dollar against the US dollar
- ◆ In FY14 and FY15, investments relate to two properties owned by Fantastic (Dandenong and Rockhampton Store). The decline in FY15 was due to the sale of the Dandenong property. In FY16 the remaining property, the Rockhampton Store, was reclassified to property, plant and equipment. The Newcastle Store has always been included in property plant and equipment
- ◆ Property, plant & equipment predominantly relates to store fit outs as well as fit-outs and machinery in the distribution centres and factories
- ◆ The investment in joint venture balance relates to the investment in the Chinese production facility. The movement between FY15 and FY16 relates to Fantastic's share of the joint venture loss which is offset to some extent by currency gains
- ◆ Intangible assets relate to goodwill, \$2.6 million as at 30 June 2016, and software, \$4.1 million as at 30 June 2016
- ◆ \$10 million of borrowings was repaid in FY15 from the proceeds of the sale of the Dandenong property. The remaining \$5 million was repaid in FY16 from surplus cash
- ◆ The increase in provisions in FY16 predominantly related to \$4.1 million provided for the closure of the Le Cornu store in South Australia and an increase in the product warranty provision of \$1.4 million due to an internal management decision to make provisions in light of extended warranties being offered on product sales

4.9 Cash Flow

The audited statements of cash flows for the three years ended 30 June 2014, 2015 and 2016 are set out in the table below.

Table 11: Cash flow

\$'000	FY14	FY15	FY16
Cash flows from operating activities			
Receipts from customers	504,683	552,464	600,888
Payments to suppliers and employees	(484,978)	(527,850)	(571,851)
Interest received	120	364	584
Interest paid	(434)	(124)	(83)
Income tax paid	(7,667)	(541)	(9,329)
Net cash from operating activities	11,724	24,313	20,209
Cash flows from investing activities			
Acquisition of property, plant and equipment	(7,490)	(4,950)	(6,152)
Sale of property, plant and equipment	12,056	-	106
Sale of investments	-	26,811	-
Payment for investments	(487)	(1,712)	-
Payment for intangibles	(310)	(1,328)	(1,682)
Deconsolidation of China subsidiary	-	(4,142)	-
Net cash from investing activities	3,769	14,679	(7,728)
Cash flows from financing activities			
Repayment of external borrowings	(10,324)	(10,000)	(5,000)
Proceeds from issuance of shares	3,150	-	-
Dividends paid	(6,184)	(13,418)	(12,391)
Net cash from financing activities	(13,358)	(23,418)	(17,391)
Opening cash	18,993	21,127	36,721
Net cash flows	2,135	15,574	(4,910)
Foreign exchange difference	(1)	20	52
Closing cash	21,127	36,721	31,863

Source: Fantastic

In relation to the historical cash flows of Fantastic we note the following:

- ◆ The increase in receipts from customers and payments to suppliers and employees is consistent with the growth in sales across FY15 and FY16
- ◆ Income tax paid in FY15 was low due to the receipt of a tax refund relating to FY14 and a \$4 million increase in the balance of current tax payable in FY15
- ◆ The \$12 million inflow from sale of property, plant and equipment in FY14 reflects the sale of the Campbelltown property
- ◆ The \$26 million inflow from sale of investments in FY15 reflect the sale of the Dandenong property
- ◆ Proceeds from the sale of properties have been applied toward reducing external borrowings

4.10 Outlook for Fantastic

We have reviewed detailed FY17 budgets for each of the Fantastic brands. We are unable to disclose the details of these budgets due to their commercially sensitive nature. However, we have discussed the budgets with management to obtain an understanding of the budgeting process and the strategies in place to facilitate the achievement of FY17 budgets. The key strategies driving growth expectations are:

- ◆ Store network expansion and continued investment in refurbishment of existing store network
- ◆ Continued focus on supply chain efficiency and overhead recovery through increasing output for manufacturing facilities for both internal and external sales
- ◆ Further investment in e-commerce to drive sales growth
- ◆ Investment in staff training to maximise conversion rates and revenue per customer
- ◆ Closure of the underperforming Le Cornu in Adelaide and transition of the Ashley store to Fantastic Furniture

Year to date actual performance for the months of July and August at a group level has been in line with budget. At an individual brand level, the following events have impacted performance:

- ◆ A key supplier of mattresses for the Original Mattress Factory went into liquidation. This affected availability of supply and subsequently sales. Normal supply levels are now being restored and there is not expected to be any long lasting effect on sales
- ◆ Plush has experienced a strong start to the year which has resulted in a large order book that is expected to be converted to sales in the coming months as revenue is recognised on delivery
- ◆ New store growth is on target with several potential new sites having been identified and lease negotiations underway
- ◆ External sales from the factories in Vietnam and China are gaining momentum

4.11 Capital Structure

As at 5 October 2016, Fantastic had a total of 103,257,398 ordinary shares on issue. The top 10 beneficial owners accounted for around 90.3% of the ordinary shares on issues. A summary of the top 10 shareholders and their holdings is set out in the table below:

Table 12: Top 10 shareholders

Rank	Investor	Number of shares	% of issued capital
1	Tertini, Julian ¹	41,776,211	40.5%
2	RBC Investor Services Australia	11,828,985	11.5%
3	HSBC Custody Nominees	11,100,757	10.8%
4	Brennan, Peter ²	10,698,016	10.4%
5	J P Morgan Nominees Australia	7,032,619	6.8%
6	Citicorp Nominees	3,602,062	3.5%
7	BNP Paribas	2,455,363	2.4%
8	National Nominees	2,078,221	2.0%
9	Trinity Management	1,806,148	1.7%
10	Norman Role	900,000	0.9%
	Total	93,278,382	90.3%

Source: Fantastic

Note:

1. The total includes 10,000,000 shares held by Yaquina Pty Limited and 934,137 shares held by Lawncat Pty Ltd over which Mr Tertini has voting power.
2. The total includes 3,989,965 shares held by Mrs Patricia Brennan over which Mr Brennan has voting power.

4.12 Share Price Performance

The following chart shows the share market trading of Fantastic shares for the past five years:

Figure 10: Fantastic share price performance



Source: FactSet

We note the following in relation to the share price of Fantastic in the five years to 7 October 2016:

- ◆ The share price rose significantly between mid-2012 and February 2013 on the back of solid profit growth under difficult trading conditions, a turnaround in the Dare Gallery business and an increase in the dividend paid compared to the prior year
- ◆ On 20 May 2013, Fantastic released an updated profit guidance for FY13 advising that previously reported NPAT targets would not be met. On the back of this announcement, the closing share price fell from \$2.74 on 20 May 2013 to \$1.87 on 21 May 2013, with 3.4 million shares sold on 21 May 2013
- ◆ The share price continued a gradual decline over FY14 due to limited growth and difficult trading conditions
- ◆ There was a steady increase in the share price over FY15 as sales growth picked up and a sale was finalised for the underperforming Dare Gallery business
- ◆ The share price dropped again in January 2016, from \$2.10 on 6 January 2016 to \$1.76 on 22 January 2016, after the announcement of the resignation of the CFO on 18 January 2016 and the CEO on 22 January 2016
- ◆ Since June 2016, the share price has risen by approximately 50% from around \$2.00 to a high of \$2.95 on 29 August 2016. This increase is likely due to the announcement of the closure of the underperforming Le Cornu store in Adelaide in July 2016 as well as positive financial results for FY16 which included a largely unexpected special dividend of \$0.15 per share announced on 25 August 2016
- ◆ Since the ex-dividend date of 2 September 2016, the share price has trended downwards to sit at \$2.33 at the end of trading on 7 October 2016

5 VALUATION METHODOLOGY

5.1 Available Valuation Methodologies

To estimate the fair market value of Fantastic we have considered common market practice and the valuation methodologies recommended in RG 111. There are a number of methods that can be used to value a business including:

- ◆ The discounted cash flow ("DCF") method
- ◆ The capitalisation of future maintainable earnings ("CFME") method
- ◆ Asset based methods
- ◆ Analysis of share market trading
- ◆ Industry specific rules of thumb

Each of these methods is appropriate in certain circumstances and often more than one approach is applied, at least as a secondary cross-check to a primary method. The choice of methods depends on factors such as the nature of the business being valued, the return on the assets employed in the business, the valuation methodologies usually applied to value such businesses and the availability of the required information. A detailed description of these methods and when they are appropriate is provided in Appendix 2.

5.2 Selection of Valuation Methodology

In selecting an appropriate valuation methodology to value Fantastic we have considered the following factors:

- ◆ Fantastic is neither an asset based business nor an investment holding company. It is also considered to be a going concern, thus an asset based approach is not likely to be the most appropriate
- ◆ There are some listed companies with similar businesses to Fantastic and a wide range of listed companies operating in comparable industries with similar profit drivers. We are also aware of a number of transactions involving similar companies. Thus we are able to apply the CFME approach
- ◆ Fantastic is a mature operating business. Given the mature nature of the business the use of the DCF method is unlikely to add value to our analysis
- ◆ Fantastic shares are publicly traded on the ASX in an informed and fairly liquid market. This allows an analysis of share market trading to be undertaken
- ◆ We are not aware of any industry specific valuation methodologies appropriate to Fantastic

Accordingly, we are of the opinion that the most appropriate methodology to value Fantastic is the CFME method with an analysis of share market trading considered as a cross-check.

6 VALUATION OF FANTASTIC

6.1 Capitalisation of Future Maintainable Earnings

Determining the fair market value of Fantastic using the CFME approach requires consideration of the following factors:

- ◆ An appropriate earnings base for assessing maintainable earnings
- ◆ An appropriate level of maintainable earnings
- ◆ An appropriate earnings multiple
- ◆ The value of any net debt and non-operating assets and liabilities

These considerations are discussed in more detail below.

Bases of maintainable earnings

The first step in the valuation process is to determine the measure of earnings to be capitalised for valuation purposes. The following measures of earnings are often used for business valuations:

- ◆ **Revenue:** mostly used for companies that are not expected to be profitable in the near term or as a cross-check of a valuation conclusion derived using another method
- ◆ **EBITDA:** most appropriate where depreciation distorts earnings, for example in a company that has a significant level of depreciating assets but little ongoing capital expenditure requirement
- ◆ **EBITA:** in most cases EBITA will be more reliable than EBITDA as it takes account of the capital intensity of the business
- ◆ **EBIT:** whilst commonly used in practice, multiples of EBITA are usually more reliable as they remove the impact of amortisation which is typically a non-cash accounting entry that may not reflect a need for future capital investment (unlike depreciation)
- ◆ **NPAT:** relevant in valuing businesses where interest is a major part of the overall earnings of the group (e.g. financial services businesses such as banks)

Multiples of EBITDA, EBITA and EBIT are commonly used to value the whole business for acquisition purposes where gearing is in the control of the acquirer. In contrast, NPAT (or P/E) multiples are often used for valuing a minority interest in a company as the investor has no control over the level of debt.

We have selected to analyse multiples of both EBITDA and EBIT because:

- ◆ Earnings multiples based on EBITDA and EBIT are not affected by different financing structures which impact multiples of net profit after tax
- ◆ The varying capital intensity of the comparable companies means that an analysis of both EBITDA and EBIT is useful
- ◆ Third party forecasts of EBITA are not readily available making EBITA multiples difficult to calculate without making assumptions about ongoing levels of depreciation (i.e. most brokers do not separately forecast depreciation and amortisation)
- ◆ Fantastic has limited amortisation, the majority of which is related to software, which is likely to require ongoing capital expenditure, making EBITA multiples less reliable

Level of maintainable earnings

When considering an appropriate level of future maintainable earnings, it is important to base the analysis on a maintainable level of earnings which includes adjustment for any non-recurring items as these items will not impact the ongoing earnings of the business. The following table sets out normalised EBITDA and EBIT for Fantastic for FY15 and FY16:

Table 13: Normalised earnings FY15 and FY16

\$'m	Notes	FY15	FY16
Unadjusted EBITDA		26.1	23.2
Dare Gallery trading	1	(1.0)	-
Dare Gallery gain on sale	2	(1.2)	-
Le Cornu trading	3	(0.7)	3.5
Le Cornu impairment	4	-	9.1
Ashley trading	5	0.6	0.8
Gain on sale of property	6	(0.5)	-
Normalisation of incentive scheme expense	7	0.6	(1.9)
One-off provisions	8	-	1.9
Adjusted EBITDA		23.8	36.5
Depreciation		(5.8)	(5.6)
Amortisation		(1.3)	(1.4)
EBIT		16.8	29.6
Depreciation and amortisation related to discontinued businesses	9	0.6	0.5
Adjusted EBIT		17.4	30.1

Source: Fantastic and Leadenhall analysis

Each of the adjustments are explained below:

1. Dare Gallery Trading

The Dare Gallery business was sold during FY15. The contribution from Dare Gallery to FY15 earnings has been removed in order to present the performance of the continuing business only.

2. Dare Gallery Gain on Sale

A gain was recognised in FY15 upon the sale of Dare Gallery. This has also been removed in order to reflect only the continuing businesses.

3. Le Cornu Trading

Fantastic are in the process of closing the Le Cornu store in Adelaide. The earnings or losses from this store have been removed in order to give a true reflection of the earnings generating by the continuing business.

4. Le Cornu impairment

The Le Cornu impairment charge recognised in FY16 related to the closure of the Adelaide store which is considered to be a one-off impairment expense. In order to represent the earnings of the continuing business we have removed the impact of this impairment expense.

5. Ashley Trading

Fantastic intend to transform the current Ashley store into a Fantastic Furniture store. The Fantastic Furniture store is expected to be a better fit for the local market and therefore the losses incurred by the Ashley store are not expected to continue. As such, the losses realised by Ashley have been removed in calculating the earnings of the continuing business.

6. Gain on sale of property

In FY15, Fantastic sold a property they owned in Dandenong Victoria which resulted in a recognition of a gain on the sale. As property sales are not part of Fantastic's core business activities, we have removed this gain when calculating the earnings of the continuing business.

7. Normalisation of incentive scheme expense

Fantastic periodically recognises expenses for non-cash incentives earned by employees under relevant incentive schemes. The valuation of these incentives in FY16 resulted in a reversal of part of the expenses recognised in previous years. As such we have normalised this expense by adjusting earnings in the relevant financial years to reflected the updated FY16 estimate of the total expense.

8. One-off provisions

A total expense of \$1.9 million was recognised in FY16 relating to one-off provisions. This was predominantly related to an increased provision for warranty expenses in light of extended warranties being offered on product sales which is not expected to be incurred in the future.

9. Depreciation and amortisation related to discontinued businesses

In order to calculate earnings from the continuing business we have added back the depreciation and amortisation relating to the discontinued businesses of Dare Gallery and Le Cornu.

In addition to the above, we have had access to four broker reports which include forecast EBITDA and EBIT for FY17 and FY18. These broker forecasts are set out in the table below:

Table 14: Broker forecasts for Fantastic

\$'m	Forecast date	EBITDA		EBIT	
		FY17	FY18	FY17	FY18
Broker 1	25/08/2016	40.9	44.4	32.9	36.2
Broker 2	26/08/2016	36.4	38.6	29.4	31.2
Broker 3	26/08/2016	39.9	45.2	32.9	37.7
Broker 4	29/08/2016	37.0	40.0	30.0	33.0
Average		38.6	42.1	31.3	34.5

Source: various broker reports

The average growth expectations for FY17 amongst the brokers was 11.7% for EBITDA (high of 18.6% and low of 5.5%) and 10.2% for EBIT (high of 14% and low of 6%). The majority of the brokers still perceive some risk in the ability of the newly formed management team to continue to deliver on the growth initiatives introduced by the previous management team. These concerns are moderating due to the strong FY16 performance.

To date Fantastic has provided little guidance to the market regarding earnings expectations for FY17 other than their intention to open approximately 15 new stores. As such, the broker forecasts have been estimated with little information regarding Fantastic's earnings expectations for the future.

In addition to the broker forecasts we have been provided with the Fantastic Board approved budget for FY17 for the individual brands as well as the consolidated group. Fantastic is targeting earnings growth in excess of the broker forecasts for FY17. The FY17 forecast growth is driven by:

- ◆ Like for like store growth in excess of projected industry growth
- ◆ Margin improvement through new product innovations and working on efficiencies with suppliers
- ◆ Supply chain re-design to improve efficiency and productivity
- ◆ Further investment in e-commerce to drive sales growth
- ◆ Refurbishment of existing stores to improve customer experience
- ◆ The full year impact of new stores opened in FY16 (two Fantastic Furniture and two Plush)
- ◆ Opening of 15 new stores across the three brands

We perceive the following risks to achieving the FY17 budget:

- ◆ Ability to continue to deliver above market like for like growth
- ◆ There has been a history of closing underperforming stores which indicates that not all new stores are successful and that existing stores may become unprofitable in the future
- ◆ Increasing competition in the value for money market, particularly from emerging online players like Temple and Webster, may erode any margin gains expected from supply chain and efficiency initiatives
- ◆ The new store roll out targets may not be achieved. In particular, sites have not yet been secured for a number of the potential new stores
- ◆ The factories in Vietnam and China may continue to underperform, unless new external customers can be found
- ◆ A number of key management personnel are new in their roles which may cause some disruption in the short term
- ◆ Macroeconomic risks including the potential for a slowdown in residential construction

From discussions with management we understand year to date performance has been in line with budget for most of the business units. Budgeted EBIT at a group level has been negatively impacted by continuing losses from the Le Cornu store as well as supply disruptions at Original Mattress Factory (due to insolvency of a key supplier). The Le Cornu full year impact is expected to be break even after consideration of September and October trading and the write-back of some non-recurring provisions. In addition, the growth planned in the FY17 budget is heavily back ended with most of the new store openings and other strategic initiatives expected to be achieved in the second half of the year.

After considering the broker forecasts and the Fantastic FY17 budget, including conducting a high level sensitivity analysis, we have selected the following maintainable earnings:

Table 15: Selected maintainable earnings

	EBITDA		EBIT	
	Low	High	Low	High
Selected maintainable earnings	43.5	45.0	36.0	37.5

Source: Leadenhall analysis

We note that assuming same store growth of 5%, this implies EBIT growth from the full year impact of stores opened in FY16, new stores opened in FY17 and other FY17 strategic initiatives of \$4.3 million to \$5.8 million which we do not consider to be unreasonable.

Earnings multiple

The multiples selected to apply to maintainable earnings implicitly reflect expectations about future growth, risk and the time value of money. Multiples can be derived from three main sources:

- ◆ Using the guideline public company method, market multiples are derived from the trading prices of companies that are engaged in the same or similar lines of business and that are actively traded on a public stock market
- ◆ The merger and acquisition method uses multiples derived from transactions of significant interests in companies engaged in the same or similar lines of business
- ◆ It is also possible to build a multiple from first principles based on an appropriate discount rate and growth expectations

We have conducted an analysis of both public company trading multiples and transaction multiples in order to determine an appropriate earnings multiple to apply to the valuation of Fantastic.

In respect of public company trading multiples, there are limited companies listed on the ASX that are directly comparable to Fantastic. The most comparable Australian listed companies are:

- ◆ Harvey Norman Holdings Limited
- ◆ Nick Scali Limited

We note that Fantastic management also consider these to be comparable to Fantastic and monitor their performance.

There are also a number of listed Australian companies that operate retail (consumer discretionary) businesses that have similar profit drivers to Fantastic. From these companies, we have selected those that we consider to be most comparable and/or of a similar size to Fantastic. Although, Australian companies are the most comparable as they operate in the same market as Fantastic, we have also considered listed furniture retailers in other developed markets.

The following table sets out the historical and forecast trading EBITDA and EBIT multiples for the following three subsections of comparable companies:

- ◆ **Australian furniture retailers:** Australian companies where a significant portion of revenue is derived from furniture sales
- ◆ **Other Australian consumer discretionary retailers:** Australian companies that operate consumer discretionary retail businesses that are of a similar size or have similar drivers to Fantastic
- ◆ **Overseas furniture retailers:** Overseas companies where the majority of revenue is derived from furniture sales

We have also presented an adjusted average and median which modifies the calculated average and median to exclude outliers.

Table 16: Trading multiples of comparable companies

Company	Market cap (\$m)	EBITDA multiple			EBIT multiple		
		Historical	Current	Forecast	Historical	Current	Forecast
Australian furniture retailers							
Harvey Norman	5,685	10.6x	9.7x	9.4x	12.2x	11.2x	10.8x
Nick Scali	465	11.1x	10.2x	9.1x	12.0x	11.0x	9.9x
Fantastic Holdings	279	7.0x	6.3x	5.8x	8.6x	7.7x	7.1x
Average		9.6x	8.7x	8.1x	11.0x	10.0x	9.3x
Median		10.6x	9.7x	9.1x	12.0x	11.0x	9.9x
Other Australian consumer discretionary retailers							
JB Hi-Fi	3,320	11.4x	10.1x	9.5x	13.6x	12.9x	12.2x
Myer	1,055	5.5x	5.4x	5.1x	10.1x	9.4x	8.6x
RCG Corporation	931	13.6x	9.1x	7.7x	16.6x	11.4x	9.4x
Michael Hill	663	10.8x	9.3x	8.4x	15.1x	12.8x	11.5x
Helloworld	487	10.4x	5.3x	4.6x	38.1x	8.6x	6.7x
Kathmandu	382	6.8x	6.4x	5.9x	8.7x	8.2x	7.6x
Adairs	375	9.6x	8.3x	7.3x	10.8x	9.6x	8.5x
Baby Bunting	374	18.7x	14.7x	12.1x	22.5x	17.5x	14.3x
Beacon Lighting	365	12.7x	11.7x	10.5x	13.9x	12.6x	11.2x
Billabong	216	7.1x	6.0x	5.0x	16.0x	10.9x	7.9x
Specialty Fashion	104	4.7x	3.4x	3.1x	33.6x	8.3x	6.5x
Average		10.1x	8.2x	7.2x	18.1x	11.1x	9.5x
Median		10.4x	8.3x	7.3x	15.1x	10.9x	8.6x
Average excluding outliers		9.8x	8.0x	7.1x	13.1x	10.5x	9.0x
Median excluding outliers		10.4x	8.3x	7.3x	13.7x	10.3x	8.6x
Overseas furniture retailers							
DFS Furniture	954	8.0x	7.5x	7.4x	9.8x	9.4x	9.5x
Haverty Furniture Companies	556	5.6x	5.6x	5.3x	8.6x	9.0x	8.3x
Flexsteel Industries	521	8.2x	n/a	n/a	10.0x	n/a	n/a
BMTC Group	493	7.8x	n/a	n/a	9.1x	n/a	n/a
Pier 1 Imports	452	3.3x	4.0x	3.9x	5.5x	9.3x	7.6x
Bassett Furniture Industries	360	6.1x	5.7x	5.1x	8.6x	8.0x	7.0x
Average		6.5x	5.7x	5.4x	8.6x	8.9x	8.1x
Median		7.0x	5.6x	5.2x	8.9x	9.1x	7.9x
Average excluding outliers		7.1x	6.3x	5.9x	9.2x	8.8x	8.3x
Median excluding outliers		7.8x	5.7x	5.3x	9.1x	9.0x	8.3x

Source: FactSet and Leadenhall Analysis

Notes:

1. Data as at 20 September 2016

2. The multiples highlighted in grey are regarded as outliers

It should be noted that these multiples are based on trading of minority shareholdings. In contrast, we are considering the value of Fantastic on a control basis. Therefore, consideration must be given to observed control premiums in the Australian market and the impact on the minority trading multiples, of the comparable companies, if applied.

In addition to considering the differences between minority and control multiples, we have also considered the following factors in relation to the comparable company trading multiples in determining an appropriate earnings multiple to apply to the valuation of Fantastic:

- ◆ Fantastic's trading multiples are at the lower end of the comparable Australian companies and are the lowest when excluding those comparable companies that have recently experienced a significant decline in performance (Myer, Helloworld, Billabong and Specialty Fashion). We consider that there may be a number of factors contributing to Fantastic's relatively low multiples:
 - Fantastic operates on relatively low margins (EBITDA and EBIT). The companies with the most comparable margins are JB Hi-Fi, Myer and Billabong. All other things being equal, higher margins generally support higher multiples
 - Fantastic is one of the smaller companies in terms of market capitalisation. All other things being equal, smaller companies trade on lower multiples
 - The market appears to have a more conservative view of short term growth potential than management, although forecast growth (EBITDA and EBIT) from FY16 to FY17 is still towards the higher end of the comparable companies
 - Fantastic's largest brand, Fantastic Furniture, is focused on the value for money end of the market which is likely to be more exposed to increasing competition, particularly from online furniture retailers
 - Some of the other comparable companies have a much smaller store footprint than Fantastic (Nick Scali, Baby Bunting, Adairs and Beacon Lighting). As such the market may be of the view that the long term organic growth potential of these companies is higher than Fantastic
 - Given the relatively tightly held register, Fantastic shares trade with lower liquidity than other companies of a similar size, which may also place downward pressure on the share price and therefore trading multiple
- ◆ The most comparable overseas companies are DFS Furniture (United Kingdom) and Bassett Furniture Industries (United States). DFS Furniture is larger than Fantastic and therefore would be expected to trade on higher multiples. Bassett Furniture is more comparable in size and has similar margins and slightly lower forecast growth. The housing market in Australia is more buoyant than the United States and thus it is likely Fantastic would trade at slightly higher multiples than Bassett Furniture

Ultimately the comparable companies exhibit a fairly wide range of trading multiples, with issues such as underperformance (Myer, Helloworld, Billabong and Specialty Fashion), potential for organic growth through new store roll-outs (Nick Scali, Baby Bunting, Adairs and Beacon Lighting) and growth through acquisition (RCG and JB Hi-Fi) impacting the observed multiples of a number of the comparable Australian companies.

In addition to our analysis of trading multiples, we have also reviewed relevant transaction multiples, from Australia and overseas. The table below shows the historical and forecast (where available) EBITDA and EBIT multiples from transactions with publicly available data.

Table 17: Comparable transaction multiples

Target	Acquirer	Close date	Target Description	Ent. value (US\$m)	Control premium	EBITDA		EBIT	
						Hist.	Fore.	Hist.	Fore.
Australia									
The Good Guys	JB Hi-Fi	n/a	Whitegoods/electronics retailer	633	n/a	n/a	n/a	11.7	n/a
Hype DC	RCG Corporation	Jul-16	Premium shoe and apparel retailer	87	n/a	6.0	n/a	n/a	n/a
Accent Group	RCG Corporation	May-15	Premium shoe and apparel retailer	185	n/a	6.0	4.7	n/a	n/a
David Jones Ltd	Woolworths Holdings	Aug-14	Department store operator	1,957	25%	10.4	n/a	14.4	n/a
Witchery	Country Road	Aug-12	Womens fashion	172	n/a	5.1	n/a	n/a	n/a
Average						6.9	4.7	13.1	n/a
Median						6.0	4.7	13.1	n/a
Overseas									
Mattress Firm	Steinhardt International	n/a	Mattress and bedding retailer	3,848	nmf	18.4	10.8	28.4	15.9
Online Republic	Webjet Ltd	Jun-16	Online travel	59	n/a	7.1	n/a	n/a	n/a
Galeria Kaufhof	Hudson Bay Co.	Sep-15	Department store operator	3,183	n/a	9.0	n/a	14.6	n/a
Saks, Inc.	Hudson Bay Co.	Nov-13	Luxury department store operator	2,699	5%	10.2	10.1	18.7	20.2
The Brick Ltd	Leon's Furniture	Mar-13	Furniture, appliance and electronics	728	54%	5.8	6.1	8.8	7.9
Cost Plus, Inc.	Bed Bath & Beyond	May-12	Casual home furnishings	631	22%	11.8	8.8	18.1	12.0
Average						10.4	9.0	17.7	14.0
Median						9.6	9.5	18.1	14.0

Source: FactSet and Leadenhall analysis

Note: control premium is based on the target share price on the day immediately prior to the transaction being announced

The observed multiples from comparable transactions are control multiples and include any premium paid for control. Therefore, no adjustment for a control premium is required.

