



Fantastic Holdings
Limited

we grow by making a positive difference

HALF-YEAR FINANCIALREPORT 28 DECEMBER 2014

Fantastic Holdings Limited

Interim Financial Report

28 December **2014**

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Corporate Information

FOR THE HALF-YEAR ENDED 28 DECEMBER 2014

ABN

19 004 000 775

DIRECTORS

Julian Tertini	Non-executive Chairman (Since 30 June 2014)
Peter Brennan OAM	Non-executive Director
Stephen Heath	Managing Director and Chief Executive Officer
Geoffrey Squires	Non-executive Director
Margaret Haseltine	Non-executive Director
Robyn Watts	Non-executive Director (Appointed 10 November 2014)

EXECUTIVE OFFICER

George Saoud	Chief Financial Officer and Company Secretary
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REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

62 Hume Highway
Chullora NSW 2190

Telephone: 02 8717 2600
Facsimile: 02 8717 2660

AUDITORS

Accru Felsers Chartered Accountants
Level 6, 1 Chifley Square
Sydney NSW 2000

Telephone: 02 8226 1655
Facsimile: 02 8226 1616

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 3, 60 Carrington St
Sydney NSW 2000

Telephone: 1300 850 505
Facsimile: 03 9473 2500

BANKERS

Australian and New Zealand Banking Group Limited
ANZ Centre Melbourne
Level 9, 833 Collins Street
Docklands, VIC 3008

Directors' Report

FOR THE HALF-YEAR ENDED 28 DECEMBER 2014

The Directors present their report together with the financial report of the consolidated entity ("the Group") consisting of Fantastic Holdings Limited ('the Company') and its subsidiaries, for the half-year ended 28 December 2014 and the Independent Review Report thereon.

Directors

The names of the Company's Directors in office during the half-year and until the date of this report are set out below. The Directors were in office for the entire period unless otherwise stated.

Julian Tertini (Non-executive Chairman)

Peter Brennan OAM

Stephen Heath

Geoffrey Squires

Margaret Haseltine

Robyn Watts (Appointed 10 November 2014)

Review of Operations

FHL group sales for the half year were \$244.3 million, an increase of 8.7% on pcp. The introduction of new products within Fantastic Furniture and Plush helped to drive the increase in sales.

Operating cash flow for the half year is \$10.0 million, compared to \$8.1 million in the prior period. At December 2014, FHL had a cash balance of \$25.2 million offsetting debt of \$15.0 million providing net cash of \$10.2 million. Since the end of the period, FHL's balance sheet has been further enhanced with the sale of the Dandenong Property for \$22.7 million. Proceeds from the sale of the property have been received in February. The Dare Gallery business has been sold in excess of book value with the deal completed in January 2015.

FHL opened a net 2 stores during the half and operated 135 stores nationally, in addition, there are 3 franchise stores in the network at December 2014. Post half year, the sale of the Dare Gallery business and the opening of an Ashley Furniture Home Store in Gepps Cross, SA, brings the total number of FHL stores to 126 excluding the franchise stores.

The Board has declared a fully franked interim dividend of 6.0 cents per share, reflecting a pay-out ratio of 88.9% of NPAT. This pay-out ratio reflects the strong cash position of the business. Notwithstanding this; FHL continues to regard its stated dividend policy, based on a 60% pay-out ratio, as an appropriate target to retain sufficient capital in the business to fund its longer term growth aspirations. In addition the Board has declared a fully franked special dividend of 4.0 cents per share. The Special dividend is an additional payment which has been declared to provide the benefit of surplus franking credits held by the company back to its shareholders. The closing date for shareholders to be registered for this dividend is 5pm on 17 March 2015. The dividend will be paid on 8 April 2015.

We are pleased to report that all business units reported a profit and strong L4L sales growth. We are extremely pleased with the turnaround of the Plush business, the sale of the Dare Gallery business and the sale of the Dandenong property during this half year.

Rounding

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

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 17.

This Report is made in accordance with a resolution of the Directors.



