

Appendix 4E

Preliminary Final Report

Name of entity

FANTASTIC HOLDINGS LIMITED

ABN

19 004 000 775

Current Period

Financial Year Ended 30 June 2014

Previous Corresponding Period

Financial Year Ended 30 June 2013

Results for announcement to the market

(All comparisons to year ended 30 June 2013)

(000's)

All comparisons to year ended 30 June 2013				
Revenue from continuing operations (<i>item 1.1</i>)	Up	0.58%	to	\$447,772
Profit from continuing operations after tax attributable to members (<i>item 1.18</i>)	Down	56.63%	To	\$5,859
Profit for the period attributable to members (<i>item 1.18</i>)	Down	56.63%	to	\$5,859
Dividends (distributions)	Amount per share		Franked amount per share at 30%	
Final dividend (<i>item 10.4</i>)	3.00¢		3.00¢	
Interim dividend (<i>item 10.6</i>)	3.00¢		3.00¢	
Record date for determining entitlements to the dividend (<i>see item 10.2</i>)	1 October, 2014			
Date final dividend is payable (<i>see item 10.1</i>)	15 October, 2014			

This report has been audited.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Current Period - \$'000	Previous Corresponding Period - \$'000
1.1 Sales revenues from continuing operations	447,772	445,190
1.2 Cost of sales	(248,589)	(237,722)
1.3 Gross Profit	199,183	207,468
1.4 Other income	3,702	1,775
1.5 Employment expenses	(76,614)	(76,603)
1.6 Property expenses	(57,719)	(54,478)
1.7 Marketing expenses	(33,299)	(31,761)
1.8 Sales related expenses	(5,581)	(6,558)
1.9 Depreciation and amortisation	(6,853)	(5,291)
1.10 Other expenses	(14,145)	(16,486)
1.11 Results from Continuing Operations	8,674	18,066
1.12 Financial income	120	634
1.13 Financial expense	(434)	(1,088)
1.14 Net Financing Expense	(314)	(454)
1.15 Profit Before Tax from Continuing Operations	8,360	17,612
1.16 Income tax expense	(2,572)	(4,104)
1.17 Profit After Tax from Continuing Operations	5,788	13,508
Attributable to:		
1.18 Equity holders of the Parent	5,859	13,508
1.19 Non-controlling interest	(71)	-
	5,788	13,508
1.20 Other Comprehensive Income		
1.21 Exchange differences on translation of foreign operations	(457)	35
1.22 Income tax effect	127	-
1.23 Total Comprehensive Income for the year net of tax	5,458	13,543
Attributable to:		
1.24 Equity holders of the Parent	5,529	13,543
1.25 Non-controlling interest	(71)	-

Basic earnings per share (<i>cents per share</i>) (see item 6.1)	5.68¢	13.15¢
Diluted earnings per share (<i>cents per share</i>) (see item 6.1)	5.68¢	13.15¢

- (a) Significant items included in the above Consolidated Statement of Profit & Loss and Other Comprehensive Income comprises asset adjustments of \$2.7M and redundancy costs of \$0.5M after tax. Excluding the significant items underlying NPAT is \$9.1M. These numbers have been audited.
- (b) Underlying trading performance is comprised of reported results with add back for significant items. This is separately disclosed to assist users in understanding the financial performance of the Group.
- (c) Prior year comparatives has been amended to align with current year disclosures

Consolidated Statement of Changes in Equity

Retained Profits

1.22	Retained earnings at the beginning of the financial year	84,840	85,716
1.23	Profit after tax from continuing operations (item 1.17)	5,788	13,508
1.24	Dividends paid	(6,184)	(14,384)
1.25	Retained Earnings at the End of the Financial Year	84,444	84,840

Share Capital and Reserve

1.26	Ordinary shares at the beginning of the financial year	23,270	23,270
1.27	Shares Issued during the year	-	-
1.28	As at the end of the financial period (item 2.25)	23,270	23,270
1.29	Reserve (item 2.26)	(295)	35
1.30	Non-controlling interest	3,150	-
1.31	Total Equity as at the End of the Financial Year	110,569	108,145

