

FANTASTIC HOLDINGS LIMITED



ANNUAL REPORT 2015



FANTASTIC HOLDINGS LIMITED

ANNUAL REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2015



Fantastic Holdings
Limited

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FINANCIAL CALENDAR 2015

- 2015 full year results announced to Australian Stock Exchange 27 August 2015
- Record date for entitlements to the final dividend 1 October 2015
- Final dividend for 2015 financial year to be paid 15 October 2015
- Annual General Meeting 27 October 2015



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MAKE EVERY DAY FANTASTIC

AFFORDABLE FURNITURE FOR EVERY HOME

CHAIRMAN'S AND MANAGING DIRECTOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2015

Fantastic Holdings Limited announced a full year statutory net profit after tax of \$13.2 million. The Group result represents an increase of 128.1% on the previous financial year. Statutory Group EBIT of \$19.0 million represents a 116.9% increase on prior year. This increase in EBIT largely reflects the record Group sales result of \$496.9 million, an 11% increase on prior year.

Like for like sales in Fantastic Furniture increased 8.7% for the year, with a strong second half increase of 15.9%. Undelivered customer orders for Fantastic Furniture at June 2015 was \$14.1 million, an increase of 33.8% over prior year. Plush like for like sales increased by 43.4% for the year with sales for the second half increasing by 35.1% over the prior comparative period. The undelivered customer orders for Plush was \$16.1 million, a 4.3% increase on prior year.

Fantastic Furniture and Plush account for circa 85% of Group sales. An enhanced product offering, improved customer service, a better engaged workforce and more effective marketing in Fantastic Furniture and Plush have delivered the increase in sales. Total Group undelivered customer orders at 30 June 2015 were \$34.3 million compared to \$31.7 million in the prior year, an increase of 8.4%.

Operating cash flow for the year was \$24.3 million, compared to \$11.7 million in the prior period. At June 2015, FHL had a cash balance of \$36.7 million and debt of \$5.0 million resulting in a net cash position of \$31.7 million. During the financial year, FHL's bank balance was enhanced with the sale of the Dandenong Property for \$22.7 million. Proceeds from this property sale were used to reduce debt by \$10.0 million.

The Le Cornu business faced a number of challenges during the financial year and was impacted by Fantastic Furniture's growth in the South Australian market and the opening of the Ashley Furniture HomeStore. Management are focused on delivering a refreshed product strategy, improved marketing initiatives and delivering on identified structural changes over the next six months.

The OMF business continues to deliver growth in sales and profit. The business is focused on delivering key business objectives to enable store growth beyond NSW.

The divestment of the Dare Gallery business has allowed management to reposition its capital resources to focus on its core business strategies. The China joint venture manufacturing facility has commenced direct to store shipments and has expanded its production range of sofa products.

During the financial year, Fantastic Furniture opened its first store in Far North Queensland (Townsville) and closed Stanmore in NSW. The Group launched its first Ashley Furniture HomeStore (trial store) in Gepps Cross, SA and the Original Mattress Factory opened two new stores in Belrose and Caringbah, NSW. The Dare Gallery business was sold which comprised 10 stores. As at 30 June 2015, the Group operates 126 company owned stores nationally, with an additional two franchise stores.

The Board has declared a fully franked final dividend of 5.0 cents per share taking the total dividends to 15.0 cents for the year. The total dividends for the year (excluding special dividends) represents a pay-out ratio of 86.0% of NPAT. The closing date for shareholders to be registered for the final dividend is 5pm on 1 October 2015. The dividend will be paid on 15 October 2015.

We would like to thank our shareholders, the entire Fantastic Holdings Group team and our valued customers for their continued support as we continue to build the foundations for long term success and growth. We will continue to focus on our product offer, customer service and employee engagement to increase shareholder value.



Margaret Haseltine
Deputy Chairman



Stephen Heath
Managing Director and Chief Executive Officer

Dated this 8th day of September 2015

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2015

The Directors present their report together with the financial report of the Group, being Fantastic Holdings Limited (the Company) and its subsidiaries, for the year ended 30 June 2015 and the Independent Auditors' Report thereon. The Directors have been in office since the start of the financial year to the date of this report, unless otherwise stated.

NON-EXECUTIVE DIRECTORS



Julian Tertini

(67) Chairman since 30 June 2014

Non-Executive Director since 12 July 2013

Julian Tertini has over 30 years experience in the retail industry and was a founding shareholder and an Executive Director responsible for retail operations and product development of Freedom Furniture. During his time at Freedom Furniture, the operations grew from one store to a national chain. Mr Tertini has served on a number of private company boards in the retail, hospitality and broadcasting industries.