Julian Tertini
Chairman



Stephen Heath
Managing Director & Chief Executive Officer

Dated this 26th day of February 2015

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF-YEAR ENDED 28 DECEMBER 2014

	Notes	Half - Year 28 December 2014 \$'000	Half - Year 29 December 2013 \$'000
Sales revenue from continuing operations	(2a)	244,279	224,689
Cost of sales		(133,784)	(122,311)
Gross Profit		110,495	102,378
Other income	(2a)	911	4,090
Employment expenses	(2b)	(41,377)	(37,392)
Property expenses		(29,335)	(29,226)
Marketing expenses		(17,197)	(16,861)
Sales related expenses		(2,908)	(2,987)
Depreciation and amortisation	(2c)	(2,528)	(4,183)
Other expenses		(7,117)	(8,602)
Share of loss of a joint venture	(4)	(707)	-
Results from Continuing Operations		10,237	7,217
Financial income		97	349
Financial expense		(79)	(551)
Net Financing Expense		18	(202)
Profit Before Tax from Continuing Operations		10,255	7,015
Income tax expense		(3,283)	(2,141)
Profit After Tax from Continuing Operations		6,972	4,874
Profit for the half year		6,972	4,874
Other comprehensive income			
Exchange differences on translation of foreign operations		884	16
Income tax effect		-	-
Other comprehensive income		884	16
Total Comprehensive Income for the half year, net of tax		7,856	4,890
Earnings Per Share for Profit Attributable to the Equity Holders of the Company:			
Basic earnings per share (cents per share)		6.76	4.73
Diluted earnings per share (cents per share)		6.76	4.73

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

Interim Condensed Consolidated Statement of Financial Position

AS AT 28 DECEMBER 2014

		28 December 2014 \$'000	30 June 2014 \$'000
	Notes		
Current Assets			
Cash and cash equivalents		25,206	21,127
Trade and other receivables		8,808	9,304
Inventories		79,575	81,278
Total Current Assets		113,589	111,709
Non-Current Assets			
Investments	(3)	24,254	24,423
Property, plant and equipment		27,361	30,275
Investment in a joint venture	(4)	4,319	-
Intangible assets		7,998	8,069
Deferred tax assets		7,845	7,564
Other non-current assets		51	49
Total Non-Current Assets		71,828	70,380
TOTAL ASSETS		185,417	182,089
Current Liabilities			
Trade and other payables		34,888	35,726
Income tax payable		311	-
Employee benefits		14,452	13,499
Provisions		1,834	1,454
Total Current Liabilities		51,485	50,679
Non-Current Liabilities			
Interest-bearing loans and borrowings		15,000	15,000
Employee benefits		1,802	1,581
Provisions		2,835	2,518
Deferred tax liabilities		1,775	1,742
Total Non-Current Liabilities		21,412	20,841
TOTAL LIABILITIES		72,897	71,520
NET ASSETS		112,520	110,569
Equity			
Share capital	(10)	23,608	23,270
Reserves		589	(295)
Retained earnings		88,323	84,515
Equity attributable to equity holders of the parent		112,520	107,490
Non-controlling interests		-	3,079
TOTAL EQUITY		112,520	110,569

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

Interim Condensed Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 28 DECEMBER 2014

	Attributable to the equity holders of the Parent				Non-controlling interest	Total Equity
	Share capital \$000	Retained earnings \$000	Foreign currency translation reserve \$000	Total \$000	\$000	\$000
As at 1 July 2014	23,270	84,515	(295)	107,490	3,079	110,569
Profit after tax for the period	-	6,972	-	6,972	-	6,972
Other comprehensive income, net of tax	-	-	884	884	-	884
Total comprehensive income	-	6,972	884	7,856	-	7,856
Transactions with owners in their capacity as owners						
Share-based payments	338			338	-	338
Loss of Control of Subsidiary	-	(72)	-	(72)	(3,079)	(3,151)
Dividends	-	(3,092)	-	(3,092)	-	(3,092)
As at 28 December 2014	23,608	88,323	589	112,520	-	112,520

	Attributable to the equity holders of the Parent				Non-controlling interest	Total Equity
	Share capital \$000	Retained earnings \$000	Foreign currency translation reserve \$000	Total \$000	\$000	\$000
As at 1 July 2013	23,270	84,840	35	108,145	-	108,145
Profit after tax for the year	-	4,874	-	4,874	-	4,874
Other comprehensive income, net of tax	-	-	16	16	-	16
Total comprehensive income	-	4,874	16	4,890	-	4,890
Transactions with owners in their capacity as owners						
Dividends	-	(3,092)		(3,092)	-	(3,092)
Acquisition of non-controlling interest	-	-	-	-	3,150	3,150
As at 29 December 2013	23,270	86,622	51	109,943	3,150	113,093

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

Interim Condensed Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 28 DECEMBER 2014