We have considered the following factors in relation to the above transaction multiples in determining appropriate earnings multiple to apply to the valuation of Fantastic:

- ◆ The Good Guys are around twice the size of Fantastic and margins on whitegoods are generally higher than the margins achieved by Fantastic. On this basis the multiple paid for the Good Guys would be expected to be higher than for Fantastic
- ◆ The RCG acquisitions of Hype DC and Accent Group were both at 6.0x EBITDA (based on the RCG share price at announcement). The footwear and apparel retailing sector is an extremely competitive environment in which changing fashion trends can have significant impacts on business performance. As such it would be expected that businesses in this sector would attract lower multiples. As Fantastic is larger than both Accent and Hype DC, it is expected that a higher multiple would be applicable to Fantastic
- ◆ David Jones is significantly larger than Fantastic and would therefore be expected to attract a higher transaction multiple
- ◆ The Witchery acquisition multiple (based on historical earnings) is likely to be understated due to its loss making subsidiary MIMCO UK. While the consideration paid for the business reflected the losses of MIMCO UK and the estimated cost of the planned closure of the business, the historical earnings is based on normalised earnings which did not reflect the losses and closure costs
- ◆ The two international transactions that are most similar in size and industry to Fantastic are the acquisitions of The Brick Ltd and Cost Plus, Inc. Cost Plus is larger than Fantastic with high growth expectations at the time of the transaction (30% EBITDA forecast in FY13) thus indicating that a multiple for Fantastic would be below the multiple implied by the Cost Plus acquisition. The Brick acquisition occurred during a period of weak economic conditions and increasing competition (imminent entry of Target into the Canadian market) for furniture retailers in Canada. These factors resulted in low growth expectations and relatively low implied multiples on the Brick Transaction and as such an appropriate multiple for Fantastic would be expected to be higher

Our key considerations in selecting appropriate earnings multiples to apply to our valuation of Fantastic are summarised below:

- ◆ We have placed more reliance on the transaction multiples as guidance in selecting earnings multiples on a control basis
- ◆ We have considered what the selected control multiples may convert to in terms of minority multiples and compared to this to the observed trading multiples of comparable companies
- ◆ Fantastic does not have effective operational control over the Chinese joint venture which could be seen as a risk
- ◆ We have allowed for substantial growth in the selected maintainable earnings, particularly at the high end, and have therefore kept this in mind when considering appropriate multiples (i.e. growth potential should not be double counted by including it in both the selected maintainable earning and multiples)

Based on the above, we have selected the following earnings multiples to apply to our valuation of Fantastic:

Table 18: Selected earnings multiples

	EBITDA		EBIT	
	Low	High	Low	High
Selected earnings multiples	7.5	8.0	9.0	9.5

Source: Leadenhall analysis

Non-operating assets and liabilities

The multiplication of maintainable earnings by a selected control multiple results in an enterprise or business value. In order to assess the equity value (value to shareholders) it is necessary to allow for non-operating assets and liabilities. These can be:

- ◆ **Surplus assets:** assets held by the company that are not utilised in its business operations
- ◆ **Net debt:** comprising of debt used to fund a business, less surplus cash held by the company
- ◆ **Non-operating liabilities:** liabilities of a company not directly related to its current business operations

Each of these factors are considered below.

Surplus assets

Surplus assets are assets owned by an entity that are not required to generate the earning of its business. This could be investments, unused plant and equipment held for resale, or any other asset of the company that is not required to run its operating business. It is necessary to ensure that any income from surplus assets (e.g. rent / dividends) is excluded from the business value.

We have identified the following surplus asset of Fantastic as at 25 September 2016 (latest financial month end):

Table 19: Surplus assets

Surplus assets	Value \$'m
Vacant land (Rockhampton QLD)	1.0
Total	1.0

Source: Fantastic

Fantastic owns the land upon which the Rockhampton Fantastic Furniture store is located. There is additional vacant land at this site which is surplus to requirements. Based on negotiations with potential purchasers the surplus land is expected to realise approximately \$1 million after deducting the estimated tax payable from the proposed price.

Net cash

The net cash of Fantastic as at 25 September 2016 was as follows:

Table 20: Net cash

Net debt	Value \$'m
Cash at bank	16.4
Term deposit	7.0
USD (converted at US\$1.00:A\$0.767)	6.3
Total	29.7

Source: Fantastic and Reserve Bank of Australia

Fantastic have advised that all of the cash held by the company is surplus to their ongoing business operations.

Non-operating liabilities

Non-operating liabilities are liabilities that are not related to the ongoing business operations, although they may relate to previous business activities, for example legal claims against the entity.

We have identified the following non-operating liability of Fantastic as at 25 September 2016:

Table 21: Non-operating liabilities

Non-operating liabilities	Value \$'m
Le Cornu closure costs	1.5
Total	1.5

Source: Fantastic

Fantastic intends to close the Adelaide Le Cornu store in the second half of 2016. The \$1.5 million represents the cash component of provision for closure costs recognised in the FY16 financial statements (\$2.2 million net of applicable tax deductions estimated at 30%).

Valuation summary

Based on the selected maintainable earnings and EBITDA and EBIT multiples, the resulting value of a Fantastic share is set out in the table below.

Table 22: Summary of CFME analysis

	EBITDA		EBIT	
	Low	High	Low	High
Selected maintainable earnings	43.5	45.0	36.0	37.5
Selected multiple	7.5	8.0	9.0	9.5
Enterprise value	326.3	360.0	324.0	356.3
Surplus assets	1.0	1.0	1.0	1.0
Net cash	29.7	29.7	29.7	29.7
Non-operating liabilities	(1.5)	(1.5)	(1.5)	(1.5)
Equity value	355.4	389.2	353.2	385.4
Number of share on issue	103.3	103.3	103.3	103.3
Value per share	\$3.44	\$3.77	\$3.42	\$3.73

Source: Leadenhall analysis

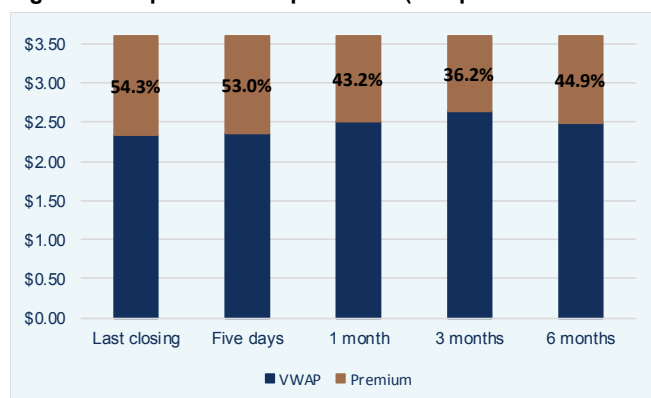
6.2 Analysis of Share Trading

Market trading in Fantastic shares prior to the announcement of the Proposed Transaction provides an indication of the market's assessment of the value of Fantastic on a minority basis. We have presented an analysis of recent trading in Fantastic shares in Section 4.12 above. When assessing market trading it is necessary to consider whether the market is informed and liquid. In this regard we note:

- ◆ Fantastic shares are fairly tightly held reducing the number of shares available for market trading. Daily values traded are often under \$100,000. This level is below the level at which large institutional investors may wish to trade and may be seen as a deterrent for other significant investors
- ◆ Fantastic is a listed company with continuous disclosure obligations under the ASX Listing Rules, thus the market is reasonably informed about its activities. However, we note Fantastic has provided limited commentary regarding its future plans and has not provided earnings guidance

As a result of these factors we consider the market trading to be reasonably informed and moderately liquid. We have therefore undertaken only a high level analysis of share market trading, by assessing the level of control premium implied by our valuation range compared to the volume weighted average price of a Fantastic share over the last six months, as set out in the figure below.

Figure 11: Implied control premiums (mid-point of valuation range)



The control premium implied by the mid-point of our valuation range relative to the share price of Fantastic over the periods set out in the adjacent figure range from 54.3% at the last closing price of \$2.33 on 7 October 2016 to 36.2% over the 3 month VWAP of \$2.64.

Source: FactSet and Leadenhall analysis

Note: The VWAP's presented above have been adjusted to take account of the \$0.15 special dividend for all trading prior to the ex-dividend date

The Fantastic share price has fluctuated significantly over the past three months, rising to a high of close to \$3.00 after the announcement of FY16 results and a special dividend of \$0.15. Since the ex-dividend date, the share price has fallen significantly (more than amount of the dividend paid) to a close of \$2.43 on 20 September 2016. This decline has been in the absence of any market releases by Fantastic. It is likely that in the absence of the Proposed Transaction, or the speculation/announcement of any similar transaction, that the price of Fantastic would continue to trade at current levels, at least in the short term.

The generally observed range for control premiums between 20% to 40%. In addition, the average control premium observed for transactions in the retail trade sector in Australia between 2005 and 2015 was 30% and the average of the available control premiums for the comparable transactions is 27%. On this basis the control premium implied by our assessed value of a Fantastic share appears reasonable. Further information on observed control premiums is included in Appendix 4.

6.3 Conclusion on Value

Based on our CFME and share trading analysis we have selected a valuation range for a share in Fantastic, on a control basis, as set out in the table below.

Table 23: Selected valuation range

	Low	High
Selected valuation range	\$3.42	\$3.77

Source: Leadenhall analysis

7 EVALUATION

7.1 Fairness

We have assessed whether the Proposed Transaction is fair by comparing our assessed fair market value of a Fantastic share on a control basis with the consideration offered. This comparison is set out in the table below.

Table 24: Assessment of fairness

	Low	High
Fair market value of a Fantastic share	\$3.42	\$3.77
Consideration	\$3.50	\$3.50

Source: Leadenhall analysis

Since the consideration offered is within the assessed range of values of a Fantastic share the Proposed Transaction is fair to Shareholders.

7.2 Reasonableness

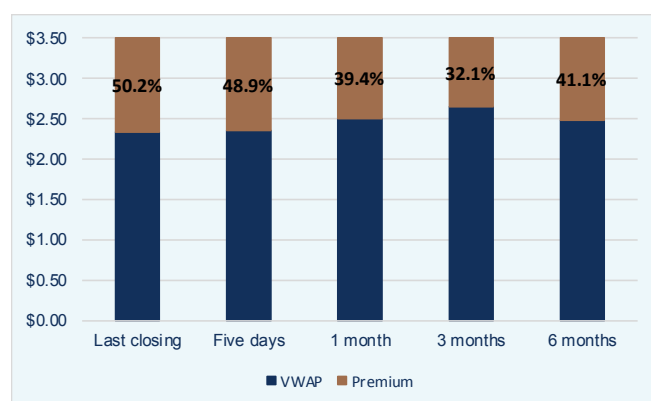
We have defined the Proposed Transaction as reasonable if it is fair, or if despite not being fair, there are sufficient reasons for Shareholders to vote for the proposal. We have therefore considered the following advantages and disadvantages of the Proposed Transaction to Shareholders.

Advantages

Premium to market price

The offer price reflects a meaningful premium to the Fantastic share price immediately prior to the announcement as set out in the figure below:

Figure 12: Implied control premium (offer price)



Source: FactSet and Leadenhall analysis

Note: The VWAP's presented above have been adjusted to take account of the \$0.15 special dividend for all trading prior to the ex-dividend date

Share price in the absence of an alternative offer

In the absence of any alternative takeover offer, the only alternative to dispose of Fantastic shares would be to sell them on the market at a price which does not include a premium for control and would incur transaction costs (e.g. brokerage). If the Proposed Transaction is not approved, it is likely that Fantastic shares would trade at a price below the offer price, at least in the short term.

No superior alternative offer

We are not aware of any competing proposals to acquire Fantastic by any third party. However, we note that there would be an opportunity for any other interested party to put forward a competing offer prior to the scheme meeting being held. In these circumstances Shareholders would need to consider the competing offer before concluding on the Proposed Transaction.

Disadvantages

Loss of exposure to Fantastic business

If the Proposed Transaction is completed Shareholders would lose their exposure to the future performance of Fantastic. We note that the Fantastic management team has set out a medium term plan for the business including material growth in store numbers and profitability. If this plan was achieved, it is possible that Fantastic shares may trade at prices higher than the consideration under the Proposed Transaction in the medium term. By accepting the Proposed Transaction, Shareholders will not be able to participate in this potential upside.

Synergy benefits

Given the complementary nature of Steinhoff's business with Fantastic, it is likely that Steinhoff will be able to realise some synergy benefits from acquiring Fantastic. Based on our analysis, the offer price does not appear to include a material amount related to potential synergies as the selected multiples is towards the lower end of the comparable ranges and no synergies have been allowed for in the selected earnings. However, in the absence of a competing proposal, it is common for an acquirer not to pay for potential synergies they may obtain in a business combination.

Tax implications

The acceptance of the offer by the purchaser may have varying tax implications for individual investors which may impact the net cash consideration received. Shareholders should seek their own independent advice as to any potential tax implications upon acceptance of the offer.

Conclusion on reasonableness

As the Proposed Transaction is fair it is also reasonable.

7.3 Opinion

The Proposed Transaction is fair and reasonable to Shareholders. The Proposed Transaction is therefore in the best interests of Shareholders.

An individual Shareholder's decision in relation to the Proposed Transaction may be influenced by their own particular circumstances. If in doubt, the Shareholder should consult an independent financial adviser.

APPENDIX 1: GLOSSARY

Term	Meaning
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited
CFME	Capitalisation of future maintainable earnings
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation
EBITDA	Earnings before interest, tax, depreciation and amortisation
Fair market value	The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts
Fantastic	Fantastic Holdings Limited
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
FY	Financial year
IPO	Initial public offering
Leadenhall	Leadenhall Corporate Advisory Pty Ltd
NPAT	Net profit after tax
P/E	Price to earnings
Part 3	Part 3 of Schedule 8 of the Corporations Regulations 2001 (Cw/ith)
Proposed Transaction	Steinhoff's offer to acquire Fantastic
RG111	Regulatory Guide 111: Content of Expert Reports
Scheme Booklet	Scheme Booklet issued by Fantastic in relation to the Proposed Transaction
Section 411	Section 411 of the Corporations Act 2001
Shareholders	Current shareholders of Fantastic
Steinhoff	Steinhoff Asia Pacific Holdings Pty Ltd
US	United States
VWAP	Volume weighted average price

APPENDIX 2: VALUATION METHODOLOGIES

In preparing this report we have considered valuation methods commonly used in practice and those recommended by RG 111. These methods include:

- ◆ The discounted cash flow method
- ◆ The capitalisation of earnings method
- ◆ Asset based methods
- ◆ Analysis of share market trading
- ◆ Industry specific rules of thumb

The selection of an appropriate valuation method to estimate fair market value should be guided by the actual practices adopted by potential acquirers of the company involved.

Discounted Cash Flow Method

Description

Of the various methods noted above, the discounted cash flow method has the strongest theoretical standing. It is also widely used in practice by corporate acquirers and company analysts. The discounted cash flow method estimates the value of a business by discounting expected future cash flows to a present value using an appropriate discount rate. A discounted cash flow valuation requires:

- ◆ A forecast of expected future cash flows
- ◆ An appropriate discount rate

It is necessary to project cash flows over a suitable period of time (generally regarded as being at least five years) to arrive at the net cash flow in each period. For a finite life project or asset this would need to be done for the life of the project. This can be a difficult exercise requiring a significant number of assumptions such as revenue growth, future margins, capital expenditure requirements, working capital movements and taxation.

The discount rate used represents the risk of achieving the projected future cash flows and the time value of money. The projected future cash flows are then valued in current day terms using the discount rate selected.

The discounted cash flow method is often sensitive to a number of key assumptions such as revenue growth, future margins, capital investment, terminal growth and the discount rate. All of these assumptions can be highly subjective sometimes leading to a valuation conclusion presented as a range that is too wide to be useful.

Use of the Discounted Cash Flow Method

A discounted cash flow approach is usually preferred when valuing:

- ◆ Early stage companies or projects
- ◆ Limited life assets such as a mine or toll concession
- ◆ Companies where significant growth is expected in future cash flows
- ◆ Projects with volatile earnings

It may also be preferred if other methods are not suitable, for example if there is a lack of reliable evidence to support a capitalisation of earnings approach. However, it may not be appropriate if:

- ◆ Reliable forecasts of cash flow are not available and cannot be determined
- ◆ There is an inadequate return on investment, in which case a higher value may be realised by liquidating the assets than through continuing the business

Capitalisation of Earnings Method

Description

The capitalisation of earnings method is a commonly used valuation methodology that involves determining a future maintainable earnings figure for a business and multiplying that figure by an appropriate capitalisation multiple. This methodology is generally considered a short form of a discounted cash flow, where a single representative earnings figure is capitalised, rather than a stream of individual cash flows being discounted. The capitalisation of earnings methodology involves the determination of:

- ◆ A level of future maintainable earnings
- ◆ An appropriate capitalisation rate or multiple.

A multiple can be applied to any of the following measures of earnings:

Revenue – most commonly used for companies that do not make a positive EBITDA or as a cross-check of a valuation conclusion derived using another method.

EBITDA – most appropriate where depreciation distorts earnings, for example in a company that has a significant level of depreciating assets but little ongoing capital expenditure requirement.

EBITA – in most cases EBITA will be more reliable than EBITDA as it takes account of the capital intensity of the business.

EBIT – whilst commonly used in practice, multiples of EBITA are usually more reliable as they remove the impact of amortisation which is a non-cash accounting entry that does not reflect a need for future capital investment (unlike depreciation).

NPAT – relevant in valuing businesses where interest is a major part of the overall earnings of the group (e.g. financial services businesses such as banks).

Multiples of EBITDA, EBITA and EBIT are commonly used to value whole businesses for acquisition purposes where gearing is in the control of the acquirer. In contrast, NPAT (or P/E) multiples are often used for valuing minority interests in a company.

The multiple selected to apply to maintainable earnings reflects expectations about future growth, risk and the time value of money all wrapped up in a single number. Multiples can be derived from three main sources. Using the guideline public company method, market multiples are derived from the trading prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market, such as the ASX. The merger and acquisition method is a method whereby multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business. It is also possible to build a multiple from first principles.

Use of the Capitalisation of Earnings Method

The capitalisation of earnings method is widely used in practice. It is particularly appropriate for valuing companies with a relatively stable historical earnings pattern which is expected to continue. This method is less appropriate for valuing companies or assets if:

- ◆ There are no suitable listed company or transaction benchmarks for comparison
- ◆ The asset has a limited life
- ◆ Future earnings or cash flows are expected to be volatile
- ◆ There are negative earnings or the earnings of a business are insufficient to justify a value exceeding the value of the underlying net assets

Asset Based Methods

Description

Asset based valuation methods estimate the value of a company based on the realisable value of its net assets, less its liabilities. There are a number of asset based methods including:

- ◆ Orderly realisation
- ◆ Liquidation value
- ◆ Net assets on a going concern basis
- ◆ Replacement cost
- ◆ Reproduction cost

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.

The asset / cost approach is generally used when the value of the business' assets exceeds the present value of the cash flows expected to be derived from the ongoing business operations, or the nature of the business is to hold or invest in assets. It is important to note that the asset approach may still be the relevant approach even if an asset is making a profit. If an asset is making less than an economic rate of return and there is no realistic prospect of it making an economic return in the foreseeable future, an asset approach would be the most appropriate method.

Use of Asset Based Methods

An asset-based approach is a suitable valuation method when:

- ◆ An enterprise is loss making and is not expected to become profitable in the foreseeable future
- ◆ Assets are employed profitably but earn less than the cost of capital
- ◆ A significant portion of the company's assets are composed of liquid assets or other investments (such as marketable securities and real estate investments)
- ◆ It is relatively easy to enter the industry (for example, small machine shops and retail establishments)

Asset based methods are not appropriate if:

- ◆ The ownership interest being valued is not a controlling interest, has no ability to cause the sale of the company's assets and the major holders are not planning to sell the company's assets
- ◆ A business has (or is expected to have) an adequate return on capital, such that the value of its future income stream exceeds the value of its assets

Analysis of Share Trading

The most recent share trading history provides evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market. There should also be some similarity between the size of the parcel of shares being valued and those being traded. Where a company's shares are publicly traded then an analysis of recent trading prices should be considered, at least as a cross-check to other valuation methods.

Industry Specific Rules of Thumb

Industry specific rules of thumb are used in certain industries. These methods typically involve a multiple of an operating figure such as eyeballs for internet businesses, numbers of beds for hotels etc. These methods are typically fairly crude and are therefore usually only appropriate as a cross-check to a valuation determined using an alternative method.

APPENDIX 3: COMPARABLE ENTITIES

The following company descriptions are extracted from descriptions provided by FactSet.

Company	Description
Adairs Ltd.	Adairs Ltd. engages in the retail of Manchester and homewares. Its retail brands include Adairs, Adairs Kids, and Urban Home Republic. The company was founded in 2010 and is headquartered in Melbourne, Australia.
Baby Bunting Group Ltd.	Baby Bunting Group Ltd. is a one stop baby shop, which provides baby products. It offers products of brands, such as mountain buggy, bugaboo, safe-n-sound, phil & teds, babylove, childcare, maclaren, boori, stokke, babybjorn, medela, avent, johnsons, huggies and oricom. Baby Bunting Group was founded by Arnold and Gail Nadelman in 1979 and is headquartered in Dandenong South, Australia.
Bassett Furniture Industries, Inc.	Bassett Furniture Industries, Inc. engages in the manufacture and sale of home furnishings. The company was founded by John David Bassett in 1902 and is headquartered in Bassett, VA.
Beacon Lighting Group Ltd	Beacon Lighting Group Ltd. engages in the retailing of lighting, ceiling fans, and light globes. The company was founded in 1967 and is headquartered in Mulgrave, Australia.
Billabong International Limited	Billabong International Ltd. engages in the marketing, distribution, wholesaling and retailing of apparel, accessories, eyewear, wetsuits and hardgoods in the boardsports sector. Its brands include Billabong, Element, RVCA, VonZipper, Sector 9, Xcel, Tigerlily, Kustom, Honolua and Palmers Surf. Billabong International was founded by Gordon Stanley Merchant and Rena Merchant in 1973 and is headquartered in Gold Coast, Australia.
BMTC Group Inc.	BMTC Group, Inc. is a holding company which manages and operates retail sales networks of furniture and household and electronic appliances in Quebec. It sells its products through a network of stores. The company was founded on September 5, 1989 and is headquartered in Montreal East, Canada.
DFS Furniture PLC	DFS Furniture Plc designs, manufactures, sells, and delivers upholstered furniture products. It sells its products through a retail network of upholstered furniture stores, as well as through online in the United Kingdom and Ireland. Its business roots back to 1969 when Graham Kirkham founded a single DFS store near Doncaster, United Kingdom. The company was founded in 1969 and is headquartered in Doncaster, the United Kingdom.
Fantastic Holdings Limited	Fantastic Holdings Ltd. engages in the manufacturing, retailing, importing of household furniture. It operates through the following business segments: Retail and Property. The Retail segment comprises businesses that retail locally manufactured and imported household furniture under the Fantastic Furniture, Plush, Original Mattress Factory, Le Cornu and Dare Gallery brands in Australia. Fantastic Holdings is headquartered in Sydney, Australia.

Company	Description
Flexsteel Industries, Inc.	Flexsteel Industries, Inc. manufactures, imports, and markets residential and commercial upholstered and wooden furniture products. It offers sofas, loveseats, chairs, reclining and rocker-reclining chairs, swivel rockers, sofa beds, convertible bedding units, occasional tables, desks, dining tables and chairs, and bedroom furniture. Its products are used in home, office, hospitality, health care, and other commercial applications. The company was founded in 1893 and is headquartered in Dubuque, IA.
Harvey Norman Holdings Ltd	Harvey Norman Holdings Ltd. operates and franchises household goods retail stores. The company grants franchises to the independent business operators, as business owners who retail products for the home and office, which include electrical, computers & communications, small appliances, furniture, bedding & manchester, home improvements, lighting and carpet & flooring. The company was founded by Gerald Harvey and Ian John Norman in October 1982 and is headquartered in Sydney, Australia.
Haverty Furniture Companies, Inc.	Haverty Furniture Cos., Inc. operates as a specialty retailer of residential furniture and accessories. The company provides a wide selection of products and styles and various brands carried furniture. It operates its business through home furnishings retailing segment. The company offers the bedding product lines, which include Sealy, Serta, Stearns, Foster and Tempur-Pedic. It also provides financing through an internal revolving charge credit plan, as well as a third party finance company. The company was founded by James Joseph Haverty in 1885 and is headquartered in Atlanta, GA.
Helloworld Limited	Helloworld Ltd. is an integrated travel company, which engages in the selling of international and domestic travel products and services and the operation of a franchised network of travel agents. The company was founded in May 2001 and is headquartered in Sydney, Australia.
JB Hi-Fi Limited	JB Hi-Fi Ltd. engages in the retailing of home consumer products from stand-alone destination sites, shopping centre locations and online stores. It engages in the sale of consumer electronics products and services, which includes televisions, audio equipment, computers, cameras, telecommunications products and services, software, musical instruments, white goods, cooking products, small appliances, digital content and information technology and consulting services. The company was founded by John Barbuto in 1974 and is headquartered in Melbourne, Australia.
Kathmandu Holdings Limited	Kathmandu Holdings Ltd. designs, markets and retails clothing and equipment for travel and adventure. It operates through three geographical segments: New Zealand, Australia and the United Kingdom. Its products include waterproof jackets, down jackets, thermals, fleece jackets, shirts, pants, merino apparel and thermals, footwear, socks, packs, bags, sleeping bags, tents, travel and camping accessories. It's products market under the brand name, Kathmandu. The company was founded in 1987 and is headquartered in Christchurch, New Zealand.
Michael Hill International Ltd.	Michael Hill International Limited manufactures, wholesales, and distributes jewelry. The Company offers rings, pendants, necklaces, bangles, earrings, bracelets, watches, and other accessories. Michael Hill operates stores in New Zealand, Australia, Canada, and the United States. (Source: Bloomberg)

Company	Description
Myer Holdings Limited	Myer Holdings Ltd. operates department stores. Its core product categories include youth fashion, children's wear, intimate apparel, beauty, fragrance and cosmetics, homewares, electrical goods, toys, fashion accessories and general merchandise. The company's brands portfolio includes Basque, Regatta, Reserve, Trent Nathan, Bauhaus and Australian House and Garden, as well as the new categories, such as sass & bide intimates, Jayson Brunsdon Home, and Leona Edmiston Home. The company was founded by Sidney Myer in 1900 and is headquartered in Docklands, Australia.
Nick Scali Limited	Nick Scali Ltd. is a furniture retailer operating primarily on the east coast of Australia. The principal activities of the company are the sourcing and retailing of household furniture and related accessories. Its products include dining chairs, dining tables, regular lounges, modular lounges, recliner lounges, entertainment units, TV units, coffee tables, side tables, occasional chairs, TV recliner chairs and bar stools. The company was founded by Nicodemo Domenico Scali in 1962 and is headquartered in Lidcombe, Australia.
Pier 1 Imports, Inc.	Pier 1 Imports, Inc. engages in the provision of retail sales of decorative home furnishings, furniture, and gifts. Its products include decorative home furnishings, dining, kitchen goods, bath, bedding accessories, and specialty items for the home. The company was founded in 1962 and is headquartered in Fort Worth, TX.
RCG Corporation Limited	RCG Corp. Ltd. operates as an investment holding company, which owns and operates a number of footwear businesses. It operates through its subsidiaries, which include The Athlete's Foot Australia Pty Ltd., and RCG Brands Pty Ltd. The Athlete's Foot Australia Pty Ltd. is a retailer of athletic footwear. The RCG Brands Pty Ltd. is a wholesale and distribution company, which distributes the Merrell, Cushe and CAT brands of footwear and apparel. The company was founded on February 23, 2004 and is headquartered in Sydney, Australia.
Specialty Fashion Group Limited	Specialty Fashion Group Ltd. engages in the retailing of women's clothing in Australia, New Zealand, South Africa, and the United States. It offers its products through various brands, such as Millers, Crossroads, Katies, Autograph, Rivers and City Chic. The company was founded by Arnold Ian Miller and Sara Miller in 1993 and is headquartered in Alexandria, Australia.

APPENDIX 4: CONTROL PREMIUM

Background

The difference between the control value and the liquid minority value is the control premium. The opposite of a control premium is a minority discount (also known as a discount for lack of control). A control premium is said to exist because the holder of a controlling stake has several rights that a minority holder does not enjoy (subject to shareholders agreements and other legal constraints), including:

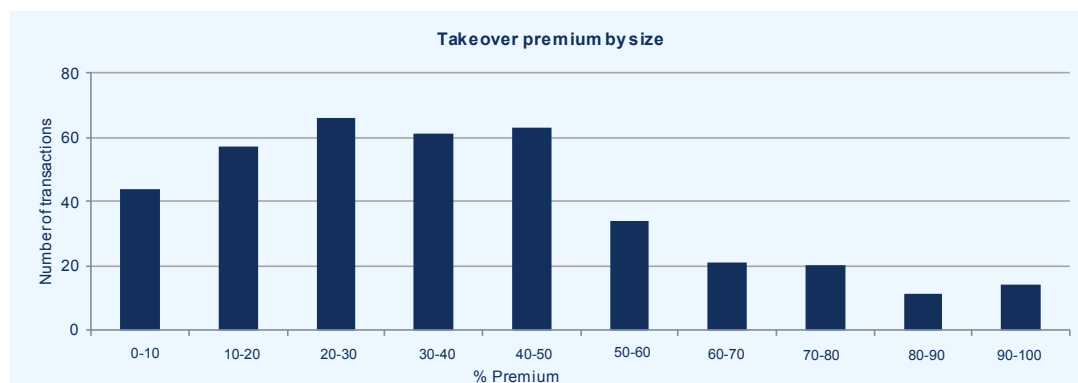
- ◆ Appoint or change operational management
- ◆ Appoint or change members of the board
- ◆ Determine management compensation
- ◆ Determine owner's remuneration, including remuneration to related party employees
- ◆ Determine the size and timing of dividends
- ◆ Control the dissemination of information about the company
- ◆ Set strategic focus of the organisation, including acquisitions, divestments and any restructuring
- ◆ Set the financial structure of the company (debt / equity mix)
- ◆ Block any or all of the above actions

The most common approach to quantifying a control premium is to analyse the size of premiums implied from prices paid in corporate takeovers. Another method is the comparison between prices of voting and non-voting shares in the same company. We note that the size of the control premium should generally be an outcome of a valuation and not an input into one, as there is significant judgement involved.

Takeover Premiums

Dispersion of premiums

The following chart shows the spread of premiums paid in takeovers between 2005 and 2015. We note that these takeover premiums may not be purely control premiums, for example the very high premiums are likely to include synergy benefits, while the very low premiums may be influenced by share prices rising in anticipation of a bid.