Consolidated Statement of Financial Position

	Current Period - \$'000	Previous Corresponding Period - \$'000
Current Assets		
2.1 Cash and cash equivalents	21,127	18,993
2.2 Trade and other receivables	9,304	6,829
2.3 Inventories	81,278	74,503
2.4 Total Current Assets	111,709	100,325
Non-Current Assets		
2.5 Investment property (<i>see item 13.1</i>)	24,423	30,099
2.6 Property, plant and equipment	30,275	36,813
2.7 Intangibles	8,069	9,416
2.8 Deferred tax assets	7,564	7,754
2.9 Other non-current assets	49	54
2.10 Total Non-Current Assets	70,380	84,136
2.11 TOTAL ASSETS	182,089	184,461
Current Liabilities		
2.12 Trade and other payables	35,726	26,978
2.13 Interest-bearing loans and borrowings	-	3,400
2.14 Current tax payables	-	2,601
2.15 Employee benefits	13,499	14,446
2.16 Provisions	1,454	2,222
2.17 Total Current Liabilities	50,679	49,647
Non-Current Liabilities		
2.18 Interest-bearing loans and borrowings	15,000	21,924
2.19 Employee benefits	1,581	1,440
2.20 Provisions	2,518	2,314
2.21 Deferred tax liabilities	1,742	991
2.22 Total Non-Current Liabilities	20,841	26,669
2.23 TOTAL LIABILITIES	71,520	76,316
2.24 NET ASSETS	110,569	108,145
Equity		
2.25 Share capital	23,270	23,270
2.26 Reserve	(295)	35
2.27 Retained earnings	84,515	84,840
2.28 Equity attributable to Equity Holders of the Parent	107,490	108,145
2.29 Non-controlling interest	3,079	-
2.30 TOTAL EQUITY	110,569	108,145

Consolidated Statement of Cash Flows

	Current Period - \$'000	Previous Corresponding Period - \$'000
Cash Flows from Operating Activities:		
3.1 Cash receipts from customers	504,683	494,817
3.2 Cash payments to suppliers and employees	(484,978)	(460,978)
3.3 Interest received	120	634
3.4 Interest paid	(434)	(1,088)
3.5 Income tax paid	(7,667)	(8,305)
3.6 Net Cash Provided by Operating Activities	11,724	25,080
Cash Flows from Investing Activities:		
3.7 Payments for acquisitions of property, plant and equipment	(7,490)	(4,906)
3.8 Proceeds from sale of property, plant and equipment	12,056	4,059
3.9 Payment for investments	(487)	(10,796)
3.10 Payment for intangibles	(310)	(1,378)
3.11 Net Cash generated from / (used in) Investing Activities	3,769	(13,021)
Cash Flows from Financing Activities:		
3.12 Proceeds from external borrowings	-	7,440
3.13 Repayments of external borrowings	(10,324)	(1,992)
3.14 Proceeds from Issuance of Shares to Non Controlling Interest	3,150	-
3.15 Dividends paid	(6,184)	(14,384)
3.16 Net Cash (used in) Financing Activities	(13,358)	(8,936)
3.17 Net Increase in Cash Held	2,135	3,123
3.18 Net Foreign Exchange Difference	(1)	14
3.19 Cash at the Beginning of the Financial Year (see Reconciliation of cash)	18,993	15,856
3.20 Cash at the End of the Financial Year (see Reconciliation of cash)	21,127	18,993

Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. If an amount is quantified, show comparative amount.

Nil

Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current Period - \$'000	Previous Corresponding Period - \$'000
4.1	Cash at bank and on hand	21,127	18,993
4.2	Deposits at call	-	-
4.3	Total cash at end of period (item 3.20)	21,127	18,993

Ratios

	Current Period	Previous Corresponding Period
Profit before tax / sales revenue		
5.1 Profit before tax attributable to members of the parent entity as a percentage of sales revenue (item 1.1)	1.89%	3.96%
Profit after tax / equity interests		
5.2 Profit after tax (item 1.18) as a percentage of equity attributable to members of the parent entity (item 2.28)	5.45%	12.49%

Earnings per share (EPS)

	Current Period	Previous Corresponding Period
6.1		
(a) Basic EPS (cents per share)	5.68¢	13.15¢
(b) Diluted EPS (cents per share)	5.68¢	13.15¢
(c) Weighted average number of ordinary shares outstanding during the period used in the calculation of Basic EPS	103,061,190	102,739,538

NTA backing

	Current Period	Previous Corresponding Period
7.1 Net tangible asset backing per ordinary share (cents per share)	96.46¢	96.10¢

Control gained over entities having material effect

- 8.1 During the year, Fantastic Holdings Limited set up companies incorporated and domiciled in Hong Kong and the People's Republic of China (PRC).