Peter Brennan OAM BSc Econ (Hons) FCA

(59) Non-Executive Director since 12 July 2013

Member of Audit, Risk and Compliance Committee

Peter Brennan is a Fellow of the Institute of Chartered Accountants in Ireland and an Associate of the Institute of Chartered Accountants in Australia with over 35 years experience in accountancy. He spent 10 years in the banking and finance sector and held a number of senior management positions with St George Bank Limited (1989 – 1995). Mr Brennan has served on a number of public and private boards and is currently Chairman of The Lansdowne Club Limited (Ireland-Australia Business Network).



Geoffrey Squires BEc, MBA, FAICD

(66) Independent Non-Executive Director since 22 August 2006

Chairman of the Audit, Risk and Compliance Committee

Member of Remuneration Committee

Geoffrey Squires has over 40 years experience in the building and construction industry. He spent 24 years with Monier Limited, a supplier of concrete and clay tiles and was the General Manager - Roofing division from 1986 - 1994. Mr Squires currently serves on a number of private company boards in the building and shipping industries.



Margaret Haseltine BA, DipED, FAICD

(55) Deputy Chairman since 30 April 2015

Independent Non-Executive Director since 26 November 2013

Chairman of Remuneration Committee

Member of Audit, Risk and Compliance Committee

Margaret Haseltine has over 30 years business experience. A proven Executive, Ms Haseltine has delivered significant achievements in prior roles in the areas of change management, governance, organisational culture development and profitability improvement. Ms Haseltine served most recently as CEO of Mars Foods. She serves on the Agrifood Skills Australia, Central Coast Water Corporation, The National Skills and Standards Committee and the NSW Crown Lands Trust.



Robyn Watts BA, MA, GDBM, FAICD

(61) Non-Executive Director since 10 November 2014

Member of Remuneration Committee since 10 November 2014

Member of Audit, Risk and Compliance Committee since 10 November 2014

Robyn Watts has over 27 years experience as a CEO of various businesses, most recently as CEO of ABC Enterprises which includes ABC shops and was previously CEO at Southern Star. Ms Watts brings specialist skills and knowledge in the areas of business strategy and marketing. Robyn Watts is currently a director of publicly listed The Vita Group (VTG) which operates various stores including Telstra stores, Next Byte and Fone Zone. Ms Watts is also a director of private company Geyer as well as the Australian School of Performing Arts.

EXECUTIVE DIRECTOR



Stephen Heath

(48) Managing Director and Chief Executive Officer since 12 July 2013

Stephen Heath has over 20 years of extensive retail experience comprising of iconic Australian retail brands including Harvey Norman, Rebel Sport and Godfreys. As the CEO of Godfreys, Mr Heath oversaw retail, wholesale distribution and manufacturing business units across a number of brands throughout Australia, NZ, the UK and Asia. Prior to this, Mr Heath was CEO of Rebel Sport during its public listing on the ASX. Mr Heath is also a Non-Executive Director of Funtastic Limited (FUN).

COMPANY SECRETARY



George Saoud BCom (Co-Op) UNSW, CA, MFin FINSIA, CSA

(42) Chief Financial Officer and Company Secretary

George Saoud, a chartered accountant and company secretary, has over 20 years experience in various finance and accounting based roles. Prior to joining Fantastic Holdings Limited, Mr Saoud held various senior finance positions with Lend Lease Corporation Limited and Arthur Andersen. George has delivered significant achievements in capital management and treasury, corporate restructuring, tax planning, acquisitions and divestments, IT systems development and change management.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

DIRECTORS' MEETINGS

The number of Directors' meetings held during the financial year (including meetings of Committees of Directors), and those attended by each Director were:

Director	Board Meetings		Audit, Risk and Compliance Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B
Julian Tertini (1)	15	16	4	4	2	4
Peter Brennan (1)	15	16	4	4	2	4
Geoffrey Squires	16	16	4	4	3	4
Margaret Haseltine	16	16	4	4	4	4
Robyn Watts	10	10	3	3	3	3
Stephen Heath (1)	16	16	4	4	3	3

A - Number of meetings attended B - Number of meetings held during the time the Director held office during the 2015 financial year.

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

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were the retail, manufacture and importation of household furniture. There were no significant change in the nature of the activities of the Group during the year.

COMPANY OVERVIEW

OBJECTIVES

The objective of the Group is to bring sustained growth and profitability to its shareholders by careful planning in store placement and prominence, consistently strong marketing, ongoing product innovation, increasing market share, quality service and a high level of staff development and motivation. Underlying this is the core proposition of great value for money and a frugal approach to operating costs.