		Half - Year 28 December	Half - Year 29 December
	Notes	2014 \$'000	2013 \$'000
Cash Flows from Operating Activities:			
Receipts from customers		266,718	252,573
Payments to suppliers and employees		(256,943)	(241,380)
Interest received		97	349
Interest paid		(79)	(551)
Income tax paid		216	(2,843)
Net Cash Provided by Operating Activities		10,009	8,148
Cash Flows from Investing Activities:			
Payments for acquisitions of property, plant and equipment		(2,235)	(3,171)
Proceeds from sale of property, plant and equipment		-	12,037
Payment for intangibles		(603)	(261)
Net Cash Provided / (Used in) Investing Activities		(2,838)	(8,605)
Cash Flows from Financing Activities:			
Repayment of external borrowings		-	(7,624)
Proceeds from issuance of shares to non-controlling interests		-	3,150
Dividends paid		(3,092)	(3,092)
Net Cash Provided by/(used in) Financing Activities		(3,092)	(7,566)
Net Increase in Cash Held		4,079	9,187
Cash at the Beginning of the Financial Period		21,127	18,993
Cash at the End of the Financial Period		25,206	28,180

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

Notes to the Interim Condensed Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 28 DECEMBER 2014

1. Summary of Significant Accounting Policies

Corporate information

The interim condensed consolidated financial statements of the Group for the half-year ended 28 December 2014 were authorised for issue in accordance with a resolution of the Directors on 26 February 2015.

Fantastic Holdings Limited is a company incorporated and domiciled in Australia whose shares are publicly traded. The principal activities of the Group are the retail, manufacture and importation of household furniture.

Basis of preparation of the Half-Year Financial Report

The interim condensed consolidated financial statements for the half-year ended 28 December 2014 have been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 June 2014 and any public announcements made by Fantastic Holdings Limited during the half year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001. The accounting policies in the annual financial statements are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

Comparatives

Where necessary, the comparatives have been amended to align with the current period presentation.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

FOR THE HALF-YEAR ENDED 28 DECEMBER 2014

	Half - Year 28 December 2014 \$'000	Half - Year 29 December 2013 \$'000
2(a). Revenue and Other Income		
Sale of goods	244,279	224,689
Franchise fees	365	327
Rental income and outgoing recoveries	107	1,160
Other	439	2,603
Total Other Income	911	4,090
Total	245,190	228,779
2(b). Expenses from Continuing Operations		
Profit before tax includes the following:		
Employment expenses:		
~wages, salaries and bonuses	42,364	39,205
~share based payments	338	-
~superannuation	3,903	3,519
~other associated wage on-costs	3,281	3,097
~increase /(decrease) in annual leave	3,045	2,530
~increase /(decrease) in long service leave	575	385
Total	53,506	48,736
Included in Statement of Profit or Loss and Other Comprehensive Income as:		
Employment expenses	41,377	37,392
Cost of sales	12,129	11,344
Total	53,506	48,736
Impairment loss on trade receivables	21	3
Inventory write downs	749	1,673
Net loss on disposal of property, plant equipment	89	338
2(c). Depreciation and amortisation		
Depreciation and amortisation of property, plant and equipment (i)	1,962	3,295
Amortisation of software	566	888
Total	2,528	4,183

(i) Current year depreciation is also included in cost of sales of \$553K, and other income of \$541K.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

FOR THE HALF-YEAR ENDED 28 DECEMBER 2014

	28 December 2014 \$'000	30 June 2014 \$'000
3. Investments		
Property		
Opening balance at beginning of financial period	24,423	30,099
Additions	336	487
Disposals	-	(5,147)
Depreciation	(505)	(1,016)
Closing Balance at End of the Financial Period	24,254	24,423

Each investment property is valued at cost. The investment properties have been depreciated using the straight line method, using effective lives of 40 years. Rent received from investment properties was \$952,587 (2013: \$1,010,353) for the half-year ended 28 December 2014. Operating expenses recognised in the Statement of Profit & Loss and Other Comprehensive Income in relation to investment properties amount to \$942,323 (2013: \$1,083,265) for the half-year ended 28 December 2014.

4. Interest in a Joint Venture

The Group has a 60% interest in Fantastic International Manufacturing - FIM Limited, with Jinao International Holding (Hong Kong) Limited holding the remaining interest of 40%. Fantastic International Manufacturing - FIM Limited is the parent company of Fantastic International Manufacturing Jiangsu Co Ltd, a company domiciled in the People's Republic of China (PRC) and involved in the manufacture of furniture.

The Group's interest is accounted for using the equity method in the consolidated financial statements.

The Group's share of the carrying amount of the investment was \$4,319,002. The Group's share of the loss for the period was \$707,245.