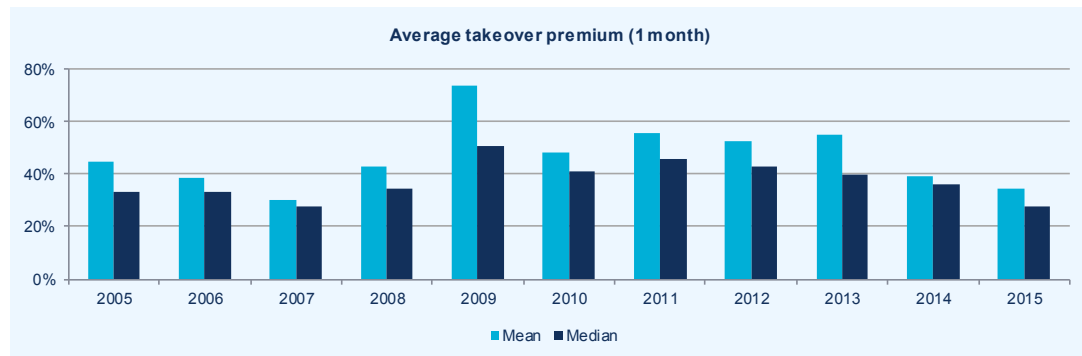


Sources: FactSet, Leadenhall analysis

This chart highlights the dispersion of premiums paid in takeovers. The chart shows a long tail of high premium transactions, although the most common recorded premium is in the range of 20% to 30%, with approximately 60% of all premiums falling in the range of 0% to 40%.

Premiums over time

The following chart shows the average premium paid in completed takeovers compared to the price one month before the initial announcement.

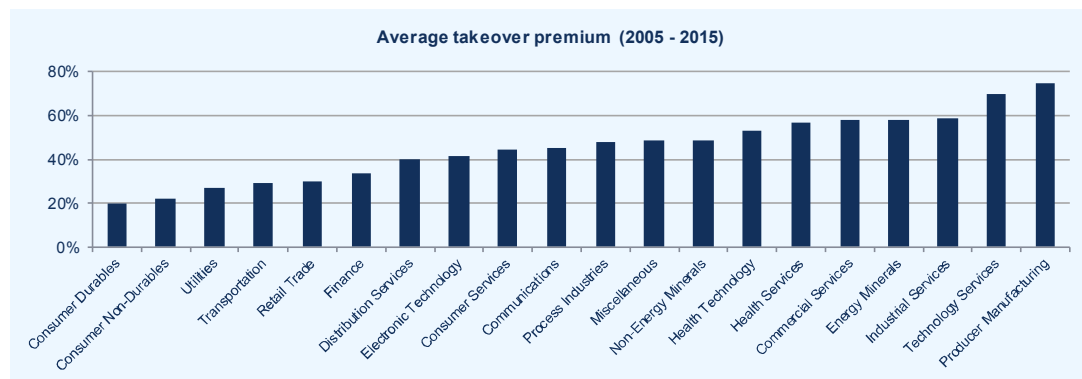


Sources: FactSet, Leadenhall analysis

The chart indicates that while premiums vary over time, there is no clearly discernible pattern. The mean is higher than the median due to a small number of high premiums.

Premiums by industry

The following chart shows the average takeover premium by industry, compared to the share price one month before the takeover was announced. Most industries show an average premium of 20% to 50%.



Sources: FactSet, Leadenhall analysis

A number of industries have fairly high averages which have been impacted by specific transactions as set out below:

- ◆ **Producer Manufacturing:** includes two transactions with control premiums over 100%. The average premium is 25% lower when these transactions are excluded.
- ◆ **Technology Services:** includes four transactions with control premiums in excess of 100%. The average premium is 30% lower when these transactions are excluded.
- ◆ **Industrial Services:** includes two transactions with control premiums in excess of 100%. The average premium is 30% lower when these transactions are excluded.
- ◆ **Energy Minerals:** includes six transactions with control premiums in excess of 100%. The average premium is 20% lower when these transactions are excluded.
- ◆ **Commercial Services:** includes four transactions with control premiums in excess of 100%. The average premium is 20% lower when these transactions are excluded.
- ◆ **Health Services:** includes one transaction with a control premium of 183%. The average premium is 20% lower when this transaction is excluded.

Key factors that generally lead to higher premiums being observed are more than one party presenting a takeover offer, favourable trading conditions in certain industries (e.g. recent mining and tech booms), when the price includes special value and scrip offers where the price of the acquiring entity's shares increases between announcement and completion.

Industry Practice

In Australia, industry practice is to apply a control premium in the range of 20% to 40%, as shown in the following list quoting ranges noted in various independent experts' reports.

- ◆ Deloitte - 20% to 40%
- ◆ Ernst & Young - 20% to 40%
- ◆ Grant Samuel - 20% to 35%
- ◆ KPMG - 25% to 40%
- ◆ Lonergan Edwards - 30 to 35%
- ◆ PwC - 20% to 40%

The range of control premiums shown above is consistent with most academic and professional literature published by leading valuation experts.

Alternative View

Whilst common practice is to accept the existence of a control premium, in the order of 20% to 40%, certain industry practitioners (particularly in the US) disagree with the validity of this conclusion. Those with an alternate view point to the fact that very few listed companies are acquired each year as evidence that 100% of a company is not necessarily worth more than the proportionate value of a small interest. The reason we see some takeovers at a premium is that if a company is not well run, there is a control premium related to the difference in value between a hypothetical well run company and the company being run as it is.

Impact of Methodologies Used

The requirement for an explicit valuation adjustment for a control premium depends on the valuation methodology and approach adopted and the level of value to be examined. It may be necessary to apply a control premium to the value of a liquid minority value to determine the control value. Alternatively, in order to estimate the value of a minority interest, it may be necessary to apply a minority discount to a proportional interest in the control value of the company.

Discounted cash flow

The discounted cash flow methodology generally assumes control of the cash flows generated by the assets being valued. Accordingly, such valuations reflect a premium for control. Where a minority value is sought a minority discount must therefore be applied. The most common exception to this is where a discounted dividend model has been used to directly determine the value of an illiquid minority holding.

Capitalisation of earnings

Depending on the type of multiple selected, the capitalisation of earnings methodology can reflect a control value (transaction multiples) or a liquid minority value (listed company trading multiples).

Asset based methodologies

Asset based methodologies implicitly assume control of the assets being valued. Accordingly, such valuations reflect a control value.

Intermediate Levels of Ownership

There are a number of intermediate levels of ownership between a portfolio interest and 100% ownership. Different levels of ownership/strategic stakes will confer different degrees of control and rights as shown below.

- ◆ 90% - can compulsory purchase remaining shares if certain conditions are satisfied
- ◆ 75% - power to pass special resolutions
- ◆ > 50% - gives control depending on the structure of other interests (but not absolute control)
- ◆ > 25% - ability to block a special resolution
- ◆ > 20% - power to elect directors, generally gives significant influence, depending on other shareholding blocks
- ◆ < 20% generally has only limited influence

Conceptually, the value of each of these interests lies somewhere between the portfolio value (liquid minority value) and the value of a 100% interest (control value). Each of these levels confers different degrees of control and therefore different levels of control premium or minority discount.

50%

For all practical purposes, a 50% interest confers a similar level of control to holdings of greater than 50%, at least where the balance of the shares are listed and widely held. Where there are other significant holders, such as in a 50/50 joint venture, 50% interests involve different considerations depending upon the particular circumstances.

Strategic parcels do not always attract a control premium. In fact, if there is no bidder, the owner may be forced to sell the shares through the share market, usually at a discount to the prevailing market price. This reflects the fact that the sale of a parcel of shares significantly larger than the average number of shares traded on an average day in a particular stock generally causes a stock overhang, therefore there is more stock available for sale than there are buyers for the stock and in order to clear the level of stock available, the share price is usually reduced by what is referred to as a blockage discount.

20% to 50%

Holdings of less than 50% but more than 20% can confer a significant degree of influence on the owner. If the balance of shareholders is widely spread, a holding of less than 50% can still convey effective control of the business. However, it may not provide direct ownership of assets or access to cash flow. This level of holding has a strategic value because it may allow the holder significant influence over the company's management, possibly additional access to information and a board seat.

<20%

Holdings of less than 20% are rarely considered strategic and would normally be valued in the same way as a portfolio interest given the stake would not be able to pass any ordinary or special resolution on their own if they were against the interests of the other shareholders. Depending on the circumstances, a blockage discount may also apply.

As explained above, the amount of control premium or minority discount that would apply in specific circumstances is highly subjective. In relation to the appropriate level of control premium, Aswath Damodaran¹ notes "the value of controlling a firm has to lie in being able to run it differently (and better)". A controlling shareholder will be able to implement their desired changes. However, it is not certain that a non-controlling shareholder would be able to implement changes they desired. Thus, following the logic of Damodaran and the fact that the strategic value of the holding typically diminishes as the level of holding decreases, the appropriate control premium for a non-controlling shareholder should be lower than that control premium for a controlling stake.

¹ Aswath Damodaran is a Professor of Finance at the Stern School of Business at New York University, where he teaches corporate finance and equity valuation. He has written several books on equity valuation, as well as corporate finance and investment. He is also widely published in leading finance journals.

Key Factors in Determining a Reasonable Control Premium

Key factors to consider in determining a reasonable control premium include:

- ◆ **Size of holding** – Generally, larger stakes attract a higher control premium
- ◆ **Other holdings** – The dispersion of other shareholders is highly relevant to the ability for a major shareholder to exert control. The wider dispersed other holdings are, the higher the control premium
- ◆ **Industry premiums** – Evidence of premiums recently paid in a given industry can indicate the level of premium that may be appropriate
- ◆ **Size** – medium sized businesses in a consolidating industry are likely to be acquired at a larger premium than other businesses
- ◆ **Dividends** – a high dividend payout generally leads to a low premium for control
- ◆ **Gearing** – a company that is not optimally geared may attract a higher premium than otherwise, as the incoming shareholder has the opportunity to adjust the financing structure
- ◆ **Board** – the ability to appoint directors would increase the control premium attaching to a given parcel of shares. The existence of independent directors would tend to decrease the level of premium as this may serve to reduce any oppression of minority interests and therefore support the level of the illiquid minority value
- ◆ **Shareholders agreement** - the existence and contents of a shareholders agreement, with any protection such as tag along and drag along rights offered to minority shareholders lowers the appropriate control premium

APPENDIX 5: QUALIFICATIONS, DECLARATIONS AND CONSENTS

Responsibility and purpose

This report has been prepared for Fantastic's shareholders for the purpose of assessing the fairness and reasonableness of the Proposed Transaction. Leadenhall expressly disclaims any liability to any shareholder, or anyone else, whether for our negligence or otherwise, if the report is used for any other purpose or by any other person.

Reliance on information

In preparing this report we relied on the information provided to us by Fantastic being complete and accurate and we have assumed it has been prepared in accordance with applicable Accounting Standards and relevant national and state legislation. We have not performed an audit, review or financial due diligence on the information provided. Drafts of our report were issued to Fantastic's management for confirmation of factual accuracy.

Prospective information

To the extent that this report refers to prospective financial information, we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Leadenhall's consideration of this information consisted of enquiries of Fantastic's personnel and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with Australian Auditing Standards, or any other standards. Nothing has come to our attention as a result of these enquiries to suggest that the financial projections for Fantastic, when taken as a whole, are unreasonable for the purpose of this report.

We note that the forecasts and projections supplied to us are, by definition, based upon assumptions about events and circumstances that have not yet transpired. Actual results in the future may be different from the prospective financial information of Fantastic referred to in this report and the variation may be material, since anticipated events frequently do not occur as expected. Accordingly, we give no assurance that any forecast results will be achieved.

Market conditions

Leadenhall's opinion is based on prevailing market, economic and other conditions as at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon the conclusion reached in this report.

As a valuation is based upon expectations of future results it involves significant judgement. Although we consider the assumptions used and the conclusions reached in this report are reasonable, other parties may have alternative expectations of the future, which may result in different valuation conclusions. The conclusions reached by other parties may be outside Leadenhall's preferred range.

Indemnities

In recognition that Leadenhall may rely on information provided by Fantastic and their officers, employees, agents or advisors, Fantastic has agreed that it will not make any claim against Leadenhall to recover any loss or damage which it may suffer as a result of that reliance and that it will indemnify Leadenhall against any liability that arises out of Leadenhall's reliance on the information provided by Fantastic and their officers, employees, agents or advisors or the failure by Fantastic and their officers, employees, agents or advisors to provide Leadenhall with any material information relating to this report.

Qualifications

The personnel of Leadenhall principally involved in the preparation of this report were Richard Norris, BA (Hons), FCA, M.App.Fin, F.Fin, Dave Pearson, BCom., CA, CFA, CBV, M.App.Fin, Simon Dalgarno, B.Ec, FCA, F.FINSIA Katy Lawrence, BCom., CA and Chern Fung Yee, BCom., CPA (Aus).

This report has been prepared in accordance with "APES 225 – Valuation Services" issued by the Accounting Professional & Ethical Standards Board and this report is a valuation engagement in accordance with that standard and the opinion is a Conclusion of Value.

Independence

Leadenhall has acted independently of Fantastic. Compensation payable to Leadenhall is not contingent on the conclusion, content or future use of this report.

Annexure **B**

SCHEME IMPLEMENTATION DEED



Scheme Implementation Deed

Fantastic Holdings Limited

(ABN 19 004 000 775)

Steinhoff Asia Pacific Group Holdings Pty Ltd

(ABN 21 612 890 874)

Steinhoff Asia Pacific Holdings Pty Limited

(ABN 44 105 828 957)

Watson Mangioni Lawyers Pty Limited

Corporate and Commercial Lawyers
Level 23, 85 Castlereagh Street
SYDNEY NSW 2000
Tel: (02) 9262 6666
Fax: (02) 9262 2626
Ref: MGB/SNJ 216 6109

ME_133686217_1 (W2013)

Table of Contents

1.	Definitions and Interpretation	1
2.	Agreement to proceed with the Transaction	9
3.	Conditions precedent and pre-implementation steps	9
4.	Transaction steps	13
5.	Implementation	14
6.	Representations and warranties	25
7.	Releases	26
8.	Public announcement	28
9.	Confidentiality	28
10.	No-talk and no-shop obligations	29
11.	Fantastic Break Fee	33
12.	Termination	35
13.	Guarantee by Bidder	37
14.	Duty, costs and expenses	39
15.	GST	39
16.	General	40
1.	Definitions and Interpretation	1
2.	Preliminary matters	4
3.	Conditions	4
4.	Implementation of this Scheme	5
5.	Scheme Consideration	5
6.	Dealings in Fantastic Shares	7
7.	Quotation of Fantastic Shares	8
8.	General Scheme provisions	8
9.	General	10
1.	Definitions and Interpretation	1
2.	Conditions to obligations	2
3.	Scheme obligations	2

ME_133686217_1 (W2013)

2

4.	Warranties	3
5.	Continuing obligations	3
6.	Notices	3
7.	General	5

This Scheme Implementation Deed is made on 13 October 2016

Parties:

1. **Fantastic Holdings Limited** (ABN 19 004 000 775) of 62 Hume Highway, Chullora NSW 2190 (**Fantastic**);
2. **Steinhoff Asia Pacific Group Holdings Pty Ltd** (ABN 21 612 890 874) of Level 4, 1 Epping Road, North Ryde, NSW 2113 (**Bidder**); and
3. **Steinhoff Asia Pacific Holdings Pty Limited** (ABN 44 105 828 957) of Level 4, 1 Epping Road, North Ryde, NSW 2113 (**Bidco**).

Recitals:

- A. The parties have agreed that Bidco will, subject to the satisfaction of certain conditions, acquire all of the ordinary shares in Fantastic that Bidder or Bidco does not already own by means of a scheme of arrangement under Part 5.1 of the Corporations Act between Fantastic and the Scheme Shareholders.
- B. Fantastic intends to propose the scheme of arrangement and issue the Scheme Booklet.
- C. The parties have agreed to proceed with the scheme of arrangement on the terms of this deed.

1. Definitions and Interpretation

1.1. Definitions

In this deed:

Announcement means a public announcement by Fantastic with respect to the Transaction in a form agreed to in writing by Fantastic and Bidco prior to entry into this deed.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning set out in section 12 of the Corporations Act, but so that section 12(1) of the Corporations Act will be treated to include a reference to this deed and deem that Fantastic is the 'designated body'.

ASX means, as the context requires, ASX Limited ABN 98 008 624 691 or the securities market conducted by it.

Bidder Group means the Bidder, Bidco and any Related Bodies Corporate of either of the Bidder or Bidco and a reference to **Bidder Group Member** is to either of the Bidder, Bidco or any Related Body Corporate of either of the Bidder or of Bidco.

Bidder Indemnified Parties means each Bidder Group Member and their respective directors, officers and employees.

Bidder Information means information regarding the Bidder Group, prepared by Bidco for inclusion in the Scheme Booklet.

Bidder Proposal has the meaning given in clause 10.6(a)(v).

Bidder Proposal Period has the meaning given in clause 10.6(a)(v).

Bidder Representations and Warranties means the representations and warranties set out in Schedule 1.

Board means the board of directors of Fantastic from time to time.

Business Day means a business day as defined in the Listing Rules.

Change of Control Contract has the meaning given in clause 5.6(a).

ME_133686217_1 (W2013)

Counterparty Consent has the meaning given in clause 5.6(b)(i)(A).

Competing Proposal means any inquiry, offer, proposal, expression of interest, agreement, arrangement or transaction, which, if entered into or completed, would mean a Third Party (either alone or together with any Associate of the Third Party) may directly or indirectly:

- (a) acquire a Relevant Interest in, or have the right to acquire, a legal, beneficial or economic interest in, or control of, 20% or more of the Fantastic Shares or the shares of any other Fantastic Group Member;
- (b) acquire, or obtain a right to acquire, Control of Fantastic or Control of any other Fantastic Group Member;
- (c) acquire or become the holder of, or otherwise acquire, have a right to acquire or have an economic interest in, all or 20% or more by value of the business or assets of the Fantastic Group;
- (d) otherwise acquire or merge with Fantastic or any other Fantastic Group Member; or
- (e) enter into any agreement, arrangement or understanding requiring Fantastic to abandon or otherwise fail to proceed with, the Transaction or which may otherwise compete with, or be inconsistent in any material respect with the consummation of, the Transaction,

whether by way of takeover bid, scheme of arrangement, shareholder approved acquisition, capital reduction or share buy-back, sale or purchase of shares, securities or assets, global assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), reverse takeover or other transaction or arrangement.

conditions precedent means the conditions set out in clause 3.1 and **condition precedent** means any one of them.

Confidentiality Deed means the confidentiality deed between Fantastic and Bidder signed in or around June 2016.

Control has the meaning given in section 50AA of the Corporations Act.

Controller has the meaning given in section 9 of the Corporations Act.

Corporations Act means the *Corporations Act 2001* (Cth).

Corporations Regulations means the *Corporations Regulations 2001* (Cth).

Court means the Federal Court of Australia (NSW registry) or such other court of competent jurisdiction under the Corporations Act as may be agreed to in writing by Fantastic and Bidco.

Deed Poll means a deed poll substantially in the form of Annexure B under which the Bidco covenants in favour of the Scheme Shareholders to perform the obligations attributed to the Scheme Shareholders under the Scheme.

Delivery Time means, in relation to the Second Court Date, the time being 2 hours before the commencement of the hearing of the Court on the Second Court Date.

Disclosure Letter means the letter so entitled provided by Fantastic to Bidco prior to the date of this deed.

Disclosure Materials means:

- (a) the documents and information contained in the online data room made available (including all written responses provided by or on behalf of the Fantastic Group in response to written requests for information) to the Bidder, Bidco and their respective Representatives prior to the date of this deed, the index of which has been initialled by, or on behalf of, the parties for identification; and
- (b) all written information disclosed by or on behalf of the Fantastic Group in management presentations made to the Bidder, Bidco and their respective Representatives prior to the date of this deed, being such management presentations identified in the Disclosure Letter.

Effective means, when used in relation to the Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.

Effective Date means, with respect to the Scheme, the date on which the Scheme becomes Effective.

Encumbrance means a mortgage, charge, pledge, lien, encumbrance, security interest (including a security interest as defined in section 12 of the *Personal Property Securities Act 2009* (Cth)), title retention, preferential right, trust arrangement, contractual right of set-off or any other security agreement or arrangement in favour of any person, whether registered or unregistered.

End Date means 14 March 2017 or such other date as is agreed in writing between Bidco and Fantastic.

Exclusivity and Process Letter means the exclusivity and process letter between Fantastic and the Bidder dated on or about 16 September 2016 (as amended).

Exclusivity Period means the period from and including the date of this deed to the earlier of:

- (a) the termination of this deed under clause 12; and
- (b) the End Date.

Fairly Disclosed means, in respect of information disclosed to the Bidder, Bidco or any of its Representatives, disclosed in sufficient detail so as to enable a reasonable and sophisticated recipient of the relevant information who is experienced in transactions similar to the Transaction and is experienced in transactions similar to the Transaction in the retail furniture, homeware and bedding industry, to identify the nature and scope of the relevant matter, event or circumstance (including, in each case, the financial effect of the relevant matter, event or circumstance).

Fantastic Break Fee has the meaning given in clause 11.3(a).

Fantastic Director means a director of Fantastic.

Fantastic Group means Fantastic and each of its Related Bodies Corporate and a reference to a **Fantastic Group Member** is to Fantastic or any of its Related Bodies Corporate.

Fantastic Indemnified Parties means each director, officer and employee of a Fantastic Group Member.

Fantastic Information means all the contents of the Scheme Booklet other than the Bidder Information and the Independent Expert's Report.

Fantastic Option means a performance right or a contractual right to be granted a performance right, which contractual right or performance right confers the right to acquire one Fantastic Share pursuant to a Fantastic Option Plan.

Fantastic Option Plan means any Fantastic long term incentive plan in existence at the date of this deed.

Fantastic Prescribed Occurrence means the occurrence of any of the following:

- (a) Fantastic converting all or any of its shares into a larger or smaller number of shares (as contemplated under section 254H of the Corporations Act or otherwise);
- (b) any Fantastic Group Member resolving to reduce its share capital in any way or reclassifying, combining, splitting or redeeming any of its shares;
- (c) any Fantastic Group Member:
 - (i) entering into a buy-back agreement; or
 - (ii) resolving to approve the terms of a buy-back agreement under the Corporations Act;
- (d) other than in respect of the Interim Dividend to the extent permitted pursuant to this deed, any Fantastic Group Member declaring, determining as payable, paying or distributing any

distribution, special dividend, bonus or other extraordinary share of its profits or assets or returning any capital to its members (whether in cash or in specie);

- (e) a Fantastic Group Member issuing securities (including without limitation shares), or granting an option, performance right, phantom performance right or shadow performance right over its securities, other than pursuant to, or following the vesting of, a Fantastic Option that:
 - (i) was on issue immediately before the date of this deed; and
 - (ii) was Fairly Disclosed in the Disclosure Letter;
- (f) a Fantastic Group Member issuing securities convertible into shares or any debt securities (including any hybrid securities);
- (g) a Fantastic Group Member disposing of the whole, or a substantial part, of its business or property, whether by any single transaction or series of related or similar transactions;
- (h) a Fantastic Group Member granting or otherwise creating, or agreeing to grant or otherwise create, an Encumbrance over the whole, or a substantial part, of its business or property;
- (i) a Fantastic Group Member being, or becoming, Insolvent;
- (j) a Fantastic Group Member ceasing, or threatening to cease, the whole, or a substantial part, of its business;
- (k) a Fantastic Group Member amending, varying, modifying, repealing, replacing or making any change to its constituent document or resolving to do any of those things;
- (l) any Fantastic Group Member entering into, or resolving to enter into, a transaction or arrangement with any related party of that Fantastic Group Member (other than another Fantastic Group Member) as defined in section 228 of the Corporations Act other than a transaction relating to the remuneration of an officer of a Fantastic Group Member; or
- (m) any Fantastic Group Member agreeing or otherwise committing to do any of the things set out in paragraphs (a) to (l) of this definition,

excluding, in the case of each paragraph above of this definition, any such occurrence that:

- (n) is expressly required to be done in order to implement the Scheme pursuant to this deed;
- (o) was the specific subject of the prior written consent of Bidco or the Bidder;
- (p) was Fairly Disclosed by Fantastic in an announcement made to the ASX or a document lodged with ASIC before the date of this deed; or
- (q) was Fairly Disclosed in the Disclosure Letter prior to the date of this deed.

Fantastic Registry means Computershare Investor Services Pty Limited ABN 48 078 279 277.

Fantastic Representations and Warranties means the representations and warranties of Fantastic set out in Schedule 2.

Fantastic Share means a fully paid ordinary share in the capital of Fantastic.

Fantastic Shareholder means each person who is registered from time to time in the Share Register as the holder of Fantastic Shares.

FATA means the *Foreign Acquisitions and Takeovers Act 1975* (Cth).

Financial Adviser means any financial adviser retained by Fantastic in relation to the Scheme or a Competing Proposal from time to time.

Financial Indebtedness means any debt or other monetary liability (whether actual or contingent) in respect of moneys borrowed or raised or any financial accommodation (together with all interest, fees and charges thereon) including under or in respect of any:

- (a) bill, bond, debenture, note or similar instrument;
- (a) acceptance, endorsement or discounting arrangement;
- (b) assignment of receivables;
- (c) guarantee or letter of credit;
- (d) finance or capital lease;
- (e) interest or non-interest bearing loans, including any overdraft facility;
- (f) agreement for the deferral of a purchase price or other payment in relation to the acquisition of any asset or service; or
- (g) obligation to deliver goods or provide services paid for in advance by any financier.

First Court Date the first day on which an application made to the Court for orders under section 411(1) of the Corporations Act directing Fantastic to convene the Scheme Meeting to consider the Scheme is heard (or if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard).

Further Competing Proposal has the meaning given in clause 10.6(b).

Government Agency means any government or any governmental, semi-governmental, statutory or judicial entity, agency or authority, whether in Australia, or elsewhere, including any self-regulatory organisation established under statute or otherwise discharging substantially public or regulatory functions, and the ASX or any other stock exchange.

Implementation Date means the fifth Business Day after the Scheme Record Date or such other date as agreed in writing between Bidco and Fantastic.

Independent Expert means the independent expert in respect of the Scheme appointed in good faith by Fantastic to opine on whether the Scheme is in the best interests of Fantastic Shareholders.

Independent Expert's Report means the report to be issued by the Independent Expert in connection with the Scheme for inclusion in the Scheme Booklet which includes a statement by the Independent Expert on whether, in its opinion, the Scheme is in the best interest of Fantastic Shareholders, and includes any update of that report by the Independent Expert.

Insolvent means in relation to a person:

- (a) it is (or states that it is) an insolvent under administration or insolvent (each as defined in the Corporations Act);
- (b) it is in liquidation, in provisional liquidation, under administration or wound up;
- (c) the appointment of a Controller, receiver, receiver and manager or other insolvency official (whether under an Australian or foreign law) to the person or to any part of its property or assets and the action is not stayed, withdrawn or dismissed within 14 days;
- (d) it is subject to any arrangement, compromise, assignment, moratorium or composition with its creditors generally or is otherwise protected from creditors under any statute or dissolved (in each case, other than to carry out a reconstruction or amalgamation while solvent on terms approved in writing by the other parties to this deed);
- (e) an application or order has been made (and in the case of an application, it is not stayed, withdrawn or dismissed within 30 days) in connection with that person, which could reasonably result in any of the events described in paragraphs (a) to (d) of this definition;

- (f) the calling of a meeting to consider a resolution to wind up the person (other than where the resolution is frivolous or cannot reasonably be considered to be likely to lead to the actual winding up of the person) or the making of an application or order for the winding up or deregistration of the person other than where the application or order (as the case may be) is set aside or withdrawn within 14 days);
- (g) it is deregistered as a company or otherwise dissolved;
- (h) it suspends or threatens to suspend payment of its debts as and when they become due;
- (i) it is taken (under section 459F(1) of the Corporations Act) to have failed to comply with a statutory demand;
- (j) it is the subject of an event described in section 459C(2)(b) or section 585 of the Corporations Act (or it makes a statement from which another party to this deed reasonably deduces it is so subject);
- (k) it executes a deed of company arrangement;
- (l) it is otherwise unable to pay its debts when they fall due; or
- (m) something analogous to anything set out in paragraphs to (a) to (l) (inclusive) of this definition happens in connection with that person under the law of any jurisdiction.

Interim Dividend has the meaning given in clause 5.7(a).

Listing Rules means the official listing rules of the ASX.

Non-Public Information has the meaning given in clause 10.1(b)(ii).

Recommendation has the meaning given in clause 5.9(a)(i).

Regulator's Draft means the draft of the Scheme Booklet in a form acceptable to Fantastic and Bidco which is provided to ASIC for its review pursuant to section 411(2) of the Corporations Act.

Regulatory Review Period means the period from the date on which the Regulator's Draft is submitted to ASIC to the date on which ASIC confirms that it does not intend to make any submissions at the Court hearing on the First Court Date or otherwise object to the Scheme.

Related Bodies Corporate has the meaning given in section 9 of the Corporations Act and includes any body corporate that would be a related body corporate for the purposes of the Corporations Act if section 48(2) of the Corporations Act was omitted.

Relevant Interest has the meaning given in sections 608 and 609 of the Corporations Act.