PERFORMANCE INDICATORS

The Board and management monitor the Group's overall result against prior year, budget and forecast performance and use key performance indicators in the assessment. These include:

- Profit as a percentage of sales
- Operating costs as a percentage of sales
- Comparable and total store sales growth
- Contribution of existing and new stores
- Sales per square metre
- Strike rate, traffic and average dollar sales
- Gross margin by store and product
- Inventory turnover and availability
- Quality/return rates
- Staff turnover
- Return on capital, assets and equity
- Earnings per share

DYNAMICS OF THE BUSINESS

All retailers are affected by changing economic conditions, particularly regarding consumer sentiment, interest rates, levels of employment and inflation. The key is to be able to prepare for such changes and adapt to them quickly. The Group believes it has the ability to do this, particularly as a retailer who places price, service and value at the core of its proposition. Also, the mix of locally manufactured and imported products gives the Group a greater flexibility than that of many of its competitors and allows more of a balance at times of large exchange rate fluctuations. A key element of the Group's business strategy is to lease sites at a realistic cost, even if this means slowing the planned store opening schedule.

DIVIDENDS

Dividends paid or declared by the Company since the end of the previous financial year were:

Type	Cents per Share	Total Amount \$	Date of Payment	Tax Rate for Franking Credit
In respect of the previous financial year:				
Final dividend 100% franked	3.00	3,092,052	15 Oct 2014	30%
In respect of the current financial year:				
Interim dividend 100% franked	6.00	6,195,444	8 Apr 2015	30%
Special dividend 100% franked	4.00	4,130,296	8 Apr 2015	30%
	13.00	13,417,792		



DIVIDENDS (CONTINUED)

A final dividend of 5.00 cents per share, totalling \$5,162,870 will be paid on 15 October 2015 and will be fully franked at 30%. This dividend was declared at a meeting of Directors on 27 August 2015 and as such the financial effect has not been brought into account in the financial statements for the year ended 30 June 2015, but will be recognised in a subsequent financial report.

DIRECTORS' INTERESTS

The relevant interest of each Director in the shares issued by the companies within the Group and other related bodies corporate, as notified by the Directors to the Australian Stock Exchange in accordance with Section 205G (1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Ordinary shares held in Fantastic Holdings Limited
Julian Tertini (1)	41,776,211
Peter Brennan	10,698,016
Geoffrey Squires	171,405
Margaret Haseltine	15,069
Robyn Watts	10,000
Stephen Heath	56,500
Total	52,727,201

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

SHARE OPTIONS

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

CHANGE TO STATE OF AFFAIRS

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

AFTER BALANCE DATE EVENTS

There have been no events subsequent to year end until the date of this report.

LIKELY DEVELOPMENTS

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

ENVIRONMENTAL REGULATION

The operations of the Group are not subject to any significant Environmental Regulation under laws of the Commonwealth or State. However, the Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year and in accordance with the Company's constitution, the Company has paid premiums to insure each of the Directors and Officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director or Officer of the Company (other than conduct involving a wilful breach of duty in relation to the Company).

These insurance policies do not contain details of the amount of premium paid in respect of individual Directors and Officers of the Company. The total amount of premium is not included as part of remuneration as detailed in this Directors' Report.

The insurance policies prohibit disclosure of the nature of the liabilities and the amounts of premium payable. Under this circumstance, the Corporations Act 2001 does not require disclosure of this information.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

During the year, Accru Felsers, the Company's auditor, has not performed any other services in addition to their statutory duties.

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act 2001 is included in this Directors' Report. Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are disclosed in the financial report.

OPERATING AND FINANCIAL REVIEW

The Group is one of Australia's largest vertically integrated furniture organisations being a retailer, importer and manufacturer of furniture. The Group is listed on the Australian Stock Exchange (FAN) and employs over 1,500 people nationally.

As at 30 June 2015, the Group operated 126 company owned stores and two franchise stores across five furniture retail chains:

- Fantastic Furniture – 73 stores (plus two franchise stores)
- Plush – 33 stores
- Original Mattress Factory – 17 stores
- Le Cornu – two stores
- Ashley Furniture HomeStore – one (trial) store

The Group also has a significant manufacturing presence in Australia with its sofa and mattress manufacturing businesses having the capacity to produce over 140,000 sofa's as well as over 140,000 mattresses each year.

The Group's Vietnam manufacturing facility is now fully operational and is producing steel beds and steel sofa frames for the Fantastic Furniture brand. The Group's China manufacturing and warehousing facility is now operational to produce sofas. The direct shipments of products to certain stores commenced during the financial year 2015.

