

ASX Code: FAN

31 October 2014

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Dear Sir / Madam

**2014 Annual General Meeting – Chairman and Managing Director AGM
Address**

In accordance with Listing Rule 3.13.3, attached are the AGM addresses to be given by Fantastic Holdings Limited's Chairman and Managing Director at the Annual General Meeting to be held today at 10:30am.

Yours faithfully,

George Saoud
Company Secretary

CHAIRMAN'S ADDRESS

DESPITE A CHALLENGING FIRST HALF THE GROUP MADE GOOD PROGRESS IN THE INITIATIVES INTRODUCED AND DELIVERED A STRONG SECOND HALF PERFORMANCE.

THE GROUP ANNOUNCED A FULL YEAR STATUTORY NPAT OF \$5.9 MILLION. THE UNDERLYING NPAT RESULT WAS \$9.1 MILLION.

HEADLINE GROUP SALES FOR FY14 INCREASED marginally on prior year after an improved second half performance, however on a L4L store basis declined by 1.5%. Despite the soft full year result the second half result of positive 3.8% was encouraging.

A FULLY FRANKED FINAL DIVIDEND OF 3.00 CENTS BROUGHT THE TOTAL YEAR'S DIVIDEND TO 6.00 CENTS PER SHARE.

EARLIER THIS WEEK WE ANNOUNCED THE APPOINTMENT OF ROBYN WATTS TO THE FHL BOARD AS A NEW INDEPENDENT NON-EXECUTIVE DIRECTOR. WE WELCOME ROBYN TO OUR TEAM AND LOOK FORWARD TO WORKING TOGETHER WITH HER.

THE BOARD THANKS THE ENTIRE FANTASTIC HOLDINGS GROUP TEAM FOR THEIR CONTINUED ENERGY, PASSION AND DEDICATION. WE ALSO THANK OUR SHAREHOLDERS FOR THEIR SUPPORT AS WE BUILD THE FOUNDATIONS FOR LONG TERM SUCCESS AND GROWTH.

I NOW HAND OVER TO OUR MANAGING DIRECTOR, STEPHEN HEATH.

MANAGING DIRECTOR'S ADDRESS

GROUP STATUTORY SALES FOR THE YEAR WERE \$447.8 MILLION, AN INCREASE OF 0.6%, WHILE COMPARATIVE STORE SALES DECLINED BY 1.5%. THIS DECLINE WAS LARGELY DUE TO LOWER AVERAGE TRANSACTION VALUE AS A RESULT OF CLEARANCE ACTIVITY IN FANTASTIC FURNITURE AND PLUSH THROUGH TO FEBRUARY.

SALES IN THE SECOND HALF OF \$223.1 MILLION IMPROVED BY 5.3% ON PCP WITH STRONG PERFORMANCE FROM FANTASTIC FURNITURE AND PLUSH. GROUP EBITDA WAS \$20.0 MILLION FOR THE FULL YEAR.

OPERATING CASH FLOW FOR THE FULL YEAR WAS \$11.7 MILLION AND THE GROUP RETAINED A CASH BALANCE OF \$21.1 MILLION AT 30 JUNE 2014, COMPARED TO A DEBT POSITION OF \$15.0 MILLION. DURING THE YEAR, THE GROUP SOLD THE CAMPBELLTOWN PROPERTY FOR \$12 MILLION, RECORDING A PRE-TAX PROFIT OF \$2 MILLION ON THE SALE.