Representative means:

- (a) in respect of a party or its Related Bodies Corporate, each director, officer, employee, adviser, agent or representative of that party or Related Body Corporate; and
- (b) in respect of a Financial Adviser, each director, officer, employee or contractor of that Financial Adviser.

RG 60 means Regulatory Guide 60 issued by ASIC.

Scheme means a members' scheme of arrangement under Part 5.1 of the Corporations Act between Fantastic and the Scheme Shareholders, substantially in the form attached as Annexure B, subject to any alterations or conditions:

- (a) agreed to in writing by the Bidder, Bidco and Fantastic and approved by the Court; or
- (b) made or required by the Court under section 411(6) of the Corporations Act and agreed to by the Bidder, Bidco and Fantastic.

Scheme Booklet means the information described in clause 5.1(a) to be approved by the Court and despatched to the Fantastic Shareholders and which must include the Scheme, an explanatory statement (complying with the requirements of the Corporations Act, the Corporations Regulations, RG 60 and the Listing Rules), an independent expert's report, notices of meeting and proxy form.

Scheme Consideration means the cash consideration to be provided to each Scheme Shareholder for the transfer to Bidco of each Scheme Share, being the amount of \$3.50 for each Scheme Share held by each Scheme Shareholder, in accordance with clause 4.4 and the terms of the Scheme.

Scheme Meeting means the meeting of Fantastic Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act at which Fantastic Shareholders will vote on the Scheme.

Scheme Record Date means 7.00pm on the second Business Day after the Effective Date or such other date as agreed in writing between Bidco and Fantastic.

Scheme Share means a Fantastic Share held by a Scheme Shareholder as at the Scheme Record Date.

Scheme Shareholders means Fantastic Shareholders as at the Scheme Record Date.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard (or if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard).

Senior Manager means each of Debra Singh, Jason Newman, Chris Burke, Bill Keighran, Melissa Blackley and Brian Cassell.

Share Register means the register of members of Fantastic maintained in accordance with the Corporations Act.

Superior Proposal means a bona fide Competing Proposal received after the date of this deed which the Board, acting in good faith and in order to satisfy what the Board reasonably considers to be its fiduciary or statutory duties (after receiving written legal advice from its legal advisers and written advice from its Financial Advisers), determines:

- (a) is reasonably capable of being valued and completed taking into account all aspects of the Competing Proposal, including any timing considerations, conditions precedent, financial matters and relevant regulatory considerations relating to the Competing Proposal and the Board's reasonable assessment (based on the facts and circumstances known to it at the relevant time) of the ability of the proposing party or parties to consummate the transactions contemplated by the Competing Proposal; and
- (b) would, if completed substantially in accordance with its terms, result in a transaction that would be more favourable to Fantastic Shareholders (as a whole) than the Transaction taking into account all terms and conditions of the Competing Proposal, including consideration, conditionality, funding, certainty (based on the facts and circumstances known to the Board at the relevant time) and timing.

Takeovers Panel means the Takeovers Panel constituted under the *Australian Securities and Investments Commission Act 2001* (Cth).

Tax Act means the *Income Tax Assessment Act 1997* (Cth).

Third Party means a person other than the Bidder and Bidco and each of their respective Associates.

Timetable means the indicative timetable for the implementation of the Transaction set out in Annexure A.

Transaction means the acquisition of Fantastic by Bidco by implementation of the Scheme.

Treasurer means the Treasurer for the time being of the Commonwealth of Australia.

Voting Intention has the meaning given in clause 5.9(a)(ii).

1.2. Interpretation

In this deed, headings are for convenience only and do not affect interpretation and, unless the context requires otherwise:

- (a) words importing the singular include the plural and vice versa;
- (b) words importing a gender include any gender;
- (c) other parts of speech and grammatical forms of a word or phrase defined in this deed have a corresponding meaning;
- (d) a reference to a person includes an individual, the estate of an individual, a corporation, an authority, an association or a joint venture, a partnership, a trust and any Government Agency;
- (e) a reference to a clause, party, attachment, exhibit or schedule is a reference to a clause of, and a party, attachment, exhibit and schedule to this deed, and a reference to this deed includes any attachment, exhibit and schedule;
- (f) a reference to a statute, regulation, proclamation, ordinance or by law includes all statutes, regulations, proclamations, ordinances or by laws amending, consolidating or replacing it, whether passed by the same or another Government Agency with legal power to do so, and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;
- (g) a reference to any document (including this deed) is to that document as varied, novated, ratified or replaced from time to time;
- (h) the word “includes” in any form is not a word of limitation;
- (i) a reference to “\$”, “A\$” or “dollar” is to Australian currency;
- (j) a reference to any time is, unless otherwise indicated, a reference to the time in Sydney, New South Wales;
- (k) a period of time dating from a given day or the day of an act or event, is to be calculated exclusive of that day;
- (l) a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (m) a term defined in the purposes of the Corporations Act has the same meaning when used in this deed; and
- (n) a reference to the Listing Rules includes any variation, consolidation or replacement of these rules and is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

1.3. Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

1.4. Next day

If an act under this deed to be done by a party on or by a given day is done after 5.00 pm on that day, it is taken to be done on the next day.

1.5. Adverse construction excluded

No term or condition of this deed will be construed adversely to a party solely on the ground that the party was responsible for the preparation of this deed or a provision of it.

2. Agreement to proceed with the Transaction

- (a) Fantastic agrees to propose the Scheme on and subject to the terms of this deed.
- (b) The Bidder and Bidco agree with Fantastic to assist Fantastic to propose the Scheme on and subject to the terms of this deed.
- (c) Fantastic, the Bidder and Bidco agree to implement the Transaction on the terms and conditions of this deed.

3. Conditions precedent and pre-implementation steps

3.1. Conditions precedent

Subject to this clause 3, the Scheme will not become Effective, and the respective obligations of the parties in relation to the implementation of the Scheme (including the obligations of Bidco under clause 4.3) will not become binding, until each of the following conditions precedent is satisfied or waived to the extent and in the manner set out in clause 3.3:

- (a) **Shareholder approval:** Fantastic Shareholders approve the Scheme at the Scheme Meeting by the requisite majorities under section 411(4)(a) of the Corporations Act;
- (b) **Court approval:** the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act either unconditionally or on conditions that Bidco considers do not impose unduly onerous obligations on Bidco (acting reasonably);
- (c) **Restraints:** no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or by any Government Agency or other legal restraint or prohibition preventing the Transaction is in effect, and no steps have been taken by any Court or Government Agency to effect any of the above, in each case as at the Delivery Time;
- (d) **Independent Expert:** the Independent Expert issues a report which concludes that the Scheme is in the best interests of Fantastic Shareholders before the time when the Scheme Booklet is registered with ASIC;
- (e) **Fantastic Prescribed Occurrence:** no Fantastic Prescribed Occurrence occurs between the date of this deed and the Delivery Time;
- (f) **Regulatory approvals:** before the Delivery Time:
 - (i) **ASIC and ASX:** ASIC and ASX have issued or provided such consents or approvals or have done such other acts which the Bidder and Fantastic agree in writing are reasonably necessary or desirable to implement the Transaction and such consent, approval or other act has not been withdrawn or revoked before the Delivery Time;
 - (ii) **Foreign Investment Review Board:** before the Delivery Time, either:
 - (A) the Treasurer (or his delegate) has provided a notice in writing (without any term or condition which Bidco reasonably considers unacceptable) stating, or to the effect that, there are no objections under the FATA to Bidco acquiring the Scheme Shares; or

- (B) the Treasurer (and each of his delegates) becomes precluded by passage of time from making any order or decision under Division 2 of Part 3 of the FATA in respect of the acquisition of the Scheme Shares by Bidco; and
- (iii) **Government Agency:** all other approvals or consents of a Government Agency which the Bidder and Fantastic agree in writing are necessary or desirable to implement the Transaction are obtained;
- (g) **No Fantastic Material Adverse Change:** between the date of this deed and the Delivery Time, none of the following occurs:
 - (i) an event, change, circumstance, condition, matter or thing occurs;
 - (ii) information is announced by Fantastic on ASX concerning any event, change, circumstance, condition, matter or thing; or
 - (iii) information concerning any event, change, circumstance, condition, matter or thing becomes known to Bidco,

(each of clauses 3.1(g)(i), 3.1(g)(ii) and 3.1(g)(iii), a **Specified Event**) which, whether individually or when aggregated with all such events, changes, circumstances, conditions, matters or things of a like kind, has had or would reasonably be likely to have the effect of:

 - (iv) a diminution in the value of the consolidated earnings before interest and tax of the Fantastic Group by at least \$6 million for the financial year for the Fantastic Group ending 30 June 2017 against what it would reasonably have been expected to have been but for such Specified Event; or
 - (v) a diminution in the value of the consolidated net tangible assets of the Fantastic Group, taken as a whole, by at least \$6 million against the last reported amount of \$100.676 million,

other than any such Specified Event:

 - (vi) expressly required to be done in order to implement the Scheme in accordance with this deed;
 - (vii) which took place with the specific prior written consent of Bidco or the Bidder;
 - (viii) which was Fairly Disclosed in an announcement made to the ASX or a document lodged with ASIC prior to the date of this deed;
 - (ix) which was Fairly Disclosed in the Disclosure Materials prior to the date of this deed;
 - (x) which is or arises from:
 - (A) changes in general economic or business conditions applicable to the industry in which the Fantastic Group operates (including interest rates and currency exchange rates);
 - (B) any change in or interpretation of law, regulation or other policy of a Governmental Agency (including changes to taxation rates, laws and policies from those in place at the date of this deed); or
 - (C) any change in accounting policy required by law,

but excluding any such event, change, circumstance, occurrence, matter or thing which has a disproportionate effect on the Fantastic Group, taken as a whole, as compared to other participants in the industries in which the Fantastic Group operates.

For the avoidance of doubt, a fall in Fantastic's share price will not of itself constitute a Fantastic Material Adverse Change;

- (h) **Fantastic Options:** before the Delivery Time, Fantastic has taken all necessary steps to ensure that the Fantastic Options are dealt with in the manner that Bidco and Fantastic agree;
- (i) **Fantastic Representations and Warranties:** the Fantastic Representations and Warranties being true and correct on the date of this deed and at the Delivery Time; and
- (j) **No change of Board recommendation or Voting intention:** between the date of this deed and the date of the Scheme Meeting, no Fantastic Director has changed, qualifies or withdrawn his or her Recommendation or Voting Intention (if applicable).

3.2. Reasonable endeavours

The Bidder, Bidco and Fantastic must use their respective reasonable endeavours to procure that:

- (a) each condition precedent in clause 3.1 is satisfied as soon as possible after the date of this deed and continue to be satisfied at all times until the last time they are to be satisfied (as the case may be); and
- (b) there is no occurrence within the control of each of Bidco, Fantastic or the Bidder (as the context requires) that would prevent any of the conditions precedent in clause 3.1 which such party must use reasonable endeavours to satisfy, being satisfied and continuing to be satisfied at all times until the last time they are to be satisfied.

3.3. Waiver of conditions precedent

- (a) The conditions precedent in clauses 3.1(a), 3.1(b), 3.1(c) and 3.1(f)(ii) cannot be waived.
- (b) The conditions precedent in clauses 3.1(f)(i) and 3.1(f)(iii) are for the benefit of Bidco and Fantastic and any breach or non-fulfilment of any such condition precedent may only be waived with the written consent of each of Bidco and Fantastic (each in their absolute discretion).
- (c) The conditions precedent in clauses 3.1(e), 3.1(g), 3.1(h), 3.1(i) and 3.1(j) are for the benefit of Bidco and any breach or non-fulfilment of any such condition precedent may only be waived by Bidco (in its absolute discretion) by notice in writing to Fantastic.
- (d) The condition precedent in clause 3.1(d) is for the benefit of Fantastic and any breach or non-fulfilment of that condition precedent may only be waived by Fantastic (in its absolute discretion) by notice in writing to Bidco.
- (e) Any waiver of a condition precedent by a party for whose benefit the condition applies must take place on or prior to the Delivery Time.
- (f) If a party waives the breach or non-fulfilment of any of the conditions precedent in clause 3.1, that waiver will not preclude it from suing the other parties for any breach of this deed including without limitation a breach that resulted in the non-fulfilment of the condition precedent that was waived.

3.4. Termination on failure of condition precedent

- (a) If any event occurs which would prevent any of the conditions precedent in clause 3.1 being satisfied, or there is an occurrence that will prevent any of the conditions precedent being satisfied by the time and date specified in this deed for its satisfaction or if the Scheme has not become Effective by the End Date, Bidco and Fantastic must consult in good faith to:
 - (i) consider and if agreed determine whether the Transaction may proceed by way of alternative means or methods;

- (ii) consider and if agreed change the date of the application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme or adjourning that application (as applicable) to another date agreed to in writing by Bidco and Fantastic (being a date no later than 5 Business Days before the End Date); or
 - (iii) consider and if agreed extend the relevant date or End Date.
- (b) Subject to clause 3.4(d), if Bidco and Fantastic are unable to reach agreement under clause 3.4(a) within 5 Business Days of becoming aware of the relevant occurrence or relevant date or by the End Date, then unless that condition precedent is waived by Bidco or Fantastic as provided in clause 3.3, then either Bidco or Fantastic may terminate this deed by notice in writing to the other party without any liability to any party because of that termination, unless the relevant occurrence or the failure of the condition precedent to be satisfied, or the failure of the Scheme to become Effective, arises out of a breach of clauses 3.2 or 3.5 in which case the party in breach will not be entitled to so terminate (for the avoidance of doubt, in such circumstances, whichever of Fantastic and Bidco is not the party in breach of clauses 3.2 or 3.5 is entitled to terminate this deed).
- (c) Subject to any rights or obligations arising under or pursuant to clauses that are expressed to survive termination (including by virtue of clause 12.4), on termination of this deed, no party shall have any rights against or obligations to any other party under this deed except for those rights and obligations which accrued prior to termination.
- (d) If the condition precedent set out in clause 3.1(a) is not satisfied only because of a failure to obtain the majority required by section 411(4)(a)(ii)(A) of the Corporations Act (**Headcount Test**), then either Bidco or Fantastic may by written notice to the other within 3 Business Days after the date of the conclusion of the Scheme Meeting require the approval of the Court to be sought, pursuant to the Court's discretion in that section, provided the party has in good faith formed the view that the prospect of the Court exercising its discretion in that way is reasonable, in which case:
 - (i) the other party may not terminate this deed until such time as the Court has made a determination not to grant such approval;
 - (ii) Fantastic must apply for an order of the Court contemplated by section 411(4)(a)(ii)(A) of the Corporations Act to disregard the Headcount Test and seek Court approval of the Scheme under section 411(4)(b) of the Corporations Act, notwithstanding that the Headcount Test has not been satisfied; and
 - (iii) each party must make such submissions to the Court and file such evidence as counsel engaged by Fantastic to represent it in Court proceedings related to the Scheme, in consultation with Bidco, considers is reasonably required to seek to persuade the Court to exercise its discretion under section 411(4)(a)(ii)(A) of the Corporations Act by making an order to disregard the Headcount Test.

3.5. Certain notices

- (a) If, before the time specified for satisfaction of a condition precedent, an event that will prevent that condition precedent being satisfied occurs, the party with knowledge of that event must immediately give the other parties written notice of that event.
- (b) Bidco, Fantastic or the Bidder (as the case may be) must promptly advise each other orally and in writing of any change or event causing, or which, so far as can reasonably be foreseen, would cause:
 - (i) a representation or warranty provided in this deed by a relevant party to be false;
 - (ii) a breach or non-fulfilment of any of the conditions precedent; or
 - (iii) a material breach of this deed by a relevant party.

- (c) Fantastic and Bidco (as the case may be) must promptly notify the other of satisfaction of a condition precedent.
- (d) Upon receipt by a party of a notice given under clause 3.5(b), that party must give written notice to the other parties as soon as possible (and in any event before the Delivery Time) as to whether or not it waives (if entitled to do so) the breach or non-fulfilment of any condition precedent resulting from the occurrence of that change or event, specifying the condition precedent in question.

3.6. Certificates

On or before the Delivery Time:

- (a) Bidco and Fantastic will provide a joint certificate to the Court confirming whether or not the conditions precedent set out in clauses 3.1(c) (No restraints) and 3.1(f) (Regulatory approvals) have been satisfied or waived in accordance with the terms of this deed; and
- (b) Fantastic will provide a certificate to the Court confirming whether or not the conditions precedent set out in clauses 3.1(d) (Independent Expert), 3.1(e) (No Fantastic Prescribed Occurrences), 3.1(g) (No Fantastic Material Adverse Change), 3.1(h) (Fantastic Options), 3.1(i) (Fantastic Representations and Warranties) and 3.1(j) (No Change of Board Recommendation or Voting Intention) have been satisfied or waived in accordance with the terms of this deed.

3.7. Interpretation

For the purposes of this clause 3, a condition precedent will be incapable of satisfaction, or incapable of being fulfilled if:

- (a) in the case of the condition precedent set out in 3.1(f) (Regulatory approvals), the relevant Government Agency makes or has made a final adverse determination in writing to the effect that it will not provide the required approval or consent; and
- (b) in respect of each other condition precedent, there is an act, failure to act or occurrence that will prevent the condition being satisfied by the End Date (and the breach or non-fulfilment that would otherwise have occurred has not already been waived in accordance with this deed).

4. Transaction steps

4.1. Scheme

Subject to clause 3.1, on the Implementation Date all of the Scheme Shares will be transferred to Bidco and the Scheme Shareholders will be entitled to receive the Scheme Consideration in accordance with the terms of the Scheme.

4.2. No amendment to the Scheme without consent

Fantastic must not consent to any modification of, or amendment to, or the making or imposition by the Court of any condition in respect of, the Scheme without the prior written consent of Bidco or counsel acting for Bidco.

4.3. Scheme Consideration

- (a) If the Scheme becomes Effective:
 - (i) each Scheme Shareholder will be entitled to be paid the Scheme Consideration in respect of each Scheme Share held by that Scheme Shareholder at the Scheme Record Date; and

- (ii) all of the Scheme Shares held by a Scheme Shareholder will be transferred to Bidco, subject to and in accordance with the terms of the Scheme.
- (b) In consideration of the transfer to Bidco of each Scheme Share under the terms of the Scheme:
 - (i) on the Implementation Date, Bidco will accept that transfer; and
 - (ii) by no later than the Business Day before the Implementation Date, Bidco will pay, or procure the payment, into a trust account operated by Fantastic (on behalf of each Scheme Shareholder) an amount in cleared funds equal to the aggregate amount the Scheme Consideration for each Scheme Share,

in each case in accordance with the terms of the Scheme, and in accordance with the terms of the Deed Poll.
- (c) Subject to the Scheme becoming Effective, the transactions which form part of the Scheme will be implemented in the following sequence:
 - (i) Bidco will pay, or procure the payment, an amount equal to the aggregate amount of the Scheme Consideration for each Scheme Share in accordance with clause 4.3(b)(ii);
 - (ii) all Scheme Shares will be transferred to Bidco; and
 - (iii) in exchange, each Scheme Shareholder will receive the Scheme Consideration in respect of each Scheme Share held by that Scheme Shareholder at the Scheme Record Date, which Fantastic will procure is paid to each such Scheme Shareholder from the trust account referred to in clause 4.3(b).

4.4. Interim Dividend

Subject to the Board declaring, determining as payable, paying or distributing any distribution amount in respect of, or in connection with, the Interim Dividend in accordance with clause 5.7, the parties acknowledge and agree that:

- (a) Fantastic may pay the Interim Dividend; and
- (b) the Scheme Consideration will not be reduced by the amount of the Interim Dividend.

5. Implementation

5.1. Fantastic's obligations

Fantastic must take all necessary steps to implement the Scheme as soon as is reasonably practicable and without limiting the foregoing use reasonable endeavours to ensure that each step in the Timetable is met by the relevant date set out in the Timetable beside that step (and must consult with Bidco on a regular basis about its progress in that regard), including doing any acts it is authorised and able to do, on behalf of Fantastic Shareholders, and must do each of the following:

- (a) **preparation of Scheme Booklet:** subject to clause 5.1(w), prepare the Scheme Booklet in accordance with all applicable laws and in particular with the Corporations Act, the Corporations Regulations, RG 60 and the Listing Rules;
- (b) **approval of Regulator's Draft:** as soon as reasonably practicable after the preparation of an advanced draft of the Scheme Booklet which Bidco considers is suitable for review by ASIC as the 'Regulator's Draft', procure that a meeting of the Board, or of a committee of the Board appointed for the purpose, is held to consider approving that draft as being the 'Regulator's Draft' in a form appropriate for provision to ASIC for its review and approval for the purposes of section 411(2) of the Corporations Act;

- (c) **Lodgement of Regulator's Draft:** as soon as reasonably practicable after the date of this deed, and in accordance with the Timetable:
 - (i) provide the Regulator's Draft to ASIC for its review and approval for the purposes of section 411(2) of the Corporations Act; and
 - (ii) liaise with ASIC during the period of its consideration of the Regulator's Draft and keep Bidco reasonably informed of any matters raised by ASIC in relation to the Regulator's Draft and use reasonable endeavours, in consultation with Bidco, to resolve any such matters;
- (d) **Further Fantastic Information:** disclose to Bidco and Fantastic Shareholders such further or new Fantastic Information as may arise after the Scheme Booklet has been sent to Fantastic Shareholders until the date of the Scheme Meeting:
 - (i) as may be necessary to ensure that the Fantastic Information contained in the Scheme Booklet is not, having regard to applicable disclosure requirements, false, misleading or deceptive in any material respect (including because of any material omission); or
 - (ii) that is required to be disclosed to Fantastic Shareholders under any applicable law or RG 60, but was not included in the Scheme Booklet,
- (e) **Board approval of Scheme Booklet:** as soon as reasonably practicable after the conclusion of the review by ASIC of the Scheme Booklet, procure that a meeting of the Board, or of a committee of the Board appointed for the purpose, is held to consider approving the Scheme Booklet for despatch to the Fantastic Shareholders, subject to orders of the Court under section 411(1) of the Corporations Act;
- (f) **Board's recommendation:** include in the Scheme Booklet and the Announcement each of the statements with respect to a Fantastic Director's Recommendation and Voting Intention as contemplated under clause 5.9, subject only to the qualifications specifically contemplated under clause 5.9.
- (g) **section 411(17)(b) statement:** apply to ASIC for the production of:
 - (i) an indication of intent letter stating that ASIC does not intend to appear before the Court on the First Court Date; and
 - (ii) a statement under section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme;
- (h) **Court direction:** apply to the Court for orders pursuant to section 411(1) of the Corporations Act directing Fantastic to convene the Scheme Meeting;
- (i) **Scheme Booklet information:** take reasonable steps to ensure that the Fantastic Information is accurate and is not false or misleading in a material particular, including by omission;
- (j) **Registration of explanatory statement:** request ASIC to register the explanatory statement included in the Scheme Booklet in relation to the Scheme in accordance with section 412(6) of the Corporations Act;
- (k) **Send Scheme Booklet:** send the Scheme Booklet to Fantastic Shareholders as soon as practicable after the Court orders Fantastic to convene the Scheme Meeting;
- (l) **Scheme Meeting:** convene the Scheme Meeting to agree to the Scheme in accordance with the orders made by the Court pursuant to section 411(1) of the Corporations Act;
- (m) **Court documents:** consult with Bidco in relation to the content of the documents required for the purpose of each of the Court hearing held for the purpose of sections 411(1) and 411(4)(b)

of the Corporations Act in relation to the Scheme (including originating process, affidavits, submissions and draft minutes of Court orders) and consider in good faith, for the purpose of amending drafts of those documents, comments from Bidco and its Representatives on those documents;

- (n) **Court approval:** (subject to all conditions precedent in clause 3.1, other than the condition in clause 3.1(b) being satisfied or waived in accordance with this deed) apply to the Court for orders approving the Scheme as agreed to by the Fantastic Shareholders at the Scheme Meeting;
- (o) **Certificate:** at the hearing on the Second Court Date provide to the Court the certificates required to be provided by Fantastic under clauses 3.6(a) and 3.6(b). A draft of each certificate must be provided by Fantastic to Bidco by 5.00pm on the Business Day prior to the Second Court Date;
- (p) **Bidco representation at Court hearing:** allow, and not oppose, any application by Bidco for leave of the Court to be represented by counsel at a hearing of the Court;
- (q) **lodge copy of Court order:** lodge with ASIC an office copy of the Court order in accordance with section 411(10) of the Corporations Act approving the Scheme as soon as possible after the Court approves the Scheme, and in any event by 5.00pm on the first Business Day after the day on which the Court approves the Scheme;
- (r) **Bidder Information:** without the prior written consent of the Bidder and Bidco, not use the Bidder Information for any purposes other than those expressly contemplated by this deed or the Scheme;
- (s) **Fantastic Shareholder support:** use reasonable efforts to support the Bidder and Bidco in promoting to Fantastic Shareholders the merits of the Scheme (including supporting the efforts of the Bidder to solicit proxy votes in favour of the Scheme);
- (t) **Registry information:** provide:
 - (i) to the Bidder and Bidco, prior to 5pm on the first Business Day of each week during the period between the date of this deed and the date of the Scheme Meeting, a copy of the Share Register as at the close of trading on the preceding Business Day; and
 - (ii) to the Bidder and Bidco, all necessary information about the Fantastic Shareholders which the Bidder and Bidco may reasonably require in order to assist the Bidder and Bidco to solicit votes at the Scheme Meeting (including, at the reasonable request of the Bidder, issuing tracing notices pursuant to Section 672A of the Corporations Act to Fantastic Shareholders identified by the Bidder);
- (u) **Scheme Consideration:** close the Share Register as at the Scheme Record Date and determine entitlements to the Scheme Consideration in accordance with the Scheme and the Deed Poll;
- (v) **registration:** subject to Bidco having provided the Scheme Consideration in accordance with the Scheme and Deed Poll, executing instruments of transfer in favour of, and giving effect to and registering in the name of, Bidco all transfers of Fantastic Shares held by Scheme Shareholders on the Implementation Date;
- (w) **consultation with Bidco:** consult with Bidco as to the content and presentation of the Scheme Booklet including:
 - (i) providing to Bidco drafts of the Scheme Booklet for the purpose of enabling Bidco to review and comment on those draft documents;
 - (ii) taking all comments made by Bidco into account in good faith when producing a revised draft of the Scheme Booklet;

- (iii) providing to Bidco a revised draft of the Scheme Booklet within a reasonable time before the Regulator's Draft is finalised;
- (iv) implement such changes to those parts of the Scheme Booklet relating to Bidco which are provided in accordance with clauses 5.1(w)(i) to 5.1(w)(iii) as reasonably requested by Bidco and prior to finalising the Regulator's Draft; and
- (v) obtaining written approval from Bidco for the form and content in which the Bidder Information appears in the Scheme Booklet, and Fantastic will not register the Scheme Booklet with ASIC until such approval is obtained from Bidco;
- (x) **information:** provide all information, or procure that the Fantastic Registry provides all information, in each case in a form reasonably requested by Bidco, about the Scheme, the Scheme Shareholders, the Fantastic Shareholders and the Share Register (including any sub register) to Bidco and its Representatives which Bidco reasonably requests in order to solicit votes at the Scheme Meeting and facilitate the provision by, or on behalf of, Bidco of the Scheme Consideration;
- (y) **ASIC and ASX review:** during the Regulatory Review Period, promptly provide to Bidco, and include in the Scheme Booklet, any new information not included in the Regulator's Draft which is required by the Corporations Act, Corporations Regulations, RG 60 or the Listing Rules to be included and keep Bidco informed of any material matters raised by ASIC or ASX in relation to the Scheme Booklet or the Transaction, and use reasonable endeavours to take into consideration in resolving such matters any issues raised by Bidco;
- (z) **Independent Expert:** promptly appoint the Independent Expert and provide assistance and information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report for inclusion in the Scheme Booklet;
- (aa) **Provide a copy of the report:** promptly provide Bidco with a copy of the final report received from the Independent Expert;
- (bb) **compliance with laws:** do everything reasonably within its power to ensure that the tasks or obligations required to be performed by Fantastic in relation to the Transaction are effected in accordance with all laws and regulations applicable in relation to the Transaction;
- (cc) **listing:** to take all reasonable steps to maintain Fantastic's listing on the ASX notwithstanding any suspension of the quotation of Fantastic Shares up to and including the Implementation Date, including making appropriate applications to ASX unless Bidco has agreed in writing;
- (dd) **No denigration:** from the date of this deed until the date the Independent Expert's Report is received, Fantastic must not, and must ensure that each other Fantastic Group Member or Representative of the Fantastic Group, does not, publicly (or otherwise to third parties) deliberately denigrate the Transaction or any Bidder Group Member; and
- (ee) **information:** prepare and promptly provide to Bidco any information regarding the Fantastic Group that the Bidder reasonably requires to prepare the Bidder Information for inclusion in the Scheme Booklet.