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

FINANCIAL PERFORMANCE – HIGHLIGHTS

	FY15	FY14	Change
Sales (\$M)	496.9	447.8	11.0%
Gross Margin (%)	44.5	44.5	no change
CODB (\$M)	204.5	194.2	5.3%
EBITDA (\$M)	26.1	20.0	30.5%
EBITDA Margin (%)	5.2	4.5	0.7pts
EPS (cents)	12.79	5.68	125.2%
Full Year Dividends per share - fully franked (cents)	15.00	6.00	150.0%
Return on Equity (%)	12.0	5.5	6.5pts

SALES PERFORMANCE

The Group's sales were \$496.9M, with an increase of 11.0%, while comparable store sales growth was positive 12.2%. The Group delivered improved trading results in the financial year, largely attributable to an enhanced product offering, improved customer service, a better engaged workforce and more effective marketing in Fantastic Furniture and Plush. The Group's sales for the second half of financial year 2015 were up 13.2% with comparable store sales growth of positive 16.1% and the Group's undelivered customer orders at 30 June 2015 was \$34.3M, up 8.4% from the previous corresponding period.

GROSS MARGIN

The Group's gross margin for financial year 2015 was 44.5%, in line with the previous corresponding period. The gross margin for the Group varies by brand and has been affected by the depreciating Australian Dollar.

COST OF DOING BUSINESS

The Cost of Doing Business (CODB) as a percentage of sales was 41.1% for the year, a decrease from the previous corresponding period of 43.4%.

EARNINGS

EBITDA to equity holders of \$26.1M for FY15 represented an increase of \$6.1M on the previous corresponding period, reflecting good cost control, reduced stock clearance and product discounting. The earnings represented an EBITDA margin of 5.2%. The turnaround performance of the Plush business has assisted in delivering improved EBITDA in the second half of the financial year.

DIVIDENDS

The final dividend of 5.00 cents per share brings the total dividend for the 2015 financial year to 15.00 cents including a 4.00 cents special dividend, fully franked.

SHAREHOLDER RETURNS

	2015	2014	2013	2012	2011
Basic earnings per share (EPS)(cents)	12.79	5.68	13.15	20.43	18.95
Dividends per share (DPS)(cents)	15.00	6.00	10.50	13.00	11.00
Return on equity (%)	12.0	5.5	12.5	19.3	19.3
Share price at 30 June (\$)	2.27	1.49	1.97	2.30	1.99
Available franking credits (\$)	33,161,638	34,248,359	37,222,224	35,140,914	28,889,796

Dividends were 100% franked from 2011 to 2015 and it is expected that any dividends in the near future years will continue to be fully franked.

FINANCIAL POSITION AND CASH FLOWS

The Group maintains a strong and robust balance sheet with cash of \$36.7M and debt of \$5.0M. Interest bearing debt of \$10.0M was repaid during the financial year.

Operating cash flow for the year was \$24.3M. During the year, the Group sold its Dandenong property as well as the Dare Gallery business.

STORE NETWORK

During the 2015 financial year, the Group opened four stores and closed one store. The Dare Gallery business comprising 10 stores was sold during the year. This brings the total number of company owned stores to 126 and two Fantastic Furniture franchise stores.

The following store changes occurred during the financial year:

- Fantastic Furniture opened its first store in Far North Queensland (Townsville);
- The Group launched its first Ashley Furniture HomeStore in Gepps Cross (SA);
- OMF opened two stores being Belrose (NSW) and Caringbah (NSW) and
- Fantastic Furniture closed one store being Stanmore (NSW).

Subsequent to year end, Fantastic Furniture closed one store at Aspley (QLD).

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

The Group's network of company owned stores by state as at 30 June 2015 is set out below:

	NSW/ACT	VIC	QLD	WA	SA	TAS/NT	TOTAL
Fantastic Furniture	31	18	12	6	4	2	73
Plush	14	12	4	-	3	-	33
OMF	17	-	-	-	-	-	17
Le Cornu	-	-	-	-	1	1	2
Ashley Furniture HomeStore (trial)	-	-	-	-	1	-	1
Total Group	62	30	16	6	9	3	126

PROPERTY

As at 30 June 2015, the Group owned two properties; Newcastle (NSW) and Rockhampton (QLD), with a total book value of \$6.8M. The property segment attributed \$0.6M to the Group's EBIT. The income from the Property segment is primarily from leasing income and gain on sale of the Dandenong property.

TRADING OUTLOOK

Sales in July 2015 represents like for like growth of 12.8%. Notwithstanding, the continuing depreciation of the Australian Dollar will impact the product margins in 2015 (unless product prices absorb the impact).