A subsidiary of Fantastic Holdings Limited has entered into an agreement with Changzhou Pioneer Furnishing Co Ltd, a company incorporated in Hong Kong with respect to establishing a furniture manufacturing facility located in PRC. The Group has a 60% interest and maintains control over the operations. There is no material effect on the profit of Fantastic Holdings Limited for the year ended 30 June 2014.

Loss of control of entities having material effect

- 9.1 There was no loss of control of entities having material effect during the current period.

Dividends

10.1	Date the final dividend is payable	15 October, 2014
10.2	Record date to determine entitlements to the dividend (ie, on the basis of registerable transfers received by 5.00 pm if securities are not CHES approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if securities are CHES approved)	1 October, 2014
10.3	If it is a final dividend, has it been declared?	Yes, on 22 August, 2014

Amount per share

		Amount per share	Franked amount per share at 30% tax	Amount per share of foreign source dividend
10.4	Final dividend: Current Period	3.00¢	3.00¢	N/A
10.5	Previous Corresponding Period	3.00¢	3.00¢	N/A
10.6	Interim dividend: Current Period	3.00¢	3.00¢	N/A
10.7	Previous Corresponding Period	7.50¢	7.50¢	N/A

Total dividend (interim *plus* final)

10.8	Ordinary shares	Current Period \$'000		Previous Corresponding Period - \$'000	
	• Interim dividend paid	14 April 2014	3,092	4 April 2013	7,706
	• Final dividend paid/ payable	15 October 2014	3,092	15 October 2013	3,092
			6,184		10,798
10.9	Preference shares		-		-

The dividend or distribution plans shown below are in operation.

N/A

The last date(s) for receipt of election notices for the dividend or distribution plans

N/A

Any other disclosures in relation to dividends (distributions)

N/A

Details of aggregate share of profits (losses) of associates and joint venture entities

11.1 Name of Entity

N/A

11.2 % ownership interest

Current period

Previous corresponding
period

11.3 Contribution to net profit

0%

0%

\$0

\$0

Reports for industry and geographical segments

12.1

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

Operating Segments

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

Retail

The retail segment comprises businesses that retail locally manufactured and imported household furniture under the Fantastic Furniture, Plush, Original Mattress Factory, Le Cornu and Dare Gallery brands in Australia. These businesses have been aggregated as one operating segment and reportable operating segment as they display similar current and long term gross margins, long term growth rates and financial performance. The retail segment also includes the manufacturing operation as it manufactures lounges and mattresses for the Fantastic Furniture business. The manufacturing operation is considered immaterial and hence, has been aggregated as part of the Retail segment.

Property

The property business purchases and develops sites for use by the consolidated entity and leases surplus requirements to external tenants. The property business is a reportable operating segment. Segment information has been prepared in accordance with the consolidated entity's segment accounting policy.

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

Year Ended 30 June 2014

	Retail \$'000	Property \$'000	Reportable Segments \$'000	Eliminations \$'000	Total \$'000
<i>Revenue</i>					
Revenue from external customers	447,772	-	447,772	-	447,772
Other revenue	1,546	2,156	3,702	-	3,702
Inter-segment revenue	-	745	745	(745)	-
Total segment revenue	449,318	2,901	452,219	(745)	451,474
Unallocated revenue					-
Total revenue					451,474
<i>Result</i>					
Segment result	6,518	2,901	9,419	(745)	8,674
Net unallocated revenue /(expense)					-
Profit before tax and finance cost					8,674
Net finance costs					(314)
Income tax (expense)/benefit					(2,572)
Net profit for the year					5,788
<i>Assets and liabilities</i>					
Segment assets	153,505	28,584	182,089	-	182,089
Unallocated assets					-
Total assets					182,089
Segment liabilities	71,257	22,336	93,593	(22,073)	71,520
Unallocated liabilities					-
Total liabilities					71,520
<i>Other segment information</i>					
Capital expenditure	7,725	562	8,287	-	8,287
Depreciation and amortisation	10,090	1,110	11,200	-	11,200
Other non-cash expense	2,948	20	2,969	-	2,969

Year Ended 30 June 2013

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

Intersegment transactions

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

Products

Fantastic Holdings Limited and its controlled entities, retail, manufacture and import one group of product, household furniture.