5. Capital Expenditure Commitments

	28 December 2014 \$'000	29 December 2013 \$'000
Plant and equipment contracted but not provided for and payable within one year :	581	340

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

FOR THE HALF-YEAR ENDED 28 DECEMBER 2014

6. Dividends

(a) Dividends Paid or Declared by the Company

	Cents per Share	Total Amount \$	Date of Payment	Tax Rate for Franking Credit
28 December 2014				
Interim dividend 100% franked (a)	6.00	6,195,444	8 Apr 2015	30%
Special dividend 100% franked (b)	4.00	4,130,296	8 Apr 2015	30%
Final dividend 100% franked	3.00	3,092,052	15 Oct 2014	30%
Total		13,417,792		
29 December 2013				
Interim dividend 100% franked	3.00	3,092,052	14 Apr 2014	30%
Final dividend 100% franked	3.00	3,092,052	15 Oct 2013	30%
Total		6,184,104		

(a) The interim dividend of 6.00 cents for the half-year ended 28 December 2014 was declared subsequent to 28 December 2014 and as such, the financial effect has not been brought to account in the financial statements for the half-year ended 28 December 2014.

(b) The special dividend of 4.00 cents for the half-year ended 28 December 2014 was declared subsequent to 28 December 2014 and as such, the financial effect has not been brought to account in the financial statements for the half-year ended 28 December 2014.

7. Key Management Personnel Transactions with the Consolidated Entity

(a) Loans to Key Management Personnel and their Related Parties

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

(b) Other Key Management Personnel Transactions with the Company or its Subsidiaries

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

	Half - Year 28 December 2014 \$	Half - Year 29 December 2013 \$
Franchise fees received	72,225	66,216
Sale of inventory	1,518,571	1,114,153
Amounts receivable from the Caringbah store franchise	239,719	249,588

(ii) Bytenew Pty Ltd, a company associated with Julian Tertini received rent of \$637,235 (2013: \$637,188) and outgoings of \$48,896 (2013: \$53,191) in respect of Company stores on normal commercial terms.

(iii) Bytenew Pty Ltd, a company associated with Julian Tertini received consulting fees of \$nil (2013: \$11,000) in relation to executive services rendered.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

FOR THE HALF-YEAR ENDED 28 DECEMBER 2014

8. Segment Information

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

Operating Segments

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

Retail

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

Property

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

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

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

Half Year to 28 December 2014					
	Retail	Property	Reportable Segments	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenues					
Revenues from external customers	244,279	-	244,279	-	244,279
Other revenue	646	1,057	1,703	-	1,703
Inter-segment revenue	-	241	241	(241)	-
Total segment revenue	244,925	1,298	246,223	(241)	245,982
Revenue reclassification	(792)	-	(792)	-	(792)
Total revenue					245,190
Result					
Share of loss of an associate	(707)	-	(707)	-	(707)
Segment result	11,078	107	11,185	(241)	10,944
Net unallocated revenue /(expense)	-	-	-	-	-
Profit before tax and finance cost					10,237
Net finance revenue					18
Income tax (expense)/benefit					(3,283)
Net profit for the year					6,972
Assets and liability					
Segment assets	156,504	28,913	185,417	-	185,417
Unallocated assets					-
Total assets					185,417
Segment liabilities	72,363	23,526	95,889	(22,992)	72,897
Unallocated liabilities					-
Total liabilities					72,897
Other segment information					
Capital expenditure	2,502	336	2,838	-	2,838
Depreciation and amortisation	3,081	541	3,622	-	3,622
Other non-cash expense	779	-	779	-	779

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

FOR THE HALF-YEAR ENDED 28 DECEMBER 2014

8. Segment Information (continued)

Half Year to 29 December 2013

	Retail	Property	Reportable Segments	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenues					
Revenues from external customers	224,689	-	224,689	-	224,689
Other revenue	727	3,363	4,090	-	4,090
Inter-segment revenue	-	497	497	(497)	-
Total segment revenue	225,416	3,860	229,276	(497)	228,779
Unallocated revenue	-	-	-	-	-
Total revenue					228,779
Result					
Segment result	5,543	2,171	7,714	(497)	7,217
Net unallocated revenue /(expense)	-	-	-	-	-
Profit before tax and finance cost					7,217
Net finance costs					(202)
Income tax (expense)/benefit					(2,141)
Net profit for the year					4,874
Assets and liability					
Segment assets	152,360	30,457	182,817	-	182,817
Unallocated assets					-
Total assets					182,817
Segment liabilities	68,763	24,573	93,336	(23,612)	69,724
Unallocated liabilities					-
Total liabilities					69,724
Other segment information					
Capital expenditure	2,740	431	3,171	-	3,171
Depreciation and amortisation	3,615	568	4,183	-	4,183
Other non-cash expense	2,028	21	2,049	-	2,049

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 \$241,227 (2013: 497,477).