Financial year 2016 will see continued expansion of production of the Group's Sofa Factory in China, further strengthening its supply chain via consolidation of products and direct shipping to Fantastic Furniture stores and regional ports thereby reducing inland freight and warehousing costs.

Plush's simplified business model has proven successful. Expansion with new stores is planned later in the second half of FY16 and Plush continues to focus on improving its product offering and in-store customer experience.

The Group will continue to focus on its product offer, customer service, employee engagement and store network (both existing and new) to increase shareholder value.

ROUNDING

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

REMUNERATION REPORT (AUDITED)

This Remuneration Report for the year ended 30 June 2015 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its regulations. It details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group. The information has been audited as required by section 308(3C) of the Corporations Act. The remuneration report is presented under the following sections:

CONTENTS

Section 1:	Key changes in the current year
Section 2:	Overview
Section 3:	Who this report covers
Section 4:	Remuneration Governance Policy
Section 5:	Executive remuneration
Section 6:	Non-Executive Directors
Section 7:	Remuneration tables
Section 8:	Service Agreements
Section 9:	Other information

SECTION 1: KEY CHANGES IN THE CURRENT YEAR

A summary of the key changes to remuneration-related matters for the 2015 financial year is set out below:

Executives Directors and Senior Executives

- On 1 August 2014, Debra Singh became CEO of Fantastic Furniture.
- Chris Burke, General Manager of Plush is classified as a KMP with Plush making a significant contribution to Group's results.

Non-Executive Directors

- On 10 November 2014, Robyn Watts was appointed as a Non-Executive Director. Member of the Remuneration Committee.
- On 30 April 2015, Margaret Haseltine, Non-Executive Director, was appointed as Deputy Chairman.

SECTION 2: OVERVIEW

The Directors of the Group hereby present this Remuneration Report for the year ended 30 June 2015. The Group's remuneration structure is an important factor in attracting, retaining and incentivising capable personnel to drive performance in line with the Group's short and long term strategic objectives. Key performance indicators adopted in determining remuneration for KMP include agreed financial and non-financial targets.

This report sets out the remuneration information and structure used to compensate KMP being personnel who have authority and responsibility for planning, directing and controlling the activities of the Group. These are the Non-Executive Directors, Executive Directors and senior executives of the Group identified in this report.

SECTION 3: WHO THIS REPORT COVERS

i) Non-Executive Directors

Mr J Tertini	Chairman and Non-Executive Director
Ms M Haseltine	Deputy Chairman and Non-Executive Director
Mr P Brennan	Non-Executive Director
Mr G Squires	Non-Executive Director
Ms R Watts	Non-Executive Director (Appointed 10 November 2014)

ii) Executives

Mr S Heath	Group Managing Director and Chief Executive Officer
Mr G Saoud	Chief Financial Officer and Company Secretary
Ms D Singh	Chief Executive Officer - Fantastic Furniture (from 1 August 2014)
Mr J Newman	Chief Operating Officer - Fantastic Furniture - Manufacturing and Supply Chain
Mr C Burke	General Manager - Plush

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

REMUNERATION REPORT (Continued)

SECTION 4: REMUNERATION GOVERNANCE POLICY

4.1 Remuneration Policy

The Group's remuneration policy ensures that remuneration packages properly reflect each KMP's duties and responsibilities.

The amount of remuneration, both monetary and non-monetary, is provided in the remuneration tables in this Report. Where remuneration is of a non-cash nature, such benefit is quantified as closely as possible to a cash equivalent basis. In addition to fixed salary and superannuation, senior executive remuneration typically includes a significant "at risk" component paid in cash or shares based on the achievement of specific goals related to the performance of the business units within the Group.

Issues of shares under the Group's share plan are subject to shareholder approval or subsequent shareholder ratification.

The Group's executive remuneration policy ensures:

- Remuneration is market competitive and attracts, retains and motivates high calibre executives;
- An appropriate "at risk" component is applied to drive executive performance objectives;
- Short term incentives are linked to both financial and non financial performance measures;
- Long term incentives align the interests of executives with creation of value for shareholders and
- The Group supports a culture of employee share ownership.

4.2 Remuneration Committee

The Remuneration Committee reviews and makes recommendations to the Board on the structure and quantum of KMP remuneration, together with overall staff remuneration and incentive policies across the Group.

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

Membership of the Remuneration Committee consists of independent Non-Executive Directors who during the year were Ms R Watts, Mr G Squires and Ms M Haseltine (Chairman).