5.2. Bidder and Bidco's obligations

The Bidder and Bidco each must take all necessary steps to implement the Scheme as soon as is reasonably practicable and without limiting the foregoing use reasonable endeavours to ensure that each step in the Timetable is met by the date set out beside that step (and consult with Fantastic on a regular basis about its progress in that regard), including doing each of the following:

- (a) **Bidder Information:** prepare and promptly provide to Fantastic a draft of the Bidder Information for inclusion in the Scheme Booklet as required by all applicable Australian laws, and in particular by the Corporations Act, the Corporations Regulations, RG 60 and the Listing Rules;

- (b) **Further Bidder Information:** disclose to Fantastic such further or new Bidder Information (other than any information provided by Fantastic to Bidco or obtained from Fantastic public filings on ASX regarding the Fantastic Group contained in, or used in the preparation of, the Bidder Information) as may arise after the Scheme Booklet has been sent until the date of the Scheme Meeting as may be necessary to ensure that the Bidder Information contained in the Scheme Booklet is not, having regard to applicable disclosure requirements, false, misleading or deceptive in any material respect (including because of any material omission);
- (c) **review of Scheme Booklet:** review the drafts of the Scheme Booklet prepared by Fantastic and provide comments, if any, as soon as practicable;
 - (i) review the drafts of the Scheme Booklet, including the Fantastic Information, and confirm to Fantastic whether or not, so far as they are aware, the Scheme Booklet is false, misleading or deceptive in any material respect (including because of any material omission); and
 - (ii) provide to Fantastic, as soon as possible, any material new information that they become aware of as may arise after the Scheme Booklet has been sent to Fantastic Shareholders;
- (d) **Independent Expert's Report:** provide any assistance or information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report to be included in the Scheme Booklet;
- (e) **representation:** procure that it is represented by counsel at the Court hearings convened for the purposes of section 411(4)(b) of the Corporations Act, at which through their respective counsel, the Bidder and Bidco will undertake (if requested by the Court) to do all such things and take all such steps within its power as are necessary in order to ensure the fulfilment of its obligations under this deed and the Scheme;
- (f) **Deed Poll:** by not later than the Business Day prior to the First Court Date, enter into the Deed Poll in favour of the Scheme Shareholders to perform their obligations under the Scheme;
- (g) **accuracy of the Bidder Information:** ensure the Bidder Information in the Scheme Booklet is not misleading or deceptive in any material respect (whether by omission or otherwise) (other than any information provided by Fantastic to Bidco or obtained from Fantastic public filings on ASX regarding the Fantastic Group contained in, or used in the preparation of, the Bidder Information);
- (h) **Registry information:** only use information provided to Bidco or Bidder pursuant to clause 5.1(t) for the purposes of the Transaction and as permitted by law;
- (i) **Share transfer:** if the Scheme becomes Effective, Bidco shall accept a transfer of the Scheme Shares as contemplated by clause 4.3(b)(i) and execute instruments of transfer in respect of the Scheme Shares; and
- (j) **compliance with laws:** do everything reasonably within its power to ensure that the tasks or obligations required to be performed by it in relation to the Transaction are effected in accordance with all laws and regulations applicable in relation to the Transaction.

5.3. Scheme Booklet

If Fantastic and Bidco disagree on the form or content of the Scheme Booklet, they must consult in good faith to try to settle an agreed form of the Scheme Booklet. If complete agreement is not reached after reasonable consultation, then:

- (a) if the disagreement relates to the form or content of any information appearing in the Scheme Booklet other than the Bidder Information or the Independent Expert's Report, the Board will, acting in good faith, decide the final form or content of the disputed part of the Scheme Booklet; and

- (b) if the disagreement relates to the form or content of the Bidder Information, Fantastic will make such amendments to the form or content of the disputed part of the Bidder Information as Bidco reasonably requires.

5.4. Conduct of business

- (a) Subject to clauses 5.4(c) and 5.4(d), from the date of this deed up to and including the Implementation Date, and without limiting any other obligations of Fantastic under this deed, Fantastic must:
 - (i) ensure that the business of the Fantastic Group is conducted:
 - (A) in the usual, ordinary and proper course of business of the Fantastic Group;
 - (B) in a matter generally consistent with the manner in which each such business has been conducted in the 12 month period prior to the date of this deed; and
 - (C) in accordance with all applicable laws in all material respects;
 - (ii) not, and must ensure that each other Fantastic Group Member and each Fantastic Director does not, other than in the ordinary course of business of the Fantastic Group, do, authorise, agree, commit to or cause to be done, or fail to do or cause not to be done, anything that would or may result in the Scheme not being implemented or being implemented otherwise than in accordance with the Timetable and the terms of this deed;
 - (iii) use all reasonable efforts to maintain and preserve, and ensure that each other Fantastic Group Member use all reasonable efforts to maintain and preserve, its relationships with customers, suppliers, joint venturers, Government Agencies, licensors, licensees, landlords and others having business dealings with any Fantastic Group Member;
 - (iv) not do or cause to be done, or fail to do or cause not to be done, anything that would, or that may reasonably be expected to, result in the occurrence of a Fantastic Prescribed Occurrence; and
 - (v) not agree to do any act, matter or thing that is inconsistent with any of the matters set out in clauses 5.4(a)(i) to 5.4(a)(iv) (inclusive).
- (b) Subject to clauses 5.4(c) and 5.4(d), from the date of this deed up to and including the Implementation Date, and without limiting any other obligations of Fantastic under this deed, Fantastic must not, and must procure that each other Fantastic Group Member does not:
 - (i) other than the Interim Dividend (if applicable in accordance with this deed), declare, determine as payable, pay or distribute any distribution, special dividend, bonus or other extraordinary share of its profits or assets or returning any capital to its members (whether in cash or in specie);
 - (ii) dispose of the whole, or a substantial part, of its business or property, whether by any single transaction or series of related or similar transactions;
 - (iii) amend, vary, modify, repeal, replace or make any change to its constituent document;
 - (iv) enter into a contract (other than for stock purchased in the ordinary course of business in accordance with the disclosed budget) which is material to the conduct of the Fantastic Group's business, involves aggregate expenditure greater than \$6 million, involves annual revenue greater than \$2 million, or has a committed term which is greater than 12 months with annual expenditure of more than \$1,000,000, or terminate or amend the terms of any such contract;

- (v) acquire, lease or dispose of or offer, propose or announce any bid or tender to acquire, lease or dispose of any business, asset, security, entity or undertaking, the value of which exceeds \$6 million (individually or in aggregate);
- (vi) incur any capital expenditure exceeding \$1 million individually or \$10 million in aggregate;
- (vii) other than financial indebtedness incurred in the ordinary course of business in relation to inventory purchase or foreign currency hedging activities undertaken in accordance with the Fantastic Group's policy for hedging foreign currency exposure to inventory purchases, incur or commit to any Financial Indebtedness (including investments, borrowings, loans and advances or the issue of debt securities or hybrid securities) for one or more related items exceeding \$2 million (individually or in aggregate);
- (viii) materially alter, vary or amend the terms of any franchising agreements or arrangements, or otherwise in respect of any agreement or arrangements relating to any franchised stores, in respect of the Fantastic Group;
- (ix) guarantee or indemnify the obligations of any person other than a Fantastic Group Member, other than in the usual and ordinary course of business of the Fantastic Group and consistent with past practice;
- (x) other than a transaction relating to the remuneration of an officer of a Fantastic Group Member, enter into a transaction or arrangement with any related party of any Fantastic Group Member (other than another Fantastic Group Member) as defined in section 228 of the Corporations Act;
- (xi) commence, settle or admit to fault or liability in respect of any legal proceedings, claim, investigation, arbitration or other like proceeding where the aggregate amount claimed by or against a Fantastic Group Member exceeds \$500,000;
- (xii) in respect of any officer, director, other executive or employee of any Fantastic Group Member:
 - (A) pay any such person a bonus, retention, severance or termination payment;
 - (B) enter into or materially alter, vary or amend any employment, consulting, severance or similar agreement or arrangement with any such person; or
 - (C) accelerate or materially increase compensation or benefits in respect of any such person,
 other than:
 - (D) remuneration by way of fees or additional fees paid or payable to a director of a Fantastic Group Member;
 - (E) remuneration by way of bonus including any retention payment or deferred bonus paid or payable to an officer or Senior Manager of a Fantastic Group Member;
 - (F) remuneration by way of vesting or exercise of any short term incentive, long term incentive or Fantastic Option; or
 - (G) remuneration in the form of sales commission or similar cash incentives payable to retail staff of a Fantastic Group Member in the ordinary course of business,

which has been adopted, agreed or resolved by a Fantastic Group Member (or the board of directors of a Fantastic Group Member) before the date this deed is executed;

- (xiii) in respect of any officer, director, other executive or employee of any Fantastic Group Member, enter into a contract of employment which contains an obligation to pay any such person a bonus, retention, severance or termination payment which would be triggered by a change in control of Fantastic or the Scheme or vary any contract of employment so that any such amount is paid or payable;
 - (xiv) modify the rules of any Fantastic Option Plan or establish a new incentive scheme, whether cash-based, securities-based or derivatives-based (or a combination thereof) or issue any offers to participate in any existing share based incentive plan or scheme, including any Fantastic Option Plan;
 - (xv) employ, or offer to employ, an individual who is not an employee as at the time of signing this deed where:
 - (A) the total remuneration payable to that individual would exceed \$300,000 in any 12 month period; or
 - (B) that individual will, or is intended to, report directly to the Chairman, Chief Executive Officer or Chief Financial Officer of the Fantastic Group or any of their respective direct reports (other than as a direct replacement or as provided in the disclosed budget); or
 - (xvi) enter into any enterprise bargaining agreement or any other form of collective agreement concerning the terms of employment of employees of the Fantastic Group; or
 - (xvii) agree or otherwise commit to do any of the things set out in clauses 5.4(b)(i) to 5.4(b)(xvi).
- (c) Nothing in clauses 5.4(a) or 5.4(b) restricts the ability of the Board or Fantastic to take any action (or refrain from taking action) which:
- (i) expressly required to be done in order to implement the Scheme in accordance with this deed;
 - (ii) which took place with the prior written consent of Bidco or the Bidder;
 - (iii) which was Fairly Disclosed in an announcement made to the ASX or a document lodged with ASIC prior to the date of this deed;
 - (iv) which was Fairly Disclosed in the Disclosure Letter prior to the execution of this deed; or
 - (v) which relates to an event, change, circumstance, occurrence, matter or thing that was within the actual knowledge prior to the date of this deed of any director, secretary or employee of a Bidder Group Member who prior to the date of this deed was involved in the assessment and/or negotiation of the Transaction on behalf of a Fantastic Group Member.
- (d) For the avoidance of doubt, nothing in this clause 5.4 restricts the ability of Fantastic to respond to a Competing Proposal in accordance with clause 10.

5.5. Access to information

- (a) From the date of this deed until the Implementation Date, the parties agree to work in a collaborative manner to, where reasonable, assist the Bidder and Bidco to prepare for the

implementation of the Transaction and to allow the Bidder and Bidco to develop and prepare for the implementation of transition plans for the Fantastic Group following implementation of the Transaction.

- (b) For the avoidance of doubt, nothing in clause 5.5(a) requires Fantastic to take any action which would involve Fantastic refreshing or updating the Disclosure Material or to provide access to any person or premises.
- (c) Fantastic will be permitted to redact from any document provided to the Bidder or Bidco pursuant to clause 5.5(a) any non-public information which Fantastic considers (acting reasonably) to be of a commercially sensitive nature.

5.6. Change of control rights

- (a) As soon as practicable after the date of this deed, Fantastic and Bidco must seek to identify any change of control or similar provisions in leases and material contracts to which Fantastic or another Fantastic Group Member is a party which may be triggered by the implementation of, or in connection with, the Transaction (**Change of Control Contract**).
- (b) In respect of each Change of Control Contract, the parties agree as follows:
 - (i) Fantastic and Bidco will:
 - (A) agree a proposed course of action with respect to obtaining from each counterparty to the Change of Control Contract the consents and approvals required under the Change of Control Contract to the Implementation of the Transaction (**Counterparty Consent**); and
 - (B) jointly initiate contact with the relevant counterparties to the Change of Control Contract and request that each such counterparty provide the required Counterparty Consent to the implementation of the Transaction. The Bidder, Bidco and their respective Representatives may not contact any relevant counterparty to a Change of Control Contract without Fantastic's prior approval; and
 - (ii) Fantastic must cooperate with, and provide reasonable assistance to, Bidco to obtain any required Counterparty Consent as expeditiously as possible, including by:
 - (A) promptly providing any information reasonably required by any counterparty to a Change of Control Contract; and
 - (B) making available any Representative of a Fantastic Group Member, where necessary, to meet with any counterparty to a Change of Control Contract to deal with issues arising in relation to the change of control of Fantastic, the implementation of the Transaction and obtaining any required Counterparty Consent.

5.7. Payment of Interim Dividend

- (a) Subject to clause 5.7(c), but otherwise despite any other provision of this deed, if the Implementation Date has not occurred before 31 December 2016, Fantastic may, in its sole discretion, pay (with or without declaration) a dividend per Fantastic Share of not more than 60% of the net profit after tax of the Fantastic Group for the period commencing 1 July 2016 and ending on 31 December 2016 divided by the number of Fantastic Shares on issue as at the record date for that dividend per Fantastic Share (**Interim Dividend**) to Fantastic Shareholders, provided that:
 - (i) the Interim Dividend is to be declared or authorised prior to the Effective Date, and in any event by no later than the last date permitted by the Listing Rules to declare or

authorise that dividend such that the record date for that dividend is no later than the Record Date; and

- (ii) to the extent that the Interim Dividend is to be franked, the Interim Dividend may be franked to the maximum extent possible, subject to the franking account of Fantastic not being in deficit after the payment of the Interim Dividend.
- (b) Subject to clause 5.7(c), but otherwise despite any other provision of this deed, Fantastic may make and cause to be made any intra-group distributions and payments between Fantastic Group Members, in order to be able to declare or authorise and pay any Interim Dividend in accordance with clause 5.7(a).
- (c) Fantastic must not declare, determine as payable, pay or distribute any amount in connection with any Interim Dividend per Fantastic Share pursuant to clause 5.7(a) unless and until Fantastic has provided the Bidder and Bidco with a certificate confirming that Fantastic has not taken, or omitted to take, any action to cause any step in the Timetable not to be met by the relevant date set out in the Timetable beside that step with the intention of causing Fantastic to become entitled to pay any Interim Dividend pursuant to clause 5.7(a).

5.8. Appointment of directors

Fantastic must, as soon as practicable:

- (a) after the Scheme becomes Effective, take all actions necessary to cause the appointment of Timothy William Schaafsma, Michael Jonathan Gordon and another person nominated in writing by the Bidder at least 10 Business Days prior to the Effective Date, being the nominees of Bidco, to the Board; and
- (b) after the Scheme has been implemented, ensure that all directors on the Board, other than the Bidco nominees appointed pursuant to clause 5.8(a), resign by delivering to Fantastic written notices of resignation to the effect that the outgoing directors have no claim outstanding against any Fantastic Group Member.

5.9. Board recommendation

- (a) Subject to clause 5.9(b), Fantastic represents and warrants to Bidco that each Fantastic Director has confirmed (by way of unanimous resolution of the Board), and Fantastic must use its best endeavours to ensure in respect of each Fantastic Director, that:
 - (i) his or her recommendation in respect of the Scheme is that Fantastic Shareholders vote in favour of the Scheme at the Scheme Meeting (**Recommendation**); and
 - (ii) that he or she intends to vote, or cause to be voted, all Fantastic Shares in which he or she has a Relevant Interest in favour of the Scheme at the Scheme Meeting (**Voting Intention**),

in each case the Recommendation and the Voting Intention qualified only by words to the effect of 'in the absence of a Superior Proposal' and 'subject to the Independent Expert concluding in the Independent Expert's Report that the Scheme is in the best interests of Fantastic Shareholders'.

- (b) Fantastic represents and warrants to Bidco that each Fantastic Director has confirmed (by way of unanimous resolution of the Board), and Fantastic must use its best endeavours to ensure, that each Fantastic Director will not change, withdraw or modify his or her Recommendation or Voting Intention unless either:
 - (i) the Independent Expert concludes in the Independent Expert's Report (either initially or in any updated report) that the Scheme is not in the best interests of Fantastic Shareholders; or

- (ii) Fantastic has received a Competing Proposal and the Board determines, after all of Bidco's rights under clause 10.6 have been exhausted and otherwise other than as a result of a breach by Fantastic of clause 10, that the Competing Proposal constitutes a Superior Proposal.
- (c) Subject to a Fantastic Director withdrawing or changing a Recommendation or Voting Intention following the occurrence of one of the events referred to in clause 5.9(b), Fantastic must not make a public announcement, and must use best endeavours to ensure that no public statement is made by that Fantastic Director, which is inconsistent with that Fantastic Director giving the Recommendation and having the Voting Intention.
- (d) During the Exclusivity Period, Fantastic must use reasonable endeavours to procure that the Directors and the senior executives of the Fantastic Group work in a collaborative manner with the Bidder, Bidco and their respective Representative in promoting the merits of the Scheme and in communications with key Fantastic Shareholders (being those Fantastic Shareholders notified to Fantastic by the Bidder or Bidco), employees, customers and suppliers of each Fantastic Group Member. Nothing in this clause will require Fantastic to take any action which is contrary to the best interests of the Fantastic Group.

5.10. Conduct of Court proceedings

- (a) The Bidder and Fantastic are entitled to separate representation at all Court proceedings affecting the Transaction.
- (b) This deed does not give:
 - (i) the Bidder or Bidco any right or power to give undertakings to the Court for or on behalf of Fantastic; or
 - (ii) Fantastic any right or power to give undertakings to the Court for or on behalf of the Bidder or Bidco,
 in each case, without the relevant party's written consent.
- (c) The Bidder, Bidco and Fantastic must give all undertakings to the Court in all Court proceedings which are reasonably required to satisfy the condition precedent in clause 3.1(b).
- (d) If the Court refuses to make orders convening the Scheme Meeting or approving the Scheme, the Bidder, Bidco and Fantastic must appeal the Court's decision, except to the extent that:
 - (i) the parties agree otherwise; or
 - (ii) Queen's Counsel or Senior Counsel representing that party in relation to the Scheme indicates that, in their opinion, an appeal would not have a reasonable prospect of success,
 in which case either Bidco or Fantastic may terminate this deed in accordance with clause 12.1(b).
- (e) Each of the Bidder, Bidco and Fantastic must defend, or must cause to be defended, any Takeovers Panel proceeding brought against it (or any members of its respective group) challenging this deed or the completion of the Transaction.
- (f) For the avoidance of doubt, each party will be responsible for their own costs that are incurred as a result of the operation of this clause 5.10.

5.11. Responsibility statement

The Scheme Booklet will contain a responsibility statement to the effect that:

- (a) Bidco is responsible for the Bidder Information; and
- (b) Fantastic is responsible for the Fantastic Information.

6. Representations and warranties

6.1. Bidder representations

Each of the Bidder and Bidco represents and warrants to Fantastic (in its own right and separately as trustee or nominee for each of the other Fantastic Indemnified Parties) that each of the Bidder Representations and Warranties is true and correct in all material respects, provided that, in respect of any Bidder Representations and Warranties that are, by their terms, qualified by materiality, those Bidder Representations and Warranties are represented and warranted to be true and correct to the extent only of any such qualification.

6.2. Bidder indemnity

The Bidder and Bidco agrees with Fantastic (in its own right and separately as trustee or nominee for each of the other Fantastic Indemnified Parties) to indemnify Fantastic and the Fantastic Indemnified Parties against any claim, action, damage, loss, liability, cost, expense or payment of whatever nature and however arising which Fantastic or any of the other Fantastic Indemnified Parties suffers, incurs or is liable for arising out of any Bidder Representation and Warranty being untrue or incorrect.

6.3. Fantastic's representations

Fantastic represents and warrants to the Bidder and Bidco (in their own right and separately as trustee or nominee for each of the other Bidder Indemnified Parties) that each of the Fantastic Representations and Warranties is true and correct in all material respects, provided that, in respect of any Fantastic Representations and Warranties that are, by their terms, qualified by materiality, those Fantastic Representations and Warranties are represented and warranted to be true and correct to the extent only of any such qualification.

6.4. Fantastic's indemnity

Fantastic agrees with the Bidder and Bidco (in their own right and separately as trustee or nominee for each Bidder Indemnified Party) to indemnify the Bidder and Bidco and each of the other Bidder Indemnified Parties from any claim, action, damage, loss, liability, cost, expense or payment of whatever nature and however arising which the Bidder, Bidco or any of the other Bidder Indemnified Parties suffers, incurs or is liable for arising out of any Fantastic Representation and Warranty being untrue or incorrect.

6.5. Qualifications on Fantastic warranties

The Fantastic Representations and Warranties under clause 6.3 and indemnity under clause 6.4, are given subject to any matter:

- (a) expressly required to be done in order to implement the Scheme in accordance with this deed;
- (b) which took place with the prior written consent of Bidco or the Bidder;
- (c) which was Fairly Disclosed in an announcement made to the ASX or a document lodged with ASIC prior to the date of this deed;
- (d) which was Fairly Disclosed in the Disclosure Letter prior to the date of this deed;

- (e) which relates to an event, change, circumstance, matter, thing or occurrence was within the actual knowledge prior to the date of this deed of any director, secretary or employee of a Bidder Group Member who prior to the date of this deed was involved in the assessment and/or negotiation of the Transaction on behalf of the a Fantastic Group Member.

6.6. Survival of representations

Each representation and warranty referred to in clauses 6.1 and 6.3:

- (a) is severable; and
- (b) survives the termination of this deed but no representation or warranty survives the implementation of the Scheme.

6.7. Survival of indemnities

Each indemnity in this deed (including those in clauses 6.2 and 6.4):

- (a) is severable;
- (b) is a continuing obligation;
- (c) constitutes a separate and independent obligation of the party giving the indemnity from any other obligations of that party under this deed; and
- (d) survives the termination of this deed.

6.8. Timing of warranties

Each representation and warranty made or given under clauses 6.1 or 6.3 is given:

- (a) at the date of this deed and again at the Delivery Time; or
- (b) where expressed to be given only as at a particular time, at that time.

7. Releases

7.1. Fantastic directors and officers

- (a) Subject to clauses 7.1(a) and 7.1(c), each of the Bidder and Bidco releases, and shall procure that each member of the Bidder Group releases and discharges, its rights, and agrees with Fantastic that it will not make a claim, action, demand, suit or proceeding for damages, debt, restitution, equitable compensation, account, injunction, specific performance or any other remedy, that either Bidco, the Bidder or any other Bidder Group Member has or may have against any person who is a Fantastic Indemnified Party (including, for the avoidance of doubt, each member of the Board) in connection with or in respect of:
 - (i) any breach of any representations and warranties of Fantastic or any other Fantastic Group Member in this deed;
 - (ii) any disclosure made by a Fantastic Indemnified Party containing any statement which is false or misleading, whether in content or by omission; or
 - (iii) the Board's consideration and conduct of the Transaction;

whether current or future, known or unknown, arising at common law, in equity, under statute or otherwise, except where a Fantastic Indemnified Party has engaged in fraud, wilful misconduct or wilful concealment.

- (b) Nothing in clause 7.1(a) releases or discharges any of Bidder's and Bidco's rights, or prevents Bidder and Bidco from making a claim, action, demand, suit or proceeding for damages, debt, restitution, equitable compensation, account, injunction, specific performance or any other remedy, that either Bidco, the Bidder or any other Bidder Group Member has or may have against any person who is a Fantastic Indemnified Party (including, for the avoidance of doubt, each member of the Board) in connection with or in respect of any action or inaction by that Fantastic Indemnified Party solely in their capacity as a Fantastic Shareholder.
- (c) Clause 7.1(a) is subject to any Corporations Act restriction and will be read down accordingly. Fantastic receives and holds the benefit of this clause to the extent it relates to each person who is a Fantastic Indemnified Party (including, for the avoidance of doubt, each member of the Board) as trustee for each of them.

7.2. Bidco directors and officers

- (a) Fantastic releases, and shall procure that each Fantastic Group Member releases and discharges, its rights, and agrees with Bidco and the Bidder that it will not make a claim, action, demand, suit or proceeding for damages, debt, restitution, equitable compensation, account, injunction, specific performance or any other remedy, that either Fantastic or any other Fantastic Group Member has or may have against any person who is a Bidder Indemnified Party in connection with or in respect of:
 - (i) any breach of any representations and warranties by the Bidder or Bidco or any other Fantastic Group Member in this deed;
 - (ii) any disclosure made by a Fantastic Indemnified Party containing any statement which is false or misleading, whether in content or by omission,

whether current or future, known or unknown, arising at common law, in equity, under statute or otherwise, except where a Bidder Indemnified Party has engaged in fraud, wilful misconduct or wilful concealment.
- (b) This clause is subject to any Corporations Act restriction and will be read down accordingly. The Bidder each receive and hold the benefit of this clause to the extent it relates each other person who is a Bidder Indemnified Party as trustee for each of them.
- (c) The Bidder, Bidco and Fantastic agree that, in addition to the force that this clause 7 has by virtue of this deed, clauses 7.1 and 7.2 also operate as a deed poll.

7.3. Deeds of indemnity and insurance

- (a) Subject to the Scheme becoming Effective, Bidco and the Bidder undertake in favour of Fantastic and each other Fantastic Group Party that they will:
 - (i) for a period of not less than 7 years from the Implementation Date, ensure that the constitution of each Fantastic Group Member continue to contain such rules as are contained in those constitutions at the date of this deed which provide to the extent permitted by law for each Fantastic Group Member to indemnify each of its directors and officers against any liability incurred by that director or officer in his capacity as a director or officer of the Fantastic Group Member to any person other than a Fantastic Group Member; and
 - (ii) procure to the extent permitted by law that each Fantastic Group Member complies with any deeds of indemnity, access and insurance made by them in favour of their respective directors and officers from time to time and, without limiting the foregoing, ensure that directors' and officers' run-off insurance cover for such directors and officers is maintained for a period of not less than 7 years from the retirement date of each director and officer so long as it is available on commercially reasonable terms and the costs of such policies are no more than the amount agreed by Fantastic, the Bidder and Bidco in writing before the execution of this deed.

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- (b) The undertakings contained in clause 7.3(a) are subject to any restriction under any relevant law and will be read down accordingly. Fantastic receives and holds the benefit of clause 7.3(a), to the extent it relates to the directors and officers of Fantastic and other members of the Fantastic Group, as trustee for them.
- (c) The Bidder, Bidco and Fantastic agree that, in addition to the force that this clause 7 has by virtue of this deed, clause 7.3 also operates as a deed poll.
- (d) The undertakings contained in clause 7.3(a) are given:
 - (i) in respect of clause 7.3(a)(i), until the earlier of 7 years from the Implementation Date or the date that the relevant Fantastic Group Member ceases to be part of the Bidder Group; and
 - (ii) in respect of a Fantastic Group Member's obligation under clause 7.3(a)(ii) to comply with any deeds of access, indemnity and insurance made by the Fantastic Group Member in favour of a relevant director or officer, until the earlier of 7 years from the retirement of each relevant director and officer or the date that the relevant Fantastic Group Member in respect of which the director or officer was acting as a director or officer (as the case may be) ceases to be part of the Bidder Group,

provided in each case that if the relevant Fantastic Group Member ceases to be part of the Bidder Group during the 7 year period referred to in clause 7.3(d)(i) or 7.3(d)(ii) (as the case may be), the Bidder and Bidco must use reasonable endeavours to procure that the person that Controls the Fantastic Group Member immediately after the Fantastic Group Member ceases to be part of the Bidder Group will comply with the undertakings given in clause 7.3(a)(i) or clause 7.3(a)(ii) to the extent required for compliance by that Fantastic Group Member with any deeds of access, indemnity and insurance made by the Fantastic Group Member in favour of a relevant director or officer (as applicable).

8. Public announcement

8.1. Announcement of transaction

Immediately after the execution of this deed, Fantastic and the Bidder must issue the Announcement.

8.2. Public announcements

Subject to clause 8.3, no public announcement or disclosure regarding the Transaction may be made other than in a form approved by each party (acting reasonably), but each party must use all reasonable endeavours to provide such approval as soon as practicable.

8.3. Required disclosure

Where a party is required by applicable law or the Listing Rules to make any announcement or to make any disclosure in connection with the Transaction or any other transaction the subject of this deed or the Scheme, it must use reasonable endeavours, to the extent practicable and lawful to consult with the other party prior to making the relevant disclosure.

9. Confidentiality

9.1. Confidentiality Deed

Fantastic and the Bidder acknowledge and agree that they continue to be bound by the Confidentiality Deed before and after the date of this deed.

9.2. Survival of obligations

Subject to clause 10.6(d), the rights and obligations of the parties under the Confidentiality Deed survive termination of this deed.

10. No-talk and no-shop obligations

10.1. Existing discussions

- (a) Fantastic represents and warrants to the Bidder and Bidco that, as at the date of this deed, each Fantastic Group Member and its Representatives:
 - (i) is not a party to any agreement or arrangement with a Third Party entered into for the purpose of facilitating a Competing Proposal;
 - (ii) is not, directly or indirectly, participating in any discussions or negotiations with a Third Party that concern, or that could reasonably be expected to lead to, a Competing Proposal;
 - (iii) has ceased any existing discussions or negotiations with a Third Party that concern, or that could reasonably be expected to lead to, a Competing Proposal; and
 - (iv) has requested the return of the Fantastic Group's confidential information in accordance with the terms of any relevant confidentiality agreement from each Third Party conducting due diligence investigations in respect of the Fantastic Group prior to the date of this deed.
- (b) On the date of this deed, Fantastic must, and must procure the other Fantastic Group Members and the Representatives of the Fantastic Group Members:
 - (i) cease any discussions with any Third Party that concern, or that could reasonably be expected to lead to, a Competing Proposal;
 - (ii) cease the provision of any due diligence access, cease to respond or answer due diligence questions and cease the making available of any non-public information in relation to any Fantastic Group Member or any business or operation of the Fantastic Group (**Non-Public Information**) to any Third Party, where the due diligence access and provision of Non-public Information was for a purpose that concerns, or that could reasonably be expected to lead to, a Competing Proposal; and
 - (iii) request the return of the Fantastic Group's confidential information (including any Non-Public Information) in accordance with the terms of any relevant confidentiality agreement from each Third Party conducting due diligence investigations in respect of the Fantastic Group prior to the date of this deed.