Products

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

Geographical areas

The Group engages in the retail, manufacture and import of household furniture in Australia. The Group has a manufacturing facility in Vietnam. There is no material effect on the profit of the Group from the Vietnam manufacturing operations.

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

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

Major Customer

The Group does not rely on any major customer.

12. Contingencies

There have been no material changes in contingent assets or liabilities since the last annual reporting date.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

FOR THE HALF-YEAR ENDED 28 DECEMBER 2014

10. Share Capital

	28 December 2014 \$'000	30 June 2014 \$'000
103,257,398 (30 June 2014: 103,068,398) ordinary shares, fully paid	23,608	23,270
Ordinary shares at beginning of the period	23,270	23,270
Shares issued during the period (a)	338	-
Ordinary shares at the end of the period	23,608	23,270

(a) During the half year ended 28 December 2014, the company allocated 189,000 new shares (2013: nil) as part of shares held by the Performance Hurdle Executive Share Trust for key executives. The holders of ordinary shares are entitled to receive dividends as declared and having voting rights that allow one vote for each fully paid share held. All shares rank equally with regard to the Company's residual assets.

11. Events Subsequent to Balance Date

On the 25th of January 2015, the sale of the Dare Gallery business was completed. Under the terms of the Share Sale Agreement, a completion adjustment calculation is required to be computed based on the trading results for the month of January. As at the date of this report, the completion adjustment calculation is yet to be finalised, however, the sale is above book value for the Dare Gallery business.

On the 20th of February 2015, the sale of the Dandenong Property was completed after all contractual requirements under the Contract for Sale were satisfied. The property was sold for proceeds of \$22.7M, which was above book value.

Directors' Declaration

FOR THE HALF-YEAR ENDED 28 DECEMBER 2014

1. In the opinion of the Directors:

In accordance with a resolution of the Directors of Fantastic Holdings Limited:

- (a) The financial statements and notes of Fantastic Holdings Limited for the half-year ended 28 December 2014 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 28 December 2014 and of the performance, for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the half-year ended 28 December 2014.

Signed in accordance with a resolution of the Directors



Julian Tertini
Chairman



Stephen Heath
Managing Director and Chief Executive Officer

Dated this 26th day of February 2015

Auditor's Independence Declaration

FOR THE HALF-YEAR ENDED 28 DECEMBER 2014



AUDITOR'S INDEPENDENCE DECLARATION

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Fantastic Holdings Limited.

As lead audit partner for the review of the financial statements of Fantastic Holdings Limited and its Controlled Entities for the half-year ended 28 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(iii) any applicable code of professional conduct in relation to the review.

Yours sincerely,

A handwritten signature in green ink that reads "Felsers".

Felsers

Chartered Accountants

A handwritten signature in black ink that reads "Michael Kersch".

Michael Kersch

Partner

Sydney

Dated: 26th February 2015

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

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Chartered Accountants + Business Advisors
Sydney + Melbourne + Brisbane
Perth + Adelaide + Hobart + Auckland

Accru Felsers is an autonomous and separately accountable member of Accru and CPA Associates International Inc.
Liability limited by a scheme approved under Professional Standards Legislation.

Independent Auditor's Review Report

FOR THE HALF-YEAR ENDED 28 DECEMBER 2014



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

REPORT ON THE HALF-YEAR FINANCIAL REPORT

We have reviewed the accompanying half-year financial report of Fantastic Holdings Limited (the company) and its Controlled Entities (the consolidated entity), which comprises the interim condensed consolidated statement of financial position as at 28 December 2014, and the interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

DIRECTORS' RESPONSIBILITY FOR THE HALF-YEAR FINANCIAL REPORT

The directors of the consolidated entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of Fantastic Holdings Limited and its Controlled Entities financial position as at 28 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001. As the auditor of the consolidated entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

MATTERS RELATING TO ELECTRONIC PUBLICATION OF THE FINANCIAL REPORT

This paragraph relates to the financial report of Fantastic Holdings Limited and its Controlled Entities for the half year ended 28 December 2014 included on the website of Fantastic Holdings Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on its integrity. The financial report refers only to the subject matter described above. We do not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of the financial report are concerned with the inherent risk arising from publication on a website, they are advised to refer to the hard copy of the financial report to confirm the information contained in the website version of the financial report.

INDEPENDENCE

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the consolidated entity, would be in the same terms if given to the directors as at the time of this auditor's report.

CONCLUSION

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Fantastic Holdings Limited and its Controlled Entities is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 28 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Felsers
Chartered Accountants

Michael Kersch
Partner
Sydney

Dated: 26 February 2015

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