In fulfilling its role, the Remuneration Committee oversees management on behalf of the Board and shareholders by:

- Ensuring that the processes for determining KMP remuneration (including valuation protocols adopted for non-cash benefits) are fair and reasonable;
- Monitoring current industry practice and generally accepted market ranges for remuneration of comparative roles;
- Assessing different methods of remunerating Directors and KMP to demonstrate a clear relationship between performance and remuneration;
- Ensuring that an appropriate balance between "fixed" and "at risk" remuneration reflects the short and long term performance objectives of the Group; and
- Implementing effective remuneration policies that focus on short and long term business objectives as well as the creation of value for shareholders.

A key focus of the Group's remuneration strategy centres upon delivering sustainable returns to shareholders. This is reflected in the Earnings Per Share Growth (EPS) and Return on Equity (ROE) hurdles that apply to LTIs. It is also recognised that the long term sustainable growth of the Group's retail entities rely heavily upon the non-financial key result areas of customer satisfaction and employee engagement. For this reason, these non-financial measures have been specifically evaluated and included in all Group and retail business unit STI remuneration measures.

REMUNERATION REPORT (Continued)

SECTION 5: EXECUTIVE REMUNERATION

5.1 Our Remuneration Structure

The structure of the key executives' remuneration comprises both fixed and variable components that are weighted appropriately between the two.

The variable components are at risk by being linked to the achievement of specified company and individual performance levels.

Below is a summary of the key components of Target Annual Remuneration (TAR).

Target Annual Remuneration (TAR)

Fixed Pay	At Risk Pay	
Fixed Annual Remuneration (FAR)	Short Term Incentive Plan (STI)	Long Term Incentive Plan (LTI)
"Market Competitive"	"Performance Linked"	"Shareholder Aligned"
Base salary, superannuation and other benefits.	Annual cash payment	Performance rights that vest at the end of 3 years.
Based on individual's responsibilities, performance, qualifications and experience.	Based on individual's performance against financial and non-financial objectives. KPI's set at outset of the year.	Based on company performance over the 3 year vesting period. Awards vest if specified EPS and ROE targets are met.
Reviewed annually - positioned at market median for comparable companies.	Subject to the Board's discretion, STI is not paid if specified objectives are not met.	No LTI vests if the EPS or ROE targets are not met.
40-55% of TAR	15-30% of TAR	15-45% of TAR

5.2 Fixed Annual Remuneration

FAR is determined by reference to appropriate benchmark information, taking into account an individual's responsibilities, performance, qualifications and experience. Benchmark information includes the Australian Institute of Management salary reference guide, and peer group research into ASX listed company reports with similar market capitalisation and revenues. FAR reviews are conducted annually for all executives by the Remuneration Committee. There are no guaranteed remuneration increases. Any increases are determined based on individual's performance, economic indicators and market data.

Executives may also elect to have a combination of benefits provided out of their FAR including additional superannuation (up to 15%) and the provision of a motor vehicle benefit.

5.3 Variable Remuneration

Variable remuneration is performance linked and includes both STI and LTI components. It is designed to reward KMP for meeting or exceeding agreed short term and long term company objectives respectively. The STI is payable in cash. The LTI is designed to focus executives on an agreed three year plan and is payable in shares.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

REMUNERATION REPORT (Continued)

STI

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

What are the objectives of the STI?	<ul style="list-style-type: none">- Motivate executive performance with year on year improvement.- Deliver STI payments for achieving annual performance targets.- Focus executives on the short term group and divisional objectives.	
Who is eligible to participate in STI?	KMP and other selected management.	
What is the range of STI payment?	STI is calculated as % of FAR.	
	Minimum STI	0% - if KPIs not met
	Maximum target STI opportunity	CEO 52% of FAR CFO 50% of FAR
Is there an STI gateway?	Unless the Board determines that exceptional circumstances warrant otherwise, Group or Divisional profit (EBIT) for the current year must have exceeded that of the prior year before any STI can be paid.	
What is the weighting of KPIs?	70% - financial measures 30% - non-financial measures	
What are the financial objectives?	Group or Divisional performance, dependent on the individual's role and responsibilities. Individual specific financial KPIs are set by the Board at the beginning of each year. Financial KPIs include:	
	<ul style="list-style-type: none">- Group or Divisional profit.- EBIT % on sales.	
	Financial Target	STI Opportunity
Below Threshold	<95%	Nil
Threshold	95-99.9%	50%
Target	100-110%	100%
Stretch	> 110%	120%
What are the non-financial objectives?	Individual non-financial KPIs are set by the Board at the outset of each year. A KPI is deemed to have been achieved if the individual exceeds performance for the prior year. Non-financial KPIs include: <ul style="list-style-type: none">- Customer satisfaction – measured by internal customer surveys and the ACNeilson report.- Employee engagement – measured against an internal survey conducted by AON Hewitt.- Service levels – measured based on continuous improvement in "delivery in full on time."	