10.2. Prohibition - no shop and no talk arrangements

During the Exclusivity Period, Fantastic must not, and must ensure that each other Fantastic Group Member and each Representative of each Fantastic Group Member does not, directly or indirectly:

- (a) **(no shop)**
 - (i) solicit, invite, encourage, facilitate or initiate (including by the provision of Non-Public Information), or negotiate, accept or enter into, or offer or agree to negotiate, accept or enter into, any agreement, arrangement or understanding regarding, any inquiry, expression of interest, offer, proposal or discussion by any Third Party in relation to, or which would reasonably be expected to encourage or lead to the making of, an actual, proposed or potential Competing Proposal; or

- (ii) communicate to any person an intention to do anything referred to in clause 10.2(a)(i); or
- (b) **(no talk)** subject to clause 10.5:
 - (i) participate in or continue any negotiations or discussions with respect to any inquiry, expression of interest, offer, proposal or discussion by any Third Party to make or which would reasonably be expected to encourage or lead to the making of an actual, proposed or potential Competing Proposal;
 - (ii) negotiate, accept or enter into, or offer or agree to negotiate, accept or enter into, any agreement, arrangement or understanding regarding an actual, proposed or potential Competing Proposal;
 - (iii) disclose any Non-Public Information about the business or affairs of the Fantastic Group to a Third Party (other than a Government Agency) with a view to obtaining or which would reasonably be expected to encourage or lead to receipt of an actual, proposed or potential Competing Proposal; or
 - (iv) communicate to any person an intention to do anything referred to in this clause 10.2(b) even if:
 - (v) any such actual, proposed or potential Competing Proposal was not, directly or indirectly, solicited, invited, facilitated, encouraged or initiated by a Fantastic Group Member or any of its Representatives (other than any employee of the Fantastic Group who is not a Senior Manager); or
 - (vi) the relevant Third Party has publicly announced such actual, proposed or potential Competing Proposal.

10.3. No due diligence

- (a) During the Exclusivity Period, Fantastic must not directly or indirectly:
 - (i) solicit, invite, initiate, or encourage, or (subject to clause 10.5) facilitate or permit, any Third Party to undertake due diligence investigations in respect of any Fantastic Group Member, or any business or operation of a Fantastic Group Member, in connection with such Third Party formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal; or
 - (ii) subject to clause 10.5, make available to any Third Party or permit any Third Party to receive, other than in the ordinary course of business of the Fantastic Group or as required by law or the rules of any prescribed financial market, any Non-Public Information with a view to obtaining, or which may reasonably be expected to lead to, a Competing Proposal.
- (b) If Fantastic proposes that any Non-Public Information be provided to a Third Party (other than in the ordinary course of business of the Fantastic Group or as required by law or the rules of any prescribed financial market), then:
 - (i) before Fantastic provides such Non-Public Information, the Third Party must enter into a confidentiality agreement which contains obligations on the recipient of that information which are no less onerous in any material respect than the confidentiality obligations of Fantastic and the Bidder under the Confidentiality Deed and this deed; and
 - (ii) any Non-Public Information provided to that Third Party must also be provided to the Bidder and Bidco (unless such Non-Public Information has already been provided to the Bidder and Bidco).

10.4. Notification obligation

- (a) Subject to clause 10.5, during the Exclusivity Period, Fantastic must promptly notify the Bidder and Bidco in writing if any Fantastic Group Member or any of its Representatives receives:
 - (i) any approach, inquiry or proposal made by any Third Party, to initiate any discussions or negotiations that concern, or that could reasonably be expected to lead to, a Competing Proposal; or
 - (ii) any request made by any Third Party for any Non-Public Information in connection with such Third Party formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal.
- (b) Each notice required to be given by Fantastic under clause 10.4(a) must set out the price, timing considerations, conditions precedent, any break fee and any minimum acceptance condition (if any) contemplated by the Competing Proposal received by Fantastic or any approach, inquiry or proposal made by any Third Party that could reasonably be expected to lead to a Competing Proposal.

10.5. Fiduciary exception to no talk arrangements

Clauses 10.2(b) and 10.4 and, where stated, clause 10.3(a) do not apply to the extent they restrict the Fantastic Directors from taking, or refusing to take, any action with respect to a Competing Proposal (in relation to which there has been no contravention of this clause 10), provided that:

- (a) the Competing Proposal is bona fide and is made by or on behalf of a person that the Board considers is of reputable commercial standing; and
- (b) the Board has determined in good faith after consultation with, and after receiving written advice from, Fantastic's:
 - (i) Financial Advisers, that the Competing Proposal is or may reasonably be expected to lead to a Superior Proposal;
 - (ii) external Australian legal advisers practising in the area of corporate law, that failing to take the action or refusing to take the action (as the case may be) with respect to the Competing Proposal would be likely to constitute, a breach of any of the fiduciary or statutory duties of the Fantastic Directors.

10.6. Matching Right

- (a) During the Exclusivity Period, Fantastic must:
 - (i) not enter into any legally binding agreement, arrangement or understanding to implement a Competing Proposal; and
 - (ii) use its best endeavours to procure that none of the Fantastic Directors change his or her Recommendation or Voting Intention in favour of the Scheme to publicly recommend or support a Competing Proposal (or recommend against, or cease supporting, the Scheme),
 unless:
 - (iii) the Competing Proposal is a Superior Proposal;
 - (iv) Fantastic has provided the Bidder and Bidco with a notice specifying the material terms and conditions of the Competing Proposal, including the identity of each Third Party making or involved in the Competing Proposal and the price, timing considerations,

conditions precedent, financial matters, relevant regulatory considerations and any break fee contemplated by the Competing Proposal;

- (v) Fantastic has given Bidco at least 5 Business Days after provision of all of the information referred to in clause 10.6(a)(iv) (**Bidder Proposal Period**) to provide a proposal that is superior to the Competing Proposal (**Bidder Proposal**); and
 - (vi) Bidco has not provided a Bidder Proposal which the Board, acting in good faith, after consulting with its financial and legal advisers, determines would provide an outcome that is more favourable to Fantastic Shareholders as a whole than the relevant Competing Proposal (having regard to matters including consideration, conditionality, funding, certainty and timing) by the expiry of the Bidder Proposal Period.
- (b) Where Bidco has made a Bidder Proposal, this clause 10.6 has repeating applications so that if any further proposal which constitutes a Competing Proposal is made after Bidco has made a Bidder Proposal (**Further Competing Proposal**), Fantastic must comply with clauses 10.6(a)(i) and 10.6(a)(ii) in respect of the Further Competing Proposal unless clauses 10.6(a)(iii) to 10.6(a)(vi) (inclusive) apply. For the purposes of this clause 10.6(b), each successive material modification of a Third Party's expression of interest, offer or proposal in relation to a Competing Proposal will constitute a Further Competing Proposal.
- (c) The Board must consider each Bidder Proposal and if it determines, acting in good faith, that the Bidder Proposal would provide an outcome that is more favourable to Fantastic Shareholders as a whole than the relevant Competing Proposal (having regard to matters including consideration, conditionality, funding, certainty and timing), then as soon as reasonably practicable, Fantastic, the Bidder and Bidco must use their best endeavours to:
- (i) agree any amendments to this deed and the contents of the Scheme Booklet which are reasonably necessary to reflect the Bidder Proposal; and
 - (ii) enter into an appropriate amending deed to give effect to those amendments and to implement the Bidder Proposal.
- (d) The parties agree that any undertakings made by the Bidder under the Confidentiality Deed with respect to the securities of a Fantastic Group Member immediately cease to apply upon the first to occur, after the date of this deed, of:
- (i) Fantastic delivering a notice described in clause 10.6(a)(iv) to the Bidder and Bidco;
 - (ii) a Third Party acquiring a Relevant Interest or voting power in 5% or more of the Fantastic Shares; or
 - (iii) a Third Party publicly announces a Competing Proposal.

10.7. Fantastic's Representatives

Fantastic undertakes and warrants that, on or about the date of this deed, it will obtain written undertakings and assurances from each Director, Senior Manager and Financial Adviser to the effect that:

- (a) it is not aware of, it has not invited and is not involved in any discussions of the kind referred to in clause 10.1; and
- (b) without limiting the foregoing, they will comply with this clause 10 for the period of this deed.

10.8. Compliance with law

- (a) If it is finally determined by a Court, or the Takeovers Panel, that the agreement by Fantastic under this clause 10 or any part of it:
- (i) constituted, or constitutes, or would constitute, a breach of the fiduciary or statutory duties of the Board;
 - (ii) constituted, or constitutes, or would constitute, unacceptable circumstances within the meaning of the Corporations Act; or
 - (iii) was, or is, or would be, unlawful for any other reason,
- then, to that extent (and only to that extent) Fantastic will not be obliged to comply with that provision of this clause 10.
- (b) The parties must not make, or cause or permit to be made, any action that would trigger the application of clause 10.8(a), including any application to a Court or the Takeovers Panel for, or in relation to, a determination referred to in clause 10.8(a).

10.9. Legal advice

Fantastic, Bidder and Bidco acknowledge that they each have received legal advice on this deed and the operation of this clause 10.

11. Fantastic Break Fee**11.1. Background**

- (a) Fantastic and Bidco acknowledge that, if they enter into this deed and the Scheme is subsequently not implemented, Bidco will incur significant costs including those described in clause 11.2.
- (b) In the circumstances referred to in clause 11.1(a), Bidco has requested that provision be made for the payments outlined in clause 11.3, without which Bidco would not have entered into this deed.
- (c) Fantastic acknowledges and confirms to Bidco that the Board is of the opinion that the Scheme will provide benefit to Fantastic and Fantastic Shareholders and that it is appropriate for Fantastic to agree to the payments referred to in this clause 11 in order to secure Bidco's participation in the Transaction.

11.2. Costs incurred by Bidco

- (a) The fee payable under clause 11.3 has been calculated to reimburse Bidco for the following:
- (i) fees for legal and financial advice in planning and implementing the Transaction;
 - (ii) reasonable opportunity costs incurred in engaging in the Transaction or in not engaging in other alternative acquisitions or strategic initiatives;
 - (iii) costs of management and directors' time in planning and implementing the Transaction;
 - (iv) out of pocket expenses incurred in planning and implementing the Transaction;
 - (v) costs associated with the financing arrangements in respect of the Transaction; and

- (vi) any damage to the reputation of any Bidder Group Member associated with a failed transaction and the implications of those damages if any Bidder Group Member seeks to execute alternative acquisitions in the future,

in each case, incurred by Bidco directly or indirectly as a result of having entered into this deed and pursuing the Transaction.

- (b) The parties acknowledge that:
 - (i) the amount of fees, costs and losses referred to in this clause 11.2 is inherently unascertainable and that, even after termination of this deed, the costs will not be able to be accurately ascertained; and
 - (ii) the amount of the costs payable under clause 11.3 is a genuine and reasonable pre-estimate of those fees, costs and losses (it being acknowledged by the parties that the costs would most likely be in excess of this amount).

11.3. Payment of Fantastic Break Fee

- (a) Fantastic agrees to pay to Bidco \$3.6 million (exclusive of GST) (**Fantastic Break Fee**) if:
 - (i) a Competing Proposal is publicly announced or made at any time prior to the End Date and, within 12 months from the date of the public announcement of the Competing Proposal that Competing Proposal is (or becomes) free from any defeating conditions (or if the Competing Proposal is a scheme of arrangement, the scheme becomes effective);
 - (ii) at any time prior to the End Date, any Fantastic Director:
 - (A) fails to make a Recommendation or give a Voting Intention (as applicable) as contemplated under clause 5.9;
 - (B) withdraws, changes or adversely modifies his or her support of the Scheme or his or her Recommendation or Voting Intention (as applicable);
 - (C) makes a public statement indicating that is inconsistent with his or her Recommendation or Voting Intention (as applicable); or
 - (D) recommends, endorses or supports a Competing Proposal,

in each case other than as a direct or indirect result of or following the Independent Expert opining in the Independent Expert's Report that the Scheme is not in the best interest of Fantastic Shareholders, but except where the sole or dominant reason for such opinion of the Independent Expert in the Independent Expert's Report being the existence of a Superior Proposal or that the Independent Expert supports a Competing Proposal;
 - (iii) a general meeting of Fantastic is convened to consider and, if thought fit, approve the implementation or taking, or not taking, of any step that prevents a condition precedent being satisfied or results in a condition precedent not being satisfied, and any of the Fantastic Directors recommend that Fantastic Shareholders vote in favour of implementing or taking, or not taking, that step;
 - (iv) Bidco terminates this deed under clause 12.1(c)(i) and the relevant material breach of this deed by Fantastic is material in the context of the Scheme taken as a whole;
 - (v) the Bidder or Bidco terminates this deed under clause 12.1(c)(iii), other than in circumstances where the Independent Expert concludes in the Independent Expert's Report (or any update or variation to that report other than where such update or

variation is wholly or in part, the result of the making or existence of a Competing Proposal) that the Transaction is not in the best interests of Fantastic Shareholders; or

- (vi) the Bidder or Bidco terminates this deed under clause 12.1(c)(iv).
- (b) Fantastic must pay Bidco the Fantastic Break Fee within 5 Business Days of receipt by Fantastic of a demand for payment from Bidco made after the occurrence of an event referred to in clause 11.3(a).
- (c) The Fantastic Break Fee is not payable merely because the resolution submitted to the Scheme Meeting in respect of the Scheme is not approved by the majorities required under section 411(4)(a)(ii) of the Corporations Act.
- (d) The Fantastic Break Fee is only payable once and the maximum amount payable by Fantastic under this clause 11.3 is \$3.6 million (exclusive of GST).
- (e) The maximum aggregate amount which Fantastic is required to pay in relation to a breach of this deed (including in respect of a breach of a representation and warranty) is an amount equal to the Fantastic Break Fee and in no event will the aggregate liability of Fantastic under or in connection with a breach of this deed exceed an amount equal to the Fantastic Break Fee.
- (f) Subject to clause 11.3(e), but notwithstanding any other provision under this deed, where the Fantastic Break Fee becomes payable to Bidder under this deed and is actually paid to Bidco, the Bidder cannot make any claim against Fantastic in relation to any breach referred to in clause 12.1(c) or 12.2.

11.4. Compliance with law

- (a) If it is finally determined by a Court, or the Takeovers Panel, that the agreement by Fantastic under this clause 11 or any part of it:
 - (i) constituted, or constitutes, or would constitute, a breach of the fiduciary or statutory duties of the Board;
 - (ii) constituted, or constitutes, or would constitute, unacceptable circumstances within the meaning of the Corporations Act; or
 - (iii) was, or is, or would be, unlawful for any other reason,
 then, to that extent (and only to that extent) Fantastic will not be obliged to comply with that provision of this clause 11.
- (b) The parties must not make, or cause or permit to be made, any action that would trigger the application of clause 11.4(a), including any application to a Court or the Takeovers Panel for, or in relation to, a determination referred to in clause 11.4(a).

12. Termination

12.1. Termination

- (a) **Termination by Fantastic:** Without prejudice to any other rights of termination under this deed, Fantastic may terminate this deed by written notice to Bidco at any time before the Delivery Time:
 - (i) other than in respect of a breach of a Bidder Representation and Warranty (which are addressed in clause 12.2), if either Bidder or Bidco is in breach of a material obligation of Bidder or Bidco (as the case may be) under this deed and Bidder or Bidco (as the case may be) has failed to remedy that breach by the earlier of the Delivery Time and the date being 5 Business Days of receipt by the Bidder or Bidco (as the case may be)

of a written notice setting out full details of the relevant circumstances and requesting that the Bidder or Bidco (as the case may be) remedy the breach;

- (ii) if either Bidder or Bidco becomes Insolvent;
 - (iii) if the Board by such number of Fantastic Directors as constitutes a majority of the Board recommend a Superior Proposal, and do not, within 5 Business Days of such recommendation relating to the Superior Proposal, reinstate its recommendation of the Transaction or recommend a Bidder Proposal, provided that Fantastic has complied with its obligations under clause 10.
- (b) **Termination by either Bidco or Fantastic:** Without prejudice to any other rights of termination under this deed, Bidco or Fantastic may terminate this deed by written notice to the other and the Bidder in the circumstances set out in, and in accordance with, clause 3.4.
- (c) **Termination by Bidco:** Without prejudice to any other rights of termination under this deed, Bidco may terminate this deed by written notice to Fantastic at any time before the Delivery Time:
- (i) other than in respect of a breach of a Fantastic Representation and Warranty (which are addressed in clause 12.2) and in respect of any facts, matters or circumstances contemplated under clauses 12.1(c)(ii) or 12.1(c)(iv), if Fantastic is in breach of a material obligation of Fantastic under this deed (including, for the avoidance of doubt, any obligation of Fantastic under clauses 3.2, 3.6, 4.1, 5.1, 5.4, 5.9, 10 and 11) and such breach is either incapable of remedy or Fantastic has failed to remedy that breach by the earlier of the Delivery Time and the date being 5 Business Days of receipt by Fantastic of a written notice setting out full details of the relevant circumstances and stating an intention to terminate this deed, and the relevant circumstances and requesting that Fantastic remedy the breach; or
 - (ii) if Fantastic is, or becomes, Insolvent;
 - (iii) if in any circumstance (including where clause 5.9(a) applies), a Fantastic Director:
 - (A) does not make a Recommendation or Voting Intention (if applicable) in respect of that Fantastic Director as contemplated under clause 5.9 (subject only to the qualifications specifically contemplated under clause 5.9);
 - (B) has changed, withdrawn or modified, or otherwise makes a public statement that is inconsistent with, that Fantastic Director's Recommendation or Voting Intention (if applicable); or
 - (C) recommends, endorses or supports any Competing Proposal; or
 - (iv) in any circumstances, Fantastic voluntarily enters into any agreement or arrangement in relation to the implementation of any Competing Proposal.

12.2. Breach of representations and warranties

Without prejudice to any other rights of termination under this deed, at any time before the Delivery Time:

- (a) Bidco may terminate this deed by written notice to Fantastic if, as at the time that the Fantastic Representations and Warranties are deemed to be made under this deed, a Fantastic Representation and Warranty is not true and accurate, provided that:
 - (i) Bidco has given written notice to Fantastic setting out the relevant circumstances and stating an intention to terminate or to allow the Scheme to lapse;

- (ii) the relevant circumstances continue to exist as at the earlier of the Delivery Time and the date being 5 Business Days from the time the notice is given by Bidco under clause 12.2(a)(i); and
 - (iii) the loss to the Bidder Group together with the loss to the Fantastic Group (in each case assuming that the Scheme were to become Effective) that would reasonably be expected to follow from the Fantastic Representation and Warranty being untrue or inaccurate would exceed \$10 million in aggregate or otherwise is material in the context of the Scheme taken as a whole.
- (b) Fantastic may terminate this deed by written notice to Bidco if, as at the time that the Bidder Representations and Warranties are deemed to be made under this deed, a Bidder Representation and Warranty is not true and accurate, provided that:
 - (i) Fantastic has given written notice to the Bidder and Bidco setting out the relevant circumstances and stating an intention to terminate or to allow the Scheme to lapse;
 - (ii) the relevant circumstances continue to exist as at the earlier of the Delivery Time and the date being 5 Business Days from the time the notice is given by Fantastic under clause 12.2(b)(i); and
 - (iii) the loss to the Fantastic Group that would reasonably be expected to follow from the Bidder Representation and Warranty being untrue or inaccurate would exceed \$10 million in aggregate or is otherwise is material in the context of the Scheme taken as a whole.

12.3. Effect of termination

If this deed is terminated by either Bidco or Fantastic under clauses 3.4(b), 12.1 or 12.2, except to the extent that the termination results from a breach by either such party of its obligations under this deed, this deed will become void and have no further force or effect, without any liability or obligation on the part of any party, other than in relation to rights and obligations that accrued prior to termination and other than in relation to the provisions of this clause 12 and of clauses 6.6 to 6.8, 9, 10, 11, 13, 15, 16.2, 16.4 and 16.6, which will remain in force after termination.

12.4. Termination

Where Bidco or Fantastic has a right to terminate this deed, that right for all purposes will be validly exercised only if Bidco or Fantastic (as the case may be) delivers a notice in writing to Fantastic or Bidco (as the case may be) stating that it terminates this deed and the provision under which it is terminating the deed.

12.5. Terminable in writing

This deed is terminable if agreed to in writing by Fantastic and Bidco.

13. Guarantee by Bidder

13.1. Guarantee

The Bidder:

- (a) unconditionally and irrevocably guarantees to Fantastic (in its own right and separately as trustee or nominee for each of the other Fantastic Indemnified Parties) on demand, the due and punctual performance of Bidco's obligations under this deed; and
- (b) indemnifies the Fantastic Indemnified Parties against all loss, actions, proceedings and judgments of any nature, incurred by, brought, made or recovered against Fantastic arising

from any default or delay in the due and punctual performance by Bidco of Bidco's obligations under this deed.

13.2. Extent of guarantee and indemnity

The liability of the Bidder under this clause 13 is not affected by anything which, but for this clause 13 might operate to release or exonerate the Bidder in whole or in part from its obligations including any of the following, whether with or without the consent of the Bidder:

- (a) the grant to Bidco, the Bidder or any other person of any time, waiver or other indulgence, or the discharge or release of Bidco, the Bidder or any other person from any liability or obligation;
- (b) any transaction or arrangement that may take place between Bidco, the Bidder, Fantastic or any other person;
- (c) Fantastic exercising or refraining from exercising its rights under any security or any other rights, powers or remedies against Bidco, the Bidder or any other person;
- (d) the amendment, replacement, extinguishment, unenforceability, failure, loss, release, discharge, abandonment or transfer either in whole or in part and either with or without consideration, of any security now or in the future held by Fantastic from Bidco, the Bidder or any other person or by the taking of or failure to take any security; or
- (e) any legal limitation, disability, incapacity or other circumstances related to Bidco, the Bidder or any other person.

13.3. Principal and independent obligation

This clause 13 is a principal obligation and is not to be treated as ancillary or collateral to any other right or obligation and extends to cover this deed as amended, varied, supplemented, renewed or replaced.

13.4. Continuing guarantee

This clause 13 is a continuing obligation of the Bidder and remains in full force and effect for so long as Bidco has any liability or obligation to Fantastic under this deed and until all of those liabilities or obligations have been fully discharged.

13.5. No withholdings

- (a) The Bidder must make all payments that become due under this clause 13, free and clear and without deduction of all present and future withholdings (including taxes, duties, levies, imposts, deductions and charges of Australia or any other jurisdiction).
- (b) If Bidco or the Bidder is compelled by law to deduct any withholding, then in addition to any payment due under this clause 13, it must pay to Fantastic such amount as is necessary to ensure that the net amount received by Fantastic after withholding equals the amount Fantastic would otherwise been entitled to if not for the withholding.

13.6. Currency

The Bidder must pay all moneys that it becomes liable to pay under this clause 13 in the currency in which they are payable under this deed and free of any commissions and expenses relating to foreign currency conversion or any other charges or expenses.

13.7. No set off

The Bidder will have no right to set off, deduct or withhold any moneys that it may be or become liable to pay under this clause 13, against any moneys that Fantastic may be, or become, liable to pay to the Bidder whether under this deed or otherwise.

13.8. Bidder Liability

The Bidder's liability in respect of any claim shall not exceed Bidco's liability in respect of that claim.

14. Duty, costs and expenses

14.1. Stamp duty

Bidco must pay all stamp duties and any fines and penalties with respect to stamp duty in respect of this deed or the Scheme or the steps to be taken under this deed or the Scheme.

14.2. Costs and expenses

Except as otherwise provided in this deed or the Exclusivity and Process Letter, each party must pay its own costs and expenses in connection with the negotiation, preparation, execution and performance of this deed and the proposed, attempted or actual implementation of this deed and the Transaction.

15. GST

- (a) Any consideration or amount payable under this deed, including any non-monetary consideration (as reduced in accordance with clause 15(e) if required) (**Consideration**) is exclusive of GST.
- (b) If GST is or becomes payable on a Supply made under or in connection with this deed, an additional amount (**Additional Amount**) is payable by the party providing consideration for the Supply (**Recipient**) equal to the amount of GST payable on that Supply as calculated by the party making the Supply (**Supplier**) in accordance with the GST Law.
- (c) The Additional Amount payable under clause 15(b) is payable at the same time and in the same manner as the Consideration for the Supply, and the Supplier must provide the Recipient with a Tax Invoice. However, the Additional Amount is only payable on receipt of a valid Tax Invoice.
- (d) If for any reason (including the occurrence of an Adjustment Event) the amount of GST payable on a Supply (taking into account any Decreasing or Increasing Adjustments in relation to the Supply) varies from the Additional Amount payable by the Recipient under clause 15(b):
 - (i) the Supplier must provide a refund or credit to the Recipient, or the Recipient must pay a further amount to the Supplier, as appropriate;
 - (ii) the refund, credit or further amount (as the case may be) will be calculated by the Supplier in accordance with the GST Law; and
 - (iii) the Supplier must notify the Recipient of the refund, credit or further amount within 14 days after becoming aware of the variation to the amount of GST payable. Any refund or credit must accompany such notification or the Recipient must pay any further amount within 7 days after receiving such notification, as appropriate. If there is an Adjustment Event in relation to the Supply, the requirement for the Supplier to notify the Recipient will be satisfied by the Supplier issuing to the Recipient an Adjustment Note within 14 days after becoming aware of the occurrence of the Adjustment Event.
- (e) Despite any other provision in this deed:
 - (i) if an amount payable under or in connection with this deed (whether by way of reimbursement, indemnity or otherwise) is calculated by reference to an amount incurred by a party, whether by way of cost, expense, outlay, disbursement or otherwise (**Amount Incurred**), the amount payable must be reduced by the amount of any Input Tax Credit to which that party is entitled in respect of that Amount Incurred; and

- (ii) no Additional Amount is payable under clause 15(b) in respect of a Supply to which s 84-5 of the GST Law applies.
- (f) Any reference in this clause 15 to an Input Tax Credit to which a party is entitled includes an Input Tax Credit arising from a Creditable Acquisition by that party but to which the Representative Member of a GST Group of which the party is a member is entitled.
- (g) Any term starting with a capital letter in this clause 15 that is not defined in this deed has the same meaning as the term has in the *A New Tax System (Goods & Services Tax) Act 1999* (Cth).

16. General

16.1. No representation or reliance

- (a) Each party acknowledges that no party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this deed, except for representations or inducements expressly set out in this deed and (to the maximum extent permitted by law) all other representations, warranties and conditions implied by statute or otherwise in relation to any matter relating to this deed, the circumstances surrounding the parties' entry into this deed and the transactions contemplated by this deed are expressly excluded.
- (b) Each party acknowledges that it has performed its own searches, enquiries, investigations and evaluations prior to entering into this deed and has formed its own views on the Transaction, with no targets, projections, forecasts or other forward looking statements having been relied on by that party.
- (c) Each party acknowledges and confirms that it does not enter into this deed in reliance on any representation or other inducement by or on behalf of any other party, except for any representation or inducement expressly set out in this deed.

16.2. No merger

The rights and obligations of the parties do not merge on completion of the Transaction. They survive the execution and delivery of any assignment or other document entered into for the purpose of implementing the Transaction.

16.3. Consents

Any consent referred to in, or required under, this deed from any party may be given in that party's absolute discretion (even if unreasonably withheld), unless this deed expressly provides for that consent to not be unreasonably withheld.

16.4. Notices

A notice or other communication including, but not limited to, a request, demand, consent or approval, to or by a party to this deed:

- (a) must be in legible writing and in English;
- (b) may be delivered personally to the addressee, or left or sent by prepaid post to the addressee's address, or faxed to the addressee's fax number, or emailed to the addressee's email address given below:

(i) **if to Fantastic:**

Address: 62 Hume Highway
Chullora, NSW 2190

Attention: Brian Cassell

Fax: +61 2 8717 2660

Email: BCassell@Fantasticholdings.com.au

With a copy to Watson Mangioni Lawyers Pty Ltd:

Address: Level 23, 85 Castlereagh Street
Sydney NSW 2000

Attention: Michael Beaumont

Fax: +61 2 9262 6666

Email: mbeaumont@wmlaw.com.au

(ii) **if to the Bidder or Bidco:**

Address: Level 4, 1 Epping Road, North Ryde, NSW 2113

Attention: Tim Schaafsma

Fax: + 61 2 9882 9078

Email: tim_schaafsma@steinhoff.com.au

With a copy to MinterEllison:

Address:	Level 39, Governor Macquarie Tower, 1 Farrer Place Sydney NSW 2000
Attention:	Con Boulougouris
Fax:	+61 2 9921 8368
Email:	c.boulougouris@minterellison.com

or as specified to the sender by the other party by notice;

- (c) must, if the sender is a company, be signed by an authorised signatory or legal adviser;
- (d) is regarded as being given by the sender and received by the addressee if delivered in person, when delivered to the addressee but if the delivery or receipt is on a day which is not a Business Day or is after 5.00pm (addressee's time), it is regarded as received at 9.00am on the next Business Day;
- (e) if sent by prepaid ordinary post (airmail if appropriate), is regarded as being sent by the sender and received by the addressee when sent by the sender to the addressee's address set out in clause 16.4(b) three days after posting (or seven days after posting if sent from one country to another) but if the delivery or receipt is on a day which is not a Business Day or is after 5.00pm (addressee's time), it is regarded as received at 9.00am on the next Business Day;
- (f) if sent by facsimile, when the sender's facsimile system generates a message confirming successful transmission of the entire notice unless, within two business hours after the transmission, the recipient informs the sender that it has not received the entire notice, but if the delivery or receipt is on a day which is not a Business Day or is after 5.00pm (addressee's time), it is regarded as received at 9.00am on the next Business Day; and
- (g) if sent by email, when sent by the sender unless the sender receives a delivery failure notification indicating that the email has not been delivered to the addressee, but if the delivery or receipt is on a day which is not a Business Day or is after 5.00pm (addressee's time), it is regarded as received at 9.00am on the next Business Day.