THE BOARD & MANAGEMENT TEAM HAS BEEN WORKING HARD ON INITIATIVES TO STABILISE THE BUSINESS AND TO SET SOLID FOUNDATIONS FOR THE FUTURE. KEY AMONGST THOSE ARE ;

- RESURRECT AND STABILISE OUR PLUSH BUSINESS
- BUILD DEPTH OF KNOWLEDGE AND TALENT OF OUR STORE OPERATIONS TEAMS THROUGH LEARNING AND DEVELOPMENT PROGRAMS.
- REDUCE STAFF TURNOVER AND COMMENCE STAFF ENGAGEMENT FOCUS THROUGH RE-ENGINEERING OF OUR ENTERPRISE BARGAINING AGREEMENTS.
- REDUCE CODB – PHASE 1 COMPLETED – DELIVERING \$5 MILLION OF SAVINGS ON AN ANNUALISED BASIS. SAVINGS REINVESTED BACK INTO ENTERPRISE BARGAINING AGREEMENT (TO IMPROVE EMPLOYEE ENGAGEMENT AND REDUCE EMPLOYEE TURNOVER) AND PRICING TO DELIVER BETTER VALUE TO OUR CUSTOMERS.
- INVENTORY CLEARANCE, REFRESHED RANGES AND DISCIPLINED PRODUCT LIFECYCLE MANAGEMENT PROGRAMS.
- IMPROVE CUSTOMER PRODUCT EXPERIENCE BY SECURING SOURCE OF SUPPLY IN ASIA. ACHIEVED BY PURPOSE BUILT SOFA AND UPHOLSTERED BED

FACTORY IN CHINA WHICH IS NOW OPERATIONAL WITH FIRST SHIPMENTS RECEIVED.

- IMPROVED ACCESS TO INFORMATION AND OPERATING EFFICIENCY THROUGH IMPLEMENTATION OF ERP SYSTEMS. DEVELOPMENT AND TESTING COMPLETED. ROLLOUT TO OCCUR IN FY15.

ALTHOUGH WE RECOGNISE THE ABOVE INITIATIVES ARE IMPORTANT FOUNDATIONS TO LAY, WE UNDERSTAND THAT WE ARE OPERATING IN AN EVER INCREASING COMPETITIVE LANDSCAPE AND WHILST WORK HAS STARTED, WE HAVE NOT BEEN FAST ENOUGH IN DELIVERING CLARITY OF OUR CUSTOMER VALUE PROPOSITION IN OUR CORE BRAND, FANTASTIC FURNITURE. THIS IS OUR NUMBER 1 PRIORITY FOR FY15.

WE HAVE FURTHER STRENGTHENED OUR MANAGEMENT TEAM WITH THE APPOINTMENT OF DEBRA SINGH AS FANTASTIC FURNITURE CEO TO ENSURE WE MAINTAIN CONTINUED FOCUS AND EXECUTION OF STRATEGIC PRIORITIES.

OMF, DARE GALLERY AND LE CORNU CONTINUE TO TRADE PROFITABLY IN THE FINANCIAL YEAR. AN AGREEMENT HAS BEEN REACHED FOR THE SALE OF DARE GALLERY AND DEPOSIT RECEIVED SUBJECT TO DUE DILIGENCE WHICH IS EXPECTED TO TAKE 4-6 WEEKS.

DESPITE A SOFTER THAN EXPECTED JULY; AUGUST, SEPTEMBER AND OCTOBER HAVE BEEN ENCOURAGING.

AS AT MID OCTOBER 2014, GROUP STORE L4L SALES WAS POSITIVE 6.4% WITH FANTASTIC FURNITURE L4L SALES POSITIVE 0.5%. PLUSH CONTINUES TO BE PROFITABLE FROM THE SECOND HALF OF FY14 AND MAINTAINS HEALTHY UNDELIVERED CUSTOMER ORDERS. ALTHOUGH OPTIMISTIC WE MAINTAIN A LEVEL OF CAUTION FOR THE REMAINDER OF THE 2015 FINANCIAL YEAR.

I WISH TO OFFER MY THANKS TO THE ENTIRE FANTASTIC HOLDINGS TEAM. THEIR HARD WORK AND DEDICATION IS MUCH APPRECIATED. FINALLY, I WANT TO THANK OUR SHAREHOLDERS FOR THEIR SUPPORT AS WE CONTINUE TO BUILD A STRONG AND VIBRANT BUSINESS.