REMUNERATION REPORT (Continued)

SECTION 5: EXECUTIVE REMUNERATION (CONTINUED)

Is there any STI deferral or claw-back provision?	<p>The Board continues to review the remuneration structure and whether a deferral of a proportion of the STI is warranted.</p> <p>There is no STI deferral or claw-back provision currently as the nature of the business does not warrant such an approach in the context of the remuneration framework.</p>
How is STI determined?	<p>The Remuneration Committee reviews performance against KPIs, and recommends STI amounts for the Board's approval.</p> <p>The Board retains discretion to make an STI payment, even if KPI's are not met, for outstanding performance or delivering on a project aligned to the company's strategy.</p>

LTI

The key features of the LTI are set out in the following table:

What are the objectives of the LTI?	<p>Provide executive pay outcomes that are linked to long term shareholder value creation.</p> <p>Focus executives on achieving our 3 year financial and strategic growth plans.</p>
Who is eligible to participate in LTI?	The Group Managing Director and CFO and the CEO of Fantastic Furniture.
What type of instrument is the LTI?	Performance rights, being a right to receive a share for no consideration in three years if the performance hurdles are met.
What is the LTI grant structure?	The current structure of the LTI comprises the grant of a right to receive a specified number of ordinary shares for no consideration after a three year period if specified performance hurdles are met. The performance rights only vest at the end of the three year period i.e. 30 June 2016.
How is the LTI satisfied?	The Company has established an Employee Share Trust to acquire shares for the purpose of delivering those shares to participants at the time of vesting if the performance hurdles have been met.
Do the participants receive dividends on the unvested LTI?	<p>Any dividends paid on the shares held by the Trustee of the Employee Share trust can be distributed at the discretion of the Trustee.</p> <p>At present, it is not the company's intention to request the Trustee to distribute dividends on unvested shares to LTI participants.</p>
What are the performance hurdles and relative weighting?	<p>Tranche 1: 70% of the Performance Rights are subject to an EPS growth target.</p> <p>Tranche 2: 30% of the Performance Rights are subject to an ROE target.</p> <p>The performance hurdles are deemed more appropriately aligned to our 3 year financial and strategic growth plan.</p>
What is the EPS growth target?	<p>An EPS compound annual growth rate (CAGR) greater than 10% annually over the vesting period of 3 years. If this target is achieved, 70% of the LTI vests.</p> <p>No awards will vest if this target is not achieved.</p> <p>EPS growth represents the annualised rate of net profit per share growth, compared to the prior financial year.</p> <p>This target was chosen as it shows the rate at which the group has grown profitability per unit of equity, and aligns to the business strategy of profit growth.</p>
What is the ROE target?	<p>ROE represents the amount of net income returned as a % of shareholder equity.</p> <p>This target was chosen to ensure the executives are focused on growth in a sustainable and profitable way.</p> <p>If the ROE target as set by the Board at the time of grant is met, 30% of LTI vests. The ROE target for the current LTI grant is 20%.</p> <p>No amount will vest if the target is not achieved.</p>

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

REMUNERATION REPORT (Continued)

What awards vested in the year ended 30 June, 2015? No LTI awards vested in the year ended 30 June, 2015

What awards were granted in the year ended 30 June, 2015?

The Board approved the grant of awards to the Managing Director, the CFO and the CEO of Fantastic Furniture at the beginning of FY 14. No awards granted for FY15. The LTI awards were granted to the Managing Director, CFO and CEO (Fantastic Furniture) to ensure they were focused on FHL's 3 year strategy by linking their variable pay outcomes to shareholder interests over this period.

	Managing Director	CFO	CEO (FF)
How many Performance Rights were granted?	900,000	225,000	225,000
What was the value of the Performance Rights granted?	\$1,800,000	\$450,000	\$450,000
How was the value determined?	Face value of the underlying shares at the date of grant.		
What was the basis for the number of Performance Rights	The number of Performance Rights granted was calculated by reference to the face value of FHL shares on the date of grant.		