16.5. Service of process

- (a) Without preventing any other mode of service, any document in an action (including any writ of summons or other originating process or any third or other party notice) may be served on any party by being delivered to or left for that party at its address for service of notices under clause 16.4.
- (b) Bidder and Bidco irrevocably appoint MinterEllison, at the address specified in clause 16.4 as its agent for the service of process in Australia in relation to any matter arising out of this deed. If MinterEllison ceases to be able to act as such or have an address in Australia, the Bidder and Bidco agree to appoint a new process agent in Australia and deliver to Fantastic within 5 Business Days a copy of a written acceptance of appointment by the process agent, upon receipt of which the new appointment becomes effective for the purpose of this deed. The Bidder and Bidco must inform Fantastic in writing of any change in the address of its process agent within 5 Business Days of the change.

16.6. Governing law and jurisdiction

- (a) This deed is governed by the laws of New South Wales, Australia.
- (b) Each party irrevocably submits to the non-exclusive jurisdiction of the courts of New South Wales and courts competent to hear appeals from those courts.

16.7. Waivers

- (a) Failure to exercise or enforce, a delay in exercising or enforcing, or the partial exercise or enforcement of any right, power or remedy provided by law or under this deed by any party does not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement, of that or any other right, power or remedy provided by law or under this deed.
- (b) Any waiver or consent given by any party under this deed is only effective and binding on that party if it is given or confirmed in writing by that party.
- (c) No waiver of a breach of any term of this deed operates as a waiver of another breach of that term or of a breach of any other term of this deed.

16.8. Variation

This deed may only be varied by a document signed by each of the parties.

16.9. Assignment

A party may not assign, novate or otherwise transfer any of its rights or obligations under this deed without the prior written consent of each other party.

16.10. Acknowledgement

Each party acknowledges that the remedy of damages may be inadequate to protect the interests of the parties for a breach of any provision of this deed and that:

- (a) the Bidder or Bidco (as the case may be) is entitled to seek and obtain without limitation injunctive relief if Fantastic breaches any provision of this deed; and
- (b) Fantastic is entitled to seek and obtain without limitation injunctive relief if Bidco or any of the Bidder breaches any provision of this deed.

16.11. No third party beneficiary

This deed shall be binding on and inure solely to the benefit of each party to it and each of their respective permitted successors and assigns, and nothing in this deed, express or implied, is intended to or shall confer on any other person, other than the Indemnified Parties and the Fantastic Indemnified Parties (including, for the avoidance of doubt, each member of the Board), to the extent set forth in clause 6 and clause 7.

16.12. Further action

Each party will do all things and execute all further documents necessary to give full effect to this deed.

16.13. Entire agreement

This deed supersedes all previous agreements, understandings, negotiations or deeds (other than the Confidentiality Deed and the Exclusivity and Process Letter) in respect of its subject matter and embodies the entire agreement between the parties.

16.14. Counterparts

- (a) This deed may be executed in any number of counterparts.
- (b) All counterparts, taken together, constitute one instrument.
- (c) A party may execute this deed by signing any counterpart.

Schedule 1

Bidder Representations and Warranties

Each of the Bidder and Bidco represents and warrants to Fantastic (in its own right and separately as trustee or nominee for each of the other Fantastic Indemnified Parties) that:

- (a) **Bidder Information:** the Bidder Information:
 - (i) will be prepared and included in the Scheme Booklet in good faith; and
 - (ii) will comply in all material respects with the requirements of the Corporations Act, Corporations Regulations, Listing Rules and relevant ASIC regulatory guides;
- (b) **Information provided to the Independent Expert:** all information provided by either of the Bidder or Bidco to the Independent Expert will be provided in good faith and on the understanding that the Independent Expert will rely on that information for the purposes of preparing the Independent Expert's Report for inclusion in the Scheme Booklet;
- (c) **Scheme Booklet:** the Bidder Information, as at the date of the Scheme Booklet, will not contain any statement which is materially misleading or deceptive, including by way of omission from that statement;
- (d) **Pre Bid shareholding:** as at the date of this deed, neither the Bidder nor any Associate of the Bidder has a Relevant Interest in any Fantastic Shares;
- (e) **New information:** it will, as a continuing obligation, provide to Fantastic all further or new information which arises after the date of the Scheme Booklet until the date of the Scheme Meeting which is necessary to ensure that the Bidder Information is not misleading or deceptive in any material respect (including because of any material omission);
- (f) **Validly existing:** it is, a validly existing corporation registered under the laws of its place of incorporation;
- (g) **Bidco:** Bidco is owned by the Bidder and has the corporate power to carry out the Transaction;
- (h) **Authority:** the execution and delivery of this deed has been properly authorised by all necessary corporate action of the Bidder and Bidco;
- (i) **Scheme Consideration:** as at the date of this deed it has a reasonable basis to expect that Bidco will by the Business Day prior to the Implementation Date have funds on the Business Day prior to the Implementation Date sufficient to perform its obligation, if the Scheme becomes Effective, to satisfy their payment obligations under the Scheme and the Deed Poll;
- (j) **Power:** it has full corporate power and lawful authority to execute, deliver and perform this deed and to consummate and perform or cause to be performed its obligations under this deed in accordance with its terms;
- (k) **Binding obligations:** (subject to laws generally affecting creditors' rights and the principles of equity) this deed constitutes legal, valid and binding obligations on it; and
- (l) **No default:** this deed does not conflict with or result in the breach of or a default under any provision of its constitution or any writ, order or injunction, judgment, law, rule or regulation to which it is party or subject or by which it is bound.

Schedule 2

Fantastic Representations and Warranties

Fantastic represents and warrants to Bidco (in its own right and separately as trustee or nominee for each of the other Bidder Indemnified Parties) that:

- (a) **Information in Scheme Booklet:** the information contained in the Scheme Booklet and any supplementary disclosure made to Fantastic Shareholders pursuant to this deed (in all cases, other than the Bidder Information and the Independent Expert's Report):
 - (i) will be prepared and included in the Scheme Booklet in good faith and on the understanding that the Bidder, Bidco and each other Bidder Indemnified Party will rely on that information for the purpose of determining to proceed with the Transaction;
 - (ii) will not be misleading or deceptive in any material respect (with any statement of belief or opinion having been formed on a reasonable basis), including by way of omission or otherwise; and
 - (iii) will comply in all material respects with the requirements of the Corporations Act, Corporations Regulations, Listing Rules and ASIC Regulatory Guide 60;
- (b) **Information provided to the Independent Expert:** all information provided by Fantastic to the Independent Expert will be provided in good faith and on the understanding that the Independent Expert will rely on that information for the purpose of preparing its report for inclusion in the Scheme Booklet;
- (c) **Scheme Booklet:** no information (other than the Bidder Information and the Independent Expert's Report) contained in the Scheme Booklet, as at the date of the Scheme Booklet, will contain any statement which is misleading or deceptive in any material respect (with any statement of belief or opinion having been formed on a reasonable basis), including by way of omission from that statement;
- (d) **New information:** it will, as a continuing obligation, ensure that the Scheme Booklet (but in respect of the Bidder Information, subject to Bidco complying with its obligations to update the Bidder Information) will be updated by all further or new information which may arise after the date of the Scheme Booklet until the Scheme Meeting which is necessary to ensure that the Scheme Booklet is not misleading or deceptive in any material respect (including because of any material omission) and will provide Bidco with all such information;
- (e) **Continuous disclosure:** Fantastic is not in breach of its continuous disclosure obligations under Listing Rule 3.1 and, other than in connection with this Transaction (including the Announcement), it is not relying on the carve-out in Listing Rule 3.1A to withhold any information from public disclosure;
- (f) **Disclosure Materials and Disclosure Letter:**
 - (i) the Disclosure Materials and the Disclosure Letter were prepared, and made available to the Bidder, Bidco and their respective Representatives in good faith; and
 - (ii) so far as the Board and each of the Senior Managers are aware, after diligent enquiry, Fantastic has not knowingly:
 - (A) included anything in any information provided in response to any requests for information made by the Bidder, Bidco or their respective Representatives (each a **Request**) that is materially false or misleading or omitted anything from any information provided in response to any Requests that would cause that information to be materially false or misleading;
 - (B) included anything materially false or misleading in the Disclosure Materials; or
 - (C) included anything in any information in the Disclosure Letter that is materially false or misleading or omitted anything from that information that would cause that information in the Disclosure Letter to be materially false or misleading.

ME_133686217_1 (W2013)

- (g) **Not Insolvent:** no Fantastic Group Member is Insolvent nor, so far as Fantastic is aware, has any regulatory action of any nature been taken that would prevent or restrict Fantastic's ability to fulfil its obligations under this deed;
- (h) **Change of control:** so far as the Board and each of the Senior Managers is aware, after due and diligent inquiry, there are no material agreements (other than leases or licences of real property) to which any Fantastic Group Member is a party which contain any change of control provisions that may be triggered by implementation of the Transaction;
- (i) **Change of control leases:** so far as the Board and each of the Senior Managers is aware, after due and diligent inquiry, there are no leases or licences of real property to which any Fantastic Group Member is a party which contain any change of control provision that may be triggered by implementation of the Transaction which are materially less favourable to a Fantastic Group Member to those disclosed;
- (j) **Judgements:** there is no judgment, injunction, order or decree binding on any Fantastic Group Member that has or would be likely to have the effect of prohibiting, materially restricting or materially impairing after the Effective Date any business of the Fantastic Group as it is conducted as at the date of this deed;
- (k) **Certain payments:** no Fantastic Group Member, nor, so far as the Board and any senior management of any Fantastic Group Member is aware after due and diligent inquiry, any officer, director, employee, agent or representative of any Fantastic Group Member has, directly or indirectly, in connection with the business of the Fantastic Group:
 - (i) made, offered or promised to make or offer any unlawful payment, loan or transfer of anything of value to or for the benefit of any government official, candidate for public office, political party or political campaign;
 - (ii) paid, offered or promised to make or offer any bribe, payoff, influence payment, kickback, unlawful rebate, or other similar unlawful payment of any nature;
 - (iii) made, offered or promised to make or offer any unlawful contributions, gifts, entertainment or other unlawful expenditures;
 - (iv) established or maintained any unlawful fund of corporate monies or other properties;
 - (v) created or caused the creation of any false or inaccurate books and records of any Fantastic Group Member in relation to any of the matters set out in paragraphs (i) to (iv) above; or
 - (vi) otherwise violated any provision of the Foreign Corrupt Practices Act of 1977, 15 U.S.C. § 78dd-1, et seq., the UK Bribery Act of 2010 or any other applicable anti-corruption or anti-bribery law;
- (l) **Validly existing:** it is a validly existing corporation registered under the laws of its place of incorporation;
- (m) **Authority:** the execution and delivery of this deed has been properly authorised by all necessary corporate action of Fantastic;
- (n) **Power:** Fantastic has full corporate power and lawful authority to execute and deliver this deed and to consummate and perform or cause to be performed its obligations under this deed in accordance with its terms;
- (o) **Binding obligations:** (subject to laws generally affecting creditors' rights and the principles of equity) this deed constitutes legal, valid and binding obligations on it;
- (p) **Capital structure:** its capital structure (including all issued securities) as at the date of this deed, is as set out in Schedule 3 and, as at the date of this deed, it has not issued or agreed to issue any other securities, options, performance rights or instruments which are still outstanding or which may convert into Fantastic Shares;

48

- (q) **No default:** this deed does not conflict with or result in the breach of or default under any provision of Fantastic's constitution or any writ, order or injunction, judgment, law, rule or regulation to which it is party or subject or by which it is bound; and
- (r) **Compliance:** each Fantastic Group Member has complied in all material respects with all Australian and foreign laws and regulations applicable to the Fantastic Group Member and orders of Government Agencies having jurisdiction over them.

ME_133686217_1 (W2013)

Schedule 3


Fantastic capital structure

103,257,398 fully paid ordinary shares

ME_133686217_1 (W2013)

Executed as a deed and delivered on the date shown on the first page:

SIGNED by)
Fantastic Holdings Limited)
(ABN 19 004 000 775))
in accordance with section 127 of the)
Corporations Act:)



Director/Secretary

JULIAN TERTINI
Name (please print)


Director

Peter BROWN
Name (please print)

SIGNED by)
Steinhoff Asia Pacific Group Holdings)
Pty Limited (ABN 21 612 890 874) in)
accordance with section 127 of the)
Corporations Act:)


Director

MICHAEL JONATHAN GORDON
Name (please print)


Director

TIMOTHY WILLIAM SCHAAFSMA
Name (please print)

SIGNED by)
Steinhoff Asia Pacific Holdings Pty)
Limited (ABN 44 105 828 957))
in accordance with section 127 of the)
Corporations Act:)


Director/Secretary

MICHAEL JONATHAN GORDON
Name (please print)


Director

TIMOTHY WILLIAM SCHAAFSMA
Name (please print)

Annexure A Indicative Timetable

Event	Target date
Announcement	Friday, 14 October 2016
Completion of due diligence investigations by the Bidder and Bidco	Friday, 14 October 2016
First complete draft of Scheme Booklet (including expert's report)	Friday, 14 October 2016
Scheme Booklet complete and provided to ASIC	Friday, 14 October 2016
First Court hearing	Wednesday, 2 November 2016
Mailing of Scheme Booklet complete	Monday, 7 November 2016
Scheme Meeting	Wednesday, 7 December 2016
Second Court hearing	Monday, 12 December 2016
Effective Date	Monday, 12 December 2016
Scheme Record Date	Wednesday, 14 December 2016
Implementation Date	Wednesday, 21 December 2016

ME_133686217_1 (W2013)

Annexure C

SCHEME OF ARRANGEMENT



Share scheme of arrangement

Fantastic Holdings Limited

(ABN 19 004 000 775)

Scheme Shareholders

Watson Mangioni Lawyers Pty Limited

Corporate and Commercial Lawyers
Level 23, 85 Castlereagh Street
SYDNEY NSW 2000
Tel: (02) 9262 6666
Fax: (02) 9262 2626
Email:
Ref: MGB 216 6109

ME_133686217_1 (W2013)

Table of Contents

1.	Definitions and Interpretation	1
2.	Agreement to proceed with the Transaction	9
3.	Conditions precedent and pre-implementation steps	9
4.	Transaction steps	13
5.	Implementation	14
6.	Representations and warranties	25
7.	Releases	26
8.	Public announcement	28
9.	Confidentiality	28
10.	No-talk and no-shop obligations	29
11.	Fantastic Break Fee	33
12.	Termination	35
13.	Guarantee by Bidder	37
14.	Duty, costs and expenses	39
15.	GST	39
16.	General	40
1.	Definitions and Interpretation	1
2.	Preliminary matters	4
3.	Conditions	4
4.	Implementation of this Scheme	5
5.	Scheme Consideration	5
6.	Dealings in Fantastic Shares	7
7.	Quotation of Fantastic Shares	8
8.	General Scheme provisions	8
9.	General	10
1.	Definitions and Interpretation	1
2.	Conditions to obligations	2
3.	Scheme obligations	2
4.	Warranties	3

ME_133686217_1 (W2013)

5.	Continuing obligations.....	3
6.	Notices	3
7.	General.....	5

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth).

Parties:

1. **Fantastic Holdings Limited** (ABN 19 004 000 775) of 62 Hume Highway, Chullora NSW 2190 (**Fantastic**);
2. The Scheme Shareholders.

1. Definitions and Interpretation

1.1. Definitions

In this Scheme:

ASIC means the Australian Securities and Investments Commission.

ASX means, as the context requires, ASX Limited (ACN 008 624 691) or the securities market conducted by it.

Bidco means Steinhoff Asia Pacific Holdings Pty Limited (ABN 44 105 828 957) of Level 4, 1 Epping Road, North Ryde, NSW 2113.

Bidder means Steinhoff Asia Pacific Group Holdings Pty Ltd (ABN 21 612 890 874) Level 4, 1 Epping Road, North Ryde, NSW 2113.

Business Day means a business day as defined in the Listing Rules.

CHES means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd and ASX Clear Pty Limited.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means a court of competent jurisdiction under the Corporations Act agreed to in writing by Fantastic and Bidco.

Deed Poll means a deed poll substantially in the form of Annexure A under which the Bidder and Bidco covenant in favour of the Scheme Shareholders to perform the obligations attributed to them under this Scheme.

Delivery Time means, in relation to the Second Court Date, the time being 2 hours before the commencement of the hearing of the Court on the Second Court Date.

Effective means, when used in relation to this Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to this Scheme.

Effective Date means the date on which this Scheme becomes Effective.

End Date means 10 March 2017 or such other date as is agreed in writing between Bidco and Fantastic.

Fantastic Registry means Computershare Investor Services Pty Limited (ACN 078 279 277).

Fantastic Share means a fully paid ordinary share in the capital of Fantastic.

Fantastic Shareholder means each person who is registered in the Share Register as the holder of Fantastic Shares.

Government Agency means any government or any governmental, semi-governmental, statutory or judicial entity, agency or authority, whether in Australia, or elsewhere, including any self-regulatory

organisation established under statute or otherwise discharging substantially public or regulatory functions, and the ASX or any other stock exchange.

Implementation Deed means the scheme implementation deed dated 13 October 2016 between Fantastic, the Bidder and Bidco relating to the implementation of this Scheme.

Implementation Date means the fifth Business Day after the Scheme Record Date or such other date as agreed in writing by Bidco and Fantastic.

Listing Rules means the official listing rules of the ASX.

Registered Address means in relation to a Fantastic Shareholder, the address shown in the Share Register.

Related Bodies Corporate means has the meaning given in section 9 of the Corporations Act and includes any body corporate that would be a related body corporate for the purposes of the Corporations Act if section 48(2) of the Corporations Act was omitted.

Scheme means this scheme of arrangement under Part 5.1 of the Corporations Act between Fantastic and the Scheme Shareholders subject to any alterations or conditions:

- (a) agreed to in writing by the Bidder, Bidco and Fantastic and approved by the Court; or
- (b) made or required by the Court under section 411(6) of the Corporations Act and agreed to by the Bidder, Bidco and Fantastic.

Scheme Consideration means the cash consideration to be provided to each Scheme Shareholder for the transfer to Bidco of each Scheme Share, being the amount of \$3.50 for each Scheme Share held by each Scheme Shareholder, in accordance with clause 4.3 of the Implementation Deed and the terms of this Scheme.

Scheme Meeting means the meeting of Fantastic Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act at which Fantastic Shareholders will vote on this Scheme.

Scheme Record Date means 7.00pm on the fifth Business Day after the Effective Date or such other date as agreed in writing by Bidco and Fantastic.

Scheme Share means a Fantastic Share held by a Scheme Shareholder as at the Scheme Record Date.

Scheme Shareholder means Fantastic Shareholders as at the Scheme Record Date.

Scheme Transfer means a duly completed and executed proper instrument of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, in favour of Bidco as transferee, which may be a master transfer of all or part of the Scheme Shares.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving this Scheme is heard (or if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard).

Share Register means the register of members of Fantastic maintained in accordance with the Corporations Act.

Subsidiary means has the meaning given in Division 6 of Part 1.2 of the Corporations Act.

1.2. Interpretation

In this Scheme:

- (a) headings and bold type are for convenience only and do not affect the interpretation of this Scheme;
- (b) the singular includes the plural and the plural includes the singular;
- (c) words of any gender include all genders;
- (d) other parts of speech and grammatical forms of a word or phrase defined in this Scheme have a corresponding meaning;
- (e) a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency as well as an individual;
- (f) a reference to a clause, party, part, schedule, attachment or exhibit is a reference to a clause or part of, and a party, schedule, attachment or exhibit to, this Scheme;
- (g) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them;
- (h) a reference to a document (including this Scheme) includes all amendments or supplements to, or replacements or novations of, that document;
- (i) a reference to '\$', 'A\$' or 'dollar' is to Australian currency unless denominated otherwise;
- (j) a reference to any time is a reference to that time in Sydney, Australia;
- (k) a term defined in or for the purposes of the Corporations Act has the same meaning when used in this Scheme;
- (l) a reference to a party to a document includes that party's successors and permitted assignees;
- (m) no provision of this Scheme will be construed adversely to a party because that party was responsible for the preparation of this Scheme or that provision;
- (n) any agreement, representation, warranty or indemnity by two or more parties (including where two or more persons are included in the same defined term) binds them jointly and severally;
- (o) any agreement, representation, warranty or indemnity in favour of two or more parties (including where two or more persons are included in the same defined term) is for the benefit of them jointly and severally; and
- (p) a reference to a body, other than a party to this Scheme (including an institute, association or authority), whether statutory or not:
 - (i) which ceases to exist; or
 - (ii) whose powers or functions are transferred to another body,
 is a reference to the body which replaces it or which substantially succeeds to its powers or functions.

1.3. Interpretation of inclusive expressions

Specifying anything in this Scheme after the words 'include' or 'for example' or similar expressions does not limit what else is included.

1.4. Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

1.5. Scheme components

This Scheme includes any schedule to it.

2. Preliminary matters

- (a) Fantastic is a public company limited by shares incorporated in Australia and registered in New South Wales, Australia, and has been admitted to the official list of the ASX. Fantastic Shares are quoted for trading on the ASX.
- (b) As at the Second Court Date 103,257,398 Fantastic Shares were on issue.
- (c) The Bidder is a proprietary company limited by shares incorporated in Australia and registered in Victoria, Australia.
- (d) Bidco is a proprietary company limited by shares, incorporated in Australia and registered in Victoria, Australia.
- (e) If this Scheme becomes Effective:
 - (i) in consideration of the transfer of the Scheme Shares, Bidco will, and the Bidder unconditionally and irrevocably guarantees the obligation of Bidco to, provide or procure the provision of the Scheme Consideration to Scheme Shareholders in accordance with the terms of this Scheme and the Deed Poll;
 - (ii) all the Scheme Shares, and all the rights and entitlements attaching to them as at the Implementation Date, will be transferred to Bidco; and
 - (iii) Fantastic will enter the name of Bidco in the Share Register in respect of the Scheme Shares.
- (f) Fantastic, the Bidder and Bidco have agreed, by executing the Implementation Deed, to implement this Scheme.
- (g) This Scheme attributes actions to the Bidder and Bidco but does not itself impose an obligation on them to perform those actions. The Bidder and Bidco have agreed, by executing the Deed Poll, to perform the actions attributed to them under this Scheme, including the providing or procuring the provision of the Scheme Consideration to the Scheme Shareholders.

3. Conditions

3.1. Conditions precedent

This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) all the conditions precedent in clause 3.1 of the Implementation Deed (other than the condition precedent in clause 3.1(b) of the Implementation Deed relating to Court approval of this Scheme) having been satisfied or waived in accordance with the terms of the Implementation Deed by the Delivery Time;
- (b) neither the Implementation Deed nor the Deed Poll having been terminated in accordance with their terms before the Delivery Time;

- (c) approval of this Scheme by the Court under section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under section 411(6) of the Corporations Act and agreed to by the Bidder, Bidco and Fantastic;
- (d) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to this Scheme and agreed to by the Bidder, Bidco and Fantastic; and
- (e) the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act approving this Scheme coming into effect, pursuant to section 411(10) of the Corporations Act, on or before the End Date (or any later date Bidco and Fantastic agree).

3.2. Certificate

- (a) Fantastic and Bidco will provide to the Court on the Second Court Date a certificate, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent in clauses 3.1(a) and 3.1(b) have been satisfied or waived.
- (b) The certificate referred to in clause 3.2(a) constitutes conclusive evidence that such conditions precedent are satisfied, waived or taken to be waived.

4. Implementation of this Scheme

4.1. Lodgement of Court orders with ASIC

Fantastic will lodge with ASIC, in accordance with section 411(10) of the Corporations Act, an office copy of the Court order approving this Scheme as soon as possible and in any event by 5.00pm on the first Business Day after the day on which the Court approves this Scheme.

4.2. Transfer of Scheme Shares

On the Implementation Date:

- (a) subject to the provision of the Scheme Consideration in the manner contemplated by clause 5, the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, will be transferred to Bidco, without the need for any further act by any Scheme Shareholder (other than acts performed by Fantastic as attorney and agent for Scheme Shareholders under clause 8.5), by:
 - (i) Fantastic delivering to Bidco a duly completed Scheme Transfer, executed on behalf of the Scheme Shareholders by Fantastic, for registration; and
 - (ii) Bidco duly executing the Scheme Transfer, attending to the stamping of the Scheme Transfer (if required) and delivering it to Fantastic for registration; and
- (b) immediately following receipt of the Scheme Transfer in accordance with clause 4.2(a)(ii), Fantastic must enter, or procure the entry of, the name of Bidco in the Share Register in respect of all the Scheme Shares transferred to Bidco in accordance with this Scheme.

5. Scheme Consideration

5.1. Provision of Scheme Consideration

- (a) Bidco must, the Bidder unconditionally and irrevocably guarantees the obligation of Bidco to, and Fantastic must, use best endeavours to procure that Bidco shall, by no later than the Business Day before the Implementation Date, deposit in cleared funds an amount equal to the aggregate amount of the Scheme Consideration payable to each Scheme Shareholder, in an Australian dollar denominated trust account operated by Fantastic as trustee for the Scheme Shareholders and for the purposes of sending the aggregate Scheme Consideration to Scheme

Shareholders (provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to Bidco's account).

- (b) On the Implementation Date, subject to funds having been deposited in accordance with clause 5.1(a), Fantastic must pay or procure the payment of the Scheme Consideration to each Scheme Shareholder from the trust account referred to in clause 5.1(a).
- (c) The obligations of Fantastic under clause 5.1(b) will be satisfied by Fantastic (in its absolute discretion):
 - (i) where a Scheme Shareholder has, before the Scheme Record Date, made a valid election in accordance with the requirements of the Fantastic Registry to receive dividend payments from Fantastic by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election; or
 - (ii) otherwise, whether or not the Scheme Shareholder has made an election referred to in clause 5.1(c)(i), dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Scheme Shareholder by prepaid post to their Registered Address (as at the Scheme Record Date), such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.2).
- (d) To the extent that, following satisfaction of Fantastic's obligations under clause 5.1(b), there is a surplus in the amount held by Fantastic as trustee for the Scheme Shareholders in the trust account referred to in that clause, that surplus may be paid by Fantastic to Bidco.

5.2. Joint holders

In the case of Scheme Shares held in joint names:

- (a) subject to clause 5.1(c), the Scheme Consideration is payable to the joint holders and any cheque required to be sent under this Scheme will be made payable to the joint holders and sent to the holder whose name appears first in the Share Register as at the Scheme Record Date; and
- (b) any other document required to be sent under this Scheme, will be forwarded to the holder whose name appears first in the Share Register as at the Scheme Record Date.

5.3. Unclaimed monies

Fantastic may cancel a cheque issued and despatched under this clause 5 if the cheque (**Unclaimed Consideration**):

- (a) is returned to Fantastic; or
- (b) has not been presented for payment within six months after the date on which the cheque was sent,

and in each case:

- (c) Fantastic must deal with the Unclaimed Consideration in accordance with any applicable unclaimed moneys legislation; and
- (d) subject to Fantastic complying with its obligations under clause 5.3(c), Fantastic is discharged from liability to any Scheme Shareholder on respect of the Unclaimed Consideration.

5.4. Orders of a court

If at any time prior to the Implementation Date:

- (a) written notice is given to Fantastic (or the Fantastic Registry) of an order or direction made by a court of competent jurisdiction or by another Government Agency that requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable to that Scheme Shareholder by Fantastic in accordance with this clause 5, then Fantastic shall be entitled to procure that payment is made in accordance with that order or direction; or
- (b) written notice is given to Fantastic (or the Fantastic Registry) of an order or direction made by a court of competent jurisdiction or by another Government Agency that prevents Fantastic from making a payment by Fantastic to any particular Scheme Shareholder in accordance with clause 5.1(c), or such payment is otherwise prohibited by applicable law, Fantastic shall be entitled to retain an amount, in Australian dollars, equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Scheme Consideration until such time as payment in accordance with this clause 5 is permitted by that order or direction or otherwise by law.

6. Dealings in Fantastic Shares

6.1. Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in Fantastic Shares or other alterations to the Share Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Share Register as the holder of the relevant Fantastic Shares on or before the Scheme Record Date; and
- (b) in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received on or before the Scheme Record Date at the place where the Share Register is kept,

and Fantastic will not accept for registration, nor recognise for any purpose (except a transfer to Bidco pursuant to this Scheme and any subsequent transfer by Bidco or its successors in title), any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate.