Geographical areas

The Group engages in the retail, manufacturing and import of household furniture in Australia. Currently, there is an existing manufacturing facility in Vietnam. The Group also has an Asian manufacturing operation domiciled in Hong Kong and PRC. The factory in PRC has completed the set up phase. There are no material effects on profit of the group from the Asian manufacturing.

Major Customer

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

Investment Property

13.1

	Consolidated Entity	
	Year Ended 30 June 2014	Year Ended 30 June 2013
	\$'000	\$'000
Opening balance as at 30 June 2013	30,099	19,418
Additions	487	10,796
Disposals	(5,147)	-
Depreciation	(1,016)	(115)
Closing Balance as at 30 June 2014	24,423	30,099

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

Comments by Directors

Fantastic Holdings Limited (FHL or the Group) announces a full year statutory NPAT of \$5.9M. This result represents a decrease of 56.6% on the previous financial year. Statutory Group EBIT of \$8.8M (FY13: \$18.1M) reflects gross margin decline due to stock clearance and discounting in Fantastic Furniture and Plush as well as the impact of the depreciating Australian dollar during the year. Underlying NPAT is \$9.1M excluding significant items being asset adjustments of \$2.7M and redundancy costs of \$0.5M after tax.

Earnings per share

Earnings per share decreased by 56.81% from 13.15 cents per share to 5.68 cents per share.

Dividends

The Board has declared a fully franked final dividend of 3.00 cents which will be paid on 15 October 2014. The closing date for shareholders to be registered for this dividend is 5pm on 1 October 2014. This brings the total dividend for financial year 2014 to 6.00 cents per share, a decrease of 42.9% on the prior year.

Sales and store openings

Group Sales for the full year increased by \$2.6M to \$447.8M after an improved second half performance, while comparative store sales have declined 1.5%. Group sales in second half improved by 5.3% on pcp with strong performances from Plush. Total comparative store sales was positive 3.8% in the second half.

The Group opened 3 new stores and closed 3 stores during the year and now operates 133 company owned stores nationally excluding franchise stores. Fantastic Furniture now has a total of 73 stores with the opening of 3 new stores during the year, (Chullora NSW, Burleigh QLD and Windsor QLD) and closure of 3 stores during the year, (Bankstown NSW, Mittagong NSW and Knox VIC). Plush has 33 stores. The Original Mattress Factory has 15 stores. Dare Gallery has 10 stores and Le Cornu has 2 major store locations in Adelaide and Darwin.

The Group's retail property at Campbelltown NSW was sold for \$12.0M, recording a profit of \$2M on the sale.

Trends in performance and other factors

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

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

Dare Gallery continues to make a positive contribution to profit, but remains non-core to the Group. Management continues to work with interested parties to find a suitable buyer for Dare Gallery and we expect to divest the business in FY15. Le Cornu has continued to operate profitably for the year ended 30 June 2014.

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

The appointment of Debra Singh as Fantastic Furniture CEO will ensure continued focus and execution on its strategic priorities. Stephen Heath, Group MD will focus on China Operations and strategic growth initiatives. The Board is currently interviewing for non-executive director appointments.

The last six months has set the platforms for business growth and we would like to thank our shareholders, staff and customers for their continued support.

A description of each event since the end of the current period which has had a material effect and is not related to matters already reported, with financial effect quantified (if possible)

N/A

Annual meeting

The annual meeting will be held as follows:

Place

**Rydges Bankstown
Corner Hume Highway and Strickland Street
Bass Hill**

Date

31 October, 2014

Time

10:30 am

Approximate date the annual report will be available

24 September, 2014

Compliance statement

- 1 This report has been prepared in accordance with AASB standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.
- 2 This report, and the accounts upon which the report is based, use the same accounting policies.
- 3 This report does give a true and fair view of the matters disclosed.
- 4 This report is based on accounts which are in the process of being audited.
- 5 The entity has a formally constituted Audit and Compliance Committee.

Sign here: Date: 22 August 2014
(Director)

Print name: **Stephen Heath**

Notes

1. **For announcement to the market** The percentage changes referred to in this section are the percentage changes calculated by comparing the current period's figures with those for the previous corresponding period.
2. **True and fair view** If this report does not give a true and fair view of a matter (for example, because compliance with an Accounting Standard is required) a note will be attached providing additional information and explanations to give a true and fair view.
3. **Income tax** If the amount provided for income tax in this report differs (or would differ but for compensatory items) by more than xx% from the amount of income tax *prima facie* payable on the profit before tax, a note will be included to explain the major items responsible for the difference and their amounts.