6.2. Register

- (a) Fantastic must register registrable transmission applications or transfers of the Scheme Shares in accordance with clause 6.1(b) on or before the Scheme Record Date provided that, for the avoidance of doubt, nothing in this clause 6.2(a) requires Fantastic to register a transfer that would result in a Fantastic Shareholder holding a parcel of Fantastic Shares that is less than a 'marketable parcel' (for the purposes of this clause 6.2(a) 'marketable parcel' has the meaning given in the Operating Rules of the ASX).
- (b) If this Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of or purport or agree to dispose of, any Scheme Shares or any interest in them after the Scheme Record Date otherwise than pursuant to this Scheme, and any attempt to do so will have no effect and Fantastic shall be entitled to disregard any such disposal.
- (c) For the purpose of determining entitlements to the Scheme Consideration, Fantastic must maintain the Share Register in accordance with the provisions of this clause 6.2 until the Scheme Consideration has been paid to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Scheme Consideration.

- (d) All statements of holding for Fantastic Shares will cease to have effect after the Scheme Record Date as documents of title in respect of those shares and, as from the Scheme Record Date, each entry current as at the Scheme Record Date on the Share Register will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Fantastic Shares relating to that entry.
- (e) As soon as possible on or after the Scheme Record Date, and in any event within one Business Day after the Scheme Record Date, Fantastic will ensure that a copy of the Share Register as at the Scheme Record Date, including details of the names, Registered Addresses and holdings of Fantastic Shares for each Scheme Shareholder as shown in the Share Register, are available to Bidco and the Bidder in the form Bidco and the Bidder reasonably require.

7. Quotation of Fantastic Shares

- (a) Fantastic will apply to ASX to suspend trading on the ASX in Fantastic Shares with effect from the close of trading on the Effective Date.
- (b) On a date after the Implementation Date to be determined by Bidco, Fantastic will apply:
 - (i) for termination of the official quotation of Fantastic Shares on the ASX; and
 - (ii) to have itself removed from the official list of the ASX.

8. General Scheme provisions

8.1. Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

- (a) Fantastic may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which Bidco has consented; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions which counsel for Fantastic has consented to and to which the Bidder and Bidco have agreed to.

8.2. Scheme Shareholders' agreements and warranties

- (a) Each Scheme Shareholder:
 - (i) agrees to the transfer of their Fantastic Shares together with all rights and entitlements attaching to those Fantastic Shares in accordance with this Scheme;
 - (ii) agrees to the variation, cancellation or modification of the rights attached to their Fantastic Shares constituted by or resulting from this Scheme; and
 - (iii) agrees and acknowledges that this Scheme binds Fantastic and all Scheme Shareholders (including those who do not attend the Scheme Meeting or those who do not vote, or vote against this Scheme, at the Scheme Meeting).
- (b) Each Scheme Shareholder is taken to have warranted to Fantastic and Bidco, and appointed and authorised Fantastic as its attorney and agent to warrant to Bidco, that:
 - (i) all their Fantastic Shares (including any rights and entitlements attaching to those shares) which are transferred under this Scheme will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, whether legal or equitable;

ME_133686217_1 (W2013)

- (ii) it has no existing right to be issued any Fantastic Shares, securities convertible into Fantastic Shares or which carry a right to be issued or transferred any Fantastic Shares, any convertible notes issued by Fantastic or any other Fantastic securities; and
 - (iii) that they have full power and capacity to sell and transfer their Fantastic Shares to Bidco together with any rights attaching to those shares.
- (c) Fantastic undertakes that it will provide each warranty in clause 8.2(b) to Bidco as agent and attorney of each Scheme Shareholder.

8.3. Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme to Bidco will, at the time of transfer of them to Bidco, vest in Bidco free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise and free from any restrictions on transfer of any kind.
- (b) Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clause 5, Bidco will be beneficially entitled to the Scheme Shares to be transferred to it under this Scheme pending registration by Fantastic of Bidco in the Share Register as the holder of the Scheme Shares.

8.4. Appointment of sole proxy

Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clause 5, and until Fantastic registers Bidco as the holder of all Scheme Shares in the Share Register, each Scheme Shareholder:

- (a) is deemed to have appointed Bidco as attorney and agent (and directed Bidco in each such capacity) to appoint any director, officer, secretary or agent nominated by Bidco as its sole proxy and, where applicable or appropriate, corporate representative to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in their name and sign any shareholders' resolution;
- (b) may itself attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to this clause 8.4(a));
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as Bidco reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 8.4(a), Bidco and any director, officer, secretary or agent nominated by Bidco under clause 8.4(a) may act in the best interests of Bidco as the intended registered holder of the Scheme Shares.

8.5. Authority given to Fantastic

Each Scheme Shareholder, without the need for any further act:

- (a) on the Scheme becoming Effective, irrevocably appoints Fantastic and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of enforcing the Deed Poll against the Bidder and Bidco, and Fantastic undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against the Bidder and Bidco on behalf of and as agent and attorney for Scheme Shareholders; and
- (b) on the Scheme becoming Effective, irrevocably appoints Fantastic and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of executing any document or doing or taking any other act, necessary, desirable or

expedient to give effect to this Scheme and the transactions contemplated by it, including (without limitation) executing the Scheme Transfer,

and Fantastic accepts each such appointment. Fantastic as attorney and agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 8.5 to all or any of its directors, officers or employees (jointly, severally or jointly and severally).

8.6. Binding effect of Scheme

This Scheme binds Fantastic and all of the Scheme Shareholders (including those who did not attend the meeting of Fantastic Shareholders to vote on this Scheme, did not vote at that meeting, or voted against this Scheme at that meeting) and, to the extent of any inconsistency, overrides the constitution of Fantastic.

9. General

9.1. Stamp duty

Bidco will (and the Bidder will procure that Bidco will):

- (a) pay all stamp duty (if any) and any related fines and penalties in respect of this Scheme and the Deed Poll, the performance of the Deed Poll and each transaction effected by or made under or in connection with this Scheme and the Deed Poll; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 9.1.

9.2. Consent

Each of the Scheme Shareholders consents to Fantastic doing all things necessary or incidental to the implementation of this Scheme.

9.3. Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Fantastic, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Fantastic's registered office or at the office of the Fantastic Registry.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a Fantastic Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9.4. Governing law

- (a) This Scheme is governed by the laws in force in New South Wales, Australia.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in New South Wales and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

9.5. Further action

Fantastic must do all things and execute all documents necessary or expedient to give full effect to this Scheme and the transactions contemplated by it.

9.6. No liability when acting in good faith

Neither Fantastic, the Bidder nor Bidco nor any director, officer or secretary of Fantastic, the Bidder or Bidco will be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

Annexure **D**

DEED POLL



Deed Poll

Steinhoff Asia Pacific Group Holdings Pty Limited
(ABN 22 612 890 874)

Steinhoff Asia Pacific Holdings Pty Limited
(ABN 44 105 828 957)

Watson Mangioni Lawyers Pty Limited
Corporate and Commercial Lawyers
Level 23, 85 Castlereagh Street
SYDNEY NSW 2000
Tel: (02) 9262 6666
Fax: (02) 9262 2626
Email:
Ref: MGB 216 6109

ME_133686217_1 (W2013)

Table of Contents

1.	Definitions and Interpretation	1
2.	Agreement to proceed with the Transaction	9
3.	Conditions precedent and pre-implementation steps	9
4.	Transaction steps	13
5.	Implementation	14
6.	Representations and warranties	25
7.	Releases	26
8.	Public announcement	28
9.	Confidentiality	28
10.	No-talk and no-shop obligations	29
11.	Fantastic Break Fee	33
12.	Termination	35
13.	Guarantee by Bidder	37
14.	Duty, costs and expenses	39
15.	GST	39
16.	General	40
1.	Definitions and Interpretation	1
2.	Preliminary matters	4
3.	Conditions	4
4.	Implementation of this Scheme	5
5.	Scheme Consideration	5
6.	Dealings in Fantastic Shares	7
7.	Quotation of Fantastic Shares	8
8.	General Scheme provisions	8
9.	General	10
1.	Definitions and Interpretation	1
2.	Conditions to obligations	2
3.	Scheme obligations	2

ME_133686217_1 (W2013)

4.	Warranties	3
5.	Continuing obligations	3
6.	Notices	3
7.	General.....	5

Deed made as a deed poll on

2016

Made By

1. **Steinhoff Asia Pacific Group Holdings Pty Ltd** (ABN 21 612 890 874) of Level 4, 1 Epping Road, North Ryde, NSW 2113 (**Bidder**);
2. **Steinhoff Asia Pacific Holdings Pty Limited** (ABN 44 105 828 957) of Level 4, 1 Epping Road, North Ryde, NSW 2113 (**Bidco**).

In favour of each person registered as a holder of one or more Scheme Shares (**Scheme Shareholders**).

Recitals:

- A. Fantastic, the Bidder and Bidco entered into the Implementation Deed.
- B. In the Implementation Deed, the Bidder and Bidco agreed to enter into this deed poll.
- C. The Bidder and Bidco are entering into this deed poll for the purpose of covenanting in favour of the Scheme Shareholders to perform their respective obligations under the Scheme.
- D. The effect of the Scheme will be that the Scheme Shares, together with all rights and entitlements attached to them, will be transferred to Bidco in exchange for the Scheme Consideration.

1. Definitions and Interpretation

1.1. Definitions

In this deed poll:

Fantastic means Fantastic Holdings Limited (ABN 19 004 000 775) of 62 Hume Highway, Chullora NSW 2190.

First Court Date means the first day on which an application made to the Court for orders under section 411(1) of the Corporations Act directing Fantastic to convene the Scheme Meeting to consider the Scheme is heard (or if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard).

Implementation Deed means the scheme implementation deed dated 13 October 2016 between Fantastic, the Bidder and Bidco relating to the implementation of the Scheme.

Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between Fantastic and the Scheme Shareholders, substantially in the form of Schedule 1, subject to any alterations or conditions:

- (a) agreed to in writing by the Bidder, Bidco and Fantastic and approved by the Court; or
- (b) made or required by the Court under section 411(6) of the Corporations Act and agreed to by Bidco, the Bidder and Fantastic.

Unless the context otherwise requires, terms defined in the Scheme have the same meaning when used in this deed poll.

1.2. Interpretation

Clauses 1.2, 1.3, 1.4 and 1.5 of the Scheme apply to the interpretation of this deed poll, except that references to 'this Scheme' in those clauses are to be read as references to 'this deed poll'.

1.3. Nature of deed poll

The Bidder and Bidco acknowledge that:

- (a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it; and
- (b) under the Scheme, each Scheme Shareholder irrevocably appoints Fantastic and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of enforcing this deed poll against the Bidder and Bidco.

2. Conditions to obligations

2.1. Conditions

This deed poll and the obligations of the Bidder and Bidco under this deed poll are subject to the Scheme becoming Effective.

2.2. Termination

This deed poll and the obligations of the Bidder and Bidco under this deed poll will automatically terminate and this deed poll will be of no force or effect if:

- (a) the Implementation Deed is terminated in accordance with its terms; or
- (b) the Scheme is not Effective by the End Date or any later date as the Court, with the consent of Fantastic, the Bidder and Bidco, may order.

2.3. Consequences of termination

If this deed poll is terminated under clause 2.2, in addition and without prejudice to any other rights, powers or remedies available to each of them:

- (a) the Bidder and Bidco are released from their obligations to further perform this deed poll; and
- (b) each Scheme Shareholder retains the rights they have against the Bidder and Bidco in respect of any breach of this deed poll which occurred before it was terminated.

3. Scheme obligations

3.1. Undertaking to pay Scheme Consideration

Subject to clause 2, Bidco undertakes in favour of each Scheme Shareholder, and the Bidder undertakes in favour of each Scheme Shareholder unconditionally and irrevocably to guarantee the undertakings and obligations of Bidco, to:

- (a) by no later than the Business Day before the Implementation Date, deposit, or procure the deposit of, in cleared funds, an amount equal to the aggregate amount of the Scheme Consideration payable to each Scheme Shareholder, into an Australian dollar denominated trust account operated by Fantastic as trustee for the Scheme Shareholders and for the purposes of sending the aggregate Scheme Consideration to Scheme Shareholders (provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to Bidco's account); and
- (b) undertake all other actions attributed to it under the Scheme,

subject to and in accordance with the provisions of the Scheme.

4. Warranties

Each of the Bidder and Bidco represents and warrants, in respect of itself only, that:

- (a) it is a corporation validly existing under the laws of its place of registration;
- (b) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) this deed poll is valid and binding on it and enforceable against it in accordance with the terms of this deed poll; and
- (e) this deed poll does not conflict with, or result in the breach of or default under, any provision of its constitution, or any writ, order or injunction, judgment, law, rule or regulation to which it is a party or subject or by which it is bound.

5. Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) the Bidder and Bidco have fully performed their obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 2.

6. Notices

6.1. Form of Notice

A notice or other communication in respect of this deed poll (**Notice**) must be:

- (a) in writing and in English and signed by or on behalf of the sending party; and
- (b) addressed to the Bidder and Bidco in accordance with the details set out below (or any alternative details nominated by the Bidder or Bidco by Notice).
 - (i) **if to Fantastic:**

Address:	62 Hume Highway Chullora, NSW 2190
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Attention:	Brian Cassell
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Fax:	+61 2 8717 2660
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Email:	bcassell@fantasticholdings.com.au
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With a copy to Watson Mangioni Lawyers Pty Ltd:

Address:	Level 23, 85 Castlereagh Street Sydney NSW 2000
Attention:	Michael Beaumont
Fax:	+61 2 9262 6666
Email:	mbeaumont@wmlaw.com.au

(ii) **if to the Bidder or Bidco:**

Address:	Level 4, 1 Epping Road, North Ryde, NSW 2113
Attention:	Mr Tim Schaafsma
Fax:	+ 61 2 9882 9078
Email:	tim_schaafsma@steinhoff.com.au.

With a copy to MinterEllison:

Address:	Level 39, Governor Macquarie Tower, 1 Farrer Place Sydney NSW 2000
Attention:	Con Boulougouris
Fax:	+61 2 9921 8368
Email:	c.boulougouris@minterellison.com

or as specified to the sender by the other party by notice;

6.2. How Notice must be given and when Notice is received

- (a) A Notice must be given by one of the methods set out in the table below.
- (b) A Notice is regarded as given and received at the times set out in the table below.
- (c) However, if this means the Notice would be regarded as given and received outside the period between 9.00am and 5.00pm (addressee's time) on a Business Day (**business hours period**), then the Notice will instead be regarded as given and received at the start of the following business hours period.

Method of giving Notice	When Notice is regarded as given and received
By hand to the nominated address	When delivered to the nominated address
By pre-paid post to the nominated address	At 9.00am (addressee's time) on the second Business Day after the date of posting

Method of giving Notice	When Notice is regarded as given and received
By fax to the nominated fax number	At the time indicated by the sending party's transmission equipment as at the time that the fax was sent in its entirety. However, if the recipient party informs the sending party within 4 hours after that time that the fax transmission was illegible or incomplete, then the Notice will not be regarded as given or received. When calculating this 4 hour period, only time within a business hours period is to be included.
By email to the nominated email address	When sent by the sending party to the recipient party's email address (unless the sending party receives a delivery failure notification indicating that the email has not been delivered to the recipient party).

7. General

7.1. Stamp duty

Bidco will (and the Bidder will procure that Bidco will):

- (a) pay all stamp duty (if any) and any related fines and penalties in respect of the Scheme and this deed poll, the performance of this deed poll and each transaction effected by or made under or in connection with the Scheme and this deed poll; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 7.1(a).

7.2. Governing law and jurisdiction

- (a) This deed poll is governed by the laws in force in New South Wales, Australia.
- (b) The Bidder and Bidco irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in New South Wales and courts of appeal from them in respect of any proceedings arising out of or in connection with this deed poll. The Bidder and Bidco irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

7.3. Waiver

- (a) The Bidder and Bidco may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.
- (b) No Scheme Shareholder may rely on words or conduct of the Bidder or Bidco as a waiver of any right unless the waiver is in writing and signed by the Bidder and Bidco.
- (c) The meanings of the terms used in this clause 7.3 are set out below.

Term	Meaning
conduct	includes delay in the exercise of a right.
right	any right arising under or in connection with this deed and includes the right to rely on this clause.
waiver	includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

7.4. Variation

A provision of this deed poll may not be varied unless:

- (a) if before the Second Court Date, the variation is agreed to by Fantastic; or
- (b) if on or after the Second Court Date, the variation is agreed to by Fantastic and is approved by the Court,

in which event the Bidder and Bidco will enter into a further deed poll in favour of the Scheme Shareholders giving effect to the variation.

7.5. Cumulative rights

The rights, powers and remedies of the Bidder, Bidco and the Scheme Shareholders under this deed poll are cumulative with, and do not exclude, any other rights, powers or remedies provided by law independently of this deed poll.

7.6. Assignment

- (a) The rights created by this deed poll are personal to the Bidder, Bidco and each Scheme Shareholder and must not be dealt with at law or in equity without the prior written consent of the Bidder and Bidco.
- (b) Any purported dealing in contravention of clause 7.6(a) is invalid.

7.7. Joint and several obligations

The Bidder and Bidco are jointly and severally liable for each obligation imposed on both of them by the terms of this deed poll.

7.8. Further action

The Bidder and Bidco must, at their own expense, do all things and execute all documents necessary to give full effect to this deed poll and the transactions contemplated by it.

Schedule 1

Scheme of Arrangement

ME_133686217_1 (W2013)

Executed as a Deed Poll on the date shown on the first page.

SIGNED by)
Steinhoff Asia Pacific Group Holdings)
Pty Ltd (ABN21 612 890 874))
 in accordance with section 127 of the)
 Corporations Act:)

 Director/Secretary

 Director

 Name (please print)

 Name (please print)

SIGNED by)
Steinhoff Asia Pacific Holdings Pty)
Limited (ABN 44 105 828 957))
 in accordance with section 127 of the)
 Corporations Act:)

 Director/Secretary

 Director

 Name (please print)

 Name (please print)

Annexure

NOTICE OF SCHEME MEETING

NOTICE OF SCHEME MEETING

Notice of Scheme Meeting

Fantastic Holdings Limited ABN 19 004 000 775 (Fantastic)

Notice is hereby given that, by an order of the Federal Court of Australia made 3 November 2016, pursuant to subsection 411(1) of the Corporations Act, a meeting of Fantastic Shareholders will be held Wednesday, 7 December 2016 at Rydges Bankstown, 874 Hume Highway (corner of Hume Highway and Strickland Street), Bass Hill NSW 2197, commencing at 10.00am (AEDT).

Purpose of the meeting

The purpose of the meeting is to consider and, if thought fit, to agree to a scheme of arrangement (with or without any alterations or conditions required by the Court to which Fantastic, Steinhoff Asia Pacific and Steinhoff Asia Pacific Holdings agree) proposed to be made between Fantastic and Fantastic Shareholders (the **Scheme**).

A copy of the Scheme and a copy of the explanatory statement required by Section 412 of the Corporations Act in relation to the Scheme are contained in the Scheme Booklet, of which this notice forms part.

Resolution

The meeting will be asked to consider and, if thought fit, pass the following Resolution:

'That, pursuant to and in accordance with the provisions of Section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between Fantastic Holdings Limited and the holders of its ordinary shares, as contained in and more particularly described in the Scheme Booklet of which the notice convening this meeting forms part, is approved, with or without alterations or conditions as approved by the Federal Court of Australia to which Fantastic Holdings Limited, Steinhoff Asia Pacific and Steinhoff Asia Pacific Holdings agree.'

Chairman

The Court has directed that Mr Julian Tertini is to act as chairman of the meeting (and that, if Mr Julian Tertini is unable or unwilling to attend, Mr John Hughes is to act as chairman of the meeting) and has directed the chairman to report the result of the Resolution to the Court.

Dated 3 November 2016

By order of the Court and the Directors



Brian Cassell
Company Secretary

EXPLANATORY NOTES

1. General

This notice should be read in conjunction with the Scheme Booklet of which it forms part. The Scheme Booklet contains important information to assist you in determining how to vote on the Resolution.

A copy of the Scheme is set out in Annexure C of the Scheme Booklet.

Capitalised terms used but not defined in this notice have the defined meanings set out in Section 11 of the Scheme Booklet, unless the context otherwise requires.

2. Shareholder approval

For the proposed Scheme to be binding in accordance with Section 411 of the Corporations Act, the Resolution must be agreed to by:

- unless the Court orders otherwise, a majority in number of Fantastic Shareholders present and voting (either in person or by proxy, attorney or, in the case of corporate Fantastic Shareholders, body corporate representative) at the Scheme Meeting; and
- at least 75% of the votes cast on the Resolution (either in person or by proxy, attorney or, in the case of corporate Fantastic Shareholders, body corporate representative).

3. Court approval

Under paragraph 411(4)(b) of the Corporations Act, the Scheme (with or without any alteration or condition required by the Court) is subject to the approval of the Court. If the Resolution put to the Scheme Meeting is passed by the requisite majorities and the other Conditions Precedent to the Scheme (other than approval by the Court) are satisfied or waived by the time required under the Scheme, Fantastic intends to apply to the Court for the necessary orders to give effect to the Scheme.

In order for the Scheme to become Effective, it must be approved by the Court and an office copy of the orders must be lodged with ASIC.

4. Entitlement to vote

Under Section 411 of the Corporations Act and all other enabling powers, the Court has determined that the time for determining eligibility to vote at the Scheme Meeting is 7.00pm (AEDT) on Monday, 5 December 2016. Only those Fantastic Shareholders entered on the Share Register at that time will be entitled to attend and vote at the meeting, either in person, by proxy or attorney, or in the case of a corporate Fantastic Shareholder, by a body corporate representative. The remaining comments in these explanatory notes are addressed to Fantastic Shareholders entitled to attend and vote at the meeting.

5. How to vote

Voting will be conducted by poll. If you are a Fantastic Shareholder entitled to vote at the meeting, you may vote by:

- attending and voting in person;
- appointing one or two proxies to attend and vote on your behalf, using the proxy form that accompanied this Scheme Booklet;
- appointing an attorney to attend and vote on your behalf, using a power of attorney; or
- in the case of a body corporate, appointing a body corporate representative to attend the meeting and vote on your behalf, using a certificate of appointment of body corporate representative.

6. Attendance

If you or your proxies, attorneys or representative(s) plan to attend the meeting, please arrive at the venue at least 30 minutes before the scheduled time for commencement of the meeting, so that your shareholding can be checked against the Share Register, any power of attorney or certificate of appointment of body corporate representative verified, and your attendance noted.

7. Jointly held securities

If you hold Fantastic Shares jointly with one or more other persons, only one of you may vote. If more than one of you attempts to vote in person at the meeting, only the vote of the holder whose name appears first on the Share Register will be counted.

8. Voting

8.1. Voting in person

To vote in person, you must attend the meeting.

Eligible Fantastic Shareholders who wish to attend and vote at the meeting in person will be admitted and given a voting card at the point of entry to the meeting, once they have disclosed their name and address.

8.2. Voting by proxy

You may appoint one or two proxies. Your proxy need not be another Fantastic Shareholder. Each proxy will have the right to vote on the poll and also to speak at the meeting.

To appoint a proxy, you should complete and return the proxy form that accompanied this Scheme Booklet in accordance with the instructions on that form. The signed and completed proxy form must be received by the Fantastic Registry by 10.00am (AEDT) on Monday, 5 December 2016 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the following ways:

(a) Online:

By lodging a proxy online at www.investorvote.com.au or www.intermediaryonline.com (for custodians that use Intermediary Online only)

(b) by post in the provided reply paid envelope to the Fantastic Registry:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001

(c) by hand delivery to the Fantastic Registry:

Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney, NSW, 2000
Australia

(d) by fax to the Fantastic Registry on:

1800 783 447 (within Australia); or
+61 3 9473 2555 (outside Australia).

Proxy forms received after this time will be invalid.

If a proxy form is completed under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed proxy form unless the power of attorney or other authority has previously been noted by the Fantastic Registry.

A vote given in accordance with the terms of a proxy appointment is valid despite the revocation of that appointment, unless notice in writing of the revocation has been received by the Fantastic Registry by 10.00am (AEDT) on Monday, 5 December 2016 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the three ways above.

If you wish to appoint a second proxy, a second proxy form should be used and you should clearly indicate on the second proxy form that it is a second proxy and not a revocation of your first proxy. You can obtain a second proxy form from the Fantastic Registry. Replacement proxy forms can also be obtained from the Fantastic Registry.

If you appoint two proxies, each proxy should be appointed to represent a specified proportion of your voting rights. If you do not specify the proportions in the proxy forms, each proxy may exercise half of your votes with any fractions of votes disregarded.

If you hold Fantastic Shares jointly with one or more other persons, in order for your proxy appointment to be valid, each of you must sign the proxy form.

You should consider how you wish your proxy to vote. That is, whether you want your proxy to vote 'For' or 'Against', or abstain from voting on, the Resolution, or whether to leave the decision to the proxy after he or she has considered the matters discussed at the meeting.

If you do not direct your proxy how to vote on an item of business, the proxy may vote, or abstain from voting, as he or she thinks fit. If you instruct your proxy to abstain from voting on an item of business, he or she is directed not to vote on your behalf, and the shares the subject of the proxy appointment will not be counted in computing the required majority.

If you return your proxy form:

- without identifying a proxy on it, you will be taken to have appointed the chairman of the meeting as your proxy to vote on your behalf; or
- with a proxy identified on it but your proxy does not attend the meeting, the chairman of the meeting will act in place of your nominated proxy and vote in accordance with any directions on your proxy form.

The chairman of the meeting intends to vote all valid undirected proxies which nominate the chairman in favour of the Resolution, in the absence of a Superior Proposal.

Proxies of eligible Fantastic Shareholders will be admitted to the meeting and given a voting card on providing at the point of entry to the meeting written evidence of their name and address.

Your appointment of a proxy does not preclude you from attending in person, revoking the proxy and voting at the meeting.

8.3. Voting by attorney

You may appoint an attorney to attend and vote at the meeting on your behalf. Your attorney need not be another Fantastic Shareholder. Each attorney will have the right to vote on the poll and also to speak at the meeting.

The power of attorney appointing your attorney to attend and vote at the meeting must be duly executed by you and specify your name, the company (that is, Fantastic), and the attorney, and also specify the meetings at which the appointment may be used. The appointment may be a standing one.

The power of attorney, or a certified copy of the power of attorney, should be lodged at the registration desk on the day of the meeting or be received by the Fantastic Registry by 10.00am (AEDT) on Monday, 5 December 2016 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the following ways:

(a) by post in the provided reply paid envelope to the Fantastic Registry:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001

(b) by hand delivery to the Fantastic Registry:

Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000
Australia

(c) by fax to the Fantastic Registry on:

1800 783 447 (within Australia); or
+61 3 9473 2555 (outside Australia).

Attorneys of eligible Fantastic Shareholders will be admitted to the meeting and given a voting card on providing at the point of entry to the meeting, written evidence of their appointment, their name and address, and the name of their appointors.

Your appointment of an attorney does not preclude you from attending in person and voting at the meeting.

8.4. Voting by corporate representative

If you are a body corporate, you may appoint an individual to act as your body corporate representative. The appointment must comply with the requirements of Section 250D of the Corporations Act, meaning that Fantastic will require a certificate of appointment of body corporate representative to be executed by you in accordance with the Corporations Act. A form of certificate may be obtained from the Fantastic Registry by calling +61 2 8052 5888. The certificate of appointment may set out restrictions on the representative's powers.

The certificate should be lodged at the registration desk on the day of the meeting or be received by the Fantastic Registry by 10.00am (AEDT) on Monday, 5 December 2016 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the following ways:

(a) by post in the provided reply paid envelope to the Fantastic Registry:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001

(b) by hand delivery to the Fantastic Registry:

Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000

(c) by fax to the Fantastic Registry on:

1800 783 447 (within Australia); or
+61 3 9473 2555 (outside Australia).

If a certificate is completed by an individual or corporation under power of attorney, the power of attorney, or a certified copy of the power of attorney, must accompany the completed certificate unless the power of attorney has previously been noted by the Fantastic Registry.

Body corporate representatives of eligible Fantastic Shareholders will be admitted to the meeting and given a voting card on providing at the point of entry to the meeting, written evidence of their appointment, their name and address and the name of their appointors.

9. Advertisement

Where this notice of meeting is advertised unaccompanied by the Scheme Booklet, a copy of the Scheme Booklet can be obtained by anyone entitled to attend the meeting from Fantastic's website (www.fantasticholdings.com.au) or by contacting the Company Secretary of Fantastic or the Fantastic Registry.

CORPORATE DIRECTORY

Fantastic Holdings Limited

62 Hume Highway
Chullora NSW 2190
Australia

Financial Adviser

Monash Private Capital Pty Limited
Level 18, 167 Macquarie Street
Sydney NSW 2000
Australia

Legal Adviser

Watson Mangioni
Level 23, 85 Castlereagh Street
Sydney NSW 2000
Australia

Fantastic Registry

Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000
Australia

Shareholder Information Line

+61 2 8052 5888

Stock Exchange Listings

Fantastic ordinary shares are quoted by the
Australia Securities Exchange (ASX: FAN)

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