Overview of variable remuneration compared to FHL financial performance

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

FHL Group 5 Year Performance - Table 1

Five Year Performance	2011	2012	2013	2014	2015	CAGR
Sales (\$M)	436.7	445.8	445.2	447.8	496.9	3.28%
EBIT (\$M)	28.0	30.5	18.1	8.7	19.0	(9.20%)
CODB (\$M)	183.1	187.0	191.2	194.2	204.5	2.80%
CODB / Sales (%)	41.9	41.9	42.9	43.4	41.1	(0.46%)
EPS (cents per share)	18.95	20.43	13.15	5.68	12.79	(9.36%)
Share price at the end of reporting period (\$)	1.99	2.30	1.97	1.49	2.27	3.35%
Market Capitalisation (\$M)	204.5	236.3	202.4	153.6	234.4	3.47%
Dividends per share paid during the financial year (cents)	11.00	13.00	10.50	6.00	13.00	4.27%
Return on Equity (%)	19.3	19.3	12.5	5.5	12.0	(11.18%)

REMUNERATION REPORT (Continued)

SECTION 6: NON-EXECUTIVE DIRECTORS

6.1 Remuneration

Non-Executive Directors are remunerated by way of directors' fees and superannuation. An additional \$10,000 is paid to the Non-Executive Director for being chairman of a committee. They do not participate in incentive schemes or receive retirement benefits (other than statutory superannuation).

Directors are appointed for an unspecified term but are subject to election by shareholders at the first AGM after their initial appointment by the Board and re-election every 3 years. The Corporate Governance Statement contains details of the process for appointing and re-electing Non-Executive Directors and the years in which the Non-Executive Directors are next due for re-election by shareholders.

Total remuneration for all Non-Executive Directors is not to exceed \$500,000 per annum as approved at the 2011 AGM and is set in reference to fees paid to other Non-Executive Directors in companies of a similar size based on market capitalisation and revenue.

The fees and superannuation benefits provided to Non-Executive Directors during the year and during the prior year are set out in this report. Directors receive a base fee and no additional fee is paid for membership of Board Committees.

6.2 Non-Executive Directors' Shareholdings - Table 2

Current non-executive directors- ordinary shares	Balance at the start of the year	Changes during the year	Balance at the end of the year
Geoffrey Squires	171,405	-	171,405
Julian Tertini (1)	41,776,211	-	41,776,211
Peter Brennan (1)	10,698,016	-	10,698,016
Margaret Haseltine	-	15,069	15,069
Robyn Watts (2)	-	10,000	10,000
TOTAL	52,645,632	25,069	52,670,701

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

(2) Ms Robyn Watts was appointed on 10 November 2014.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

REMUNERATION REPORT (Continued)

SECTION 7: REMUNERATION TABLES - Table 3

		Short-term		Post-employment	Share Based Payments		Total	Percentage Performance related
	Year	Salary and fees \$	STI cash bonus \$	Superannuation \$	Value of Options \$	Value of rights \$	\$	
Executive Directors								
Stephen Heath (1)	2015	621,750	360,000	30,000	-	-	1,011,750	35.6%
Managing Director / Chief Executive Officer	2014	626,750	-	25,000	-	-	651,750	0%
Non-Executive Directors								
Julian Tertini (2), (6) Chairman	2015	116,667	-	11,083	-	-	127,750	0%
	2014	70,000	-	5,550	-	-	75,550	0%
Margaret Haseltine (6) Deputy Chairman	2015	73,458	-	6,967	-	-	80,425	0%
	2014	40,000	-	3,700	-	-	43,700	0%
Geoffrey Squires	2015	70,000	-	6,650	-	-	76,650	0%
	2014	70,000	-	6,475	-	-	76,475	0%
Peter Brennan OAM	2015	60,000	-	5,700	-	-	65,700	0%
	2014	82,000	-	5,550	-	-	87,550	0%
Robyn Watts (3)	2015	40,000	-	3,800	-	-	43,800	0%
James Miller AM (4)	2014	120,000	-	11,100	-	-	131,100	0%
Denis McCormack (5)	2014	52,500	-	4,856	-	-	57,356	0%
Total	2015	981,875	360,000	64,200	-	-	1,406,075	25.6%
	2014	1,061,250	-	62,231	-	-	1,123,481	0%

Notes:

- (1) Mr Stephen Heath is the Chief Executive Officer and Managing Director of Fantastic Holdings Limited. The employment arrangement for Mr Heath included an agreement for certain KPI targets. Mr Heath was awarded 120% of his overall payable at "stretch" STI value based on performance against approved KPI's.
- (2) Mr Julian Tertini was appointed as Chairman effective 30 June 2014.
- (3) Ms Robyn Watts was appointed as Non-Executive Director effective 10 November 2014.
- (4) Mr James Miller resigned as Chairman and Non-Executive Director effective 30 June 2014.
- (5) Mr Denis McCormack resigned as Non-Executive Director effective 25 March 2014.
- (6) Ms Margaret Haseltine has had an increase in Director fees of \$20,000 upon becoming a Deputy Chairman. Mr Julian Tertini has an equivalent reduction in his Director fees.

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

REMUNERATION REPORT (Continued)

REMUNERATION TABLES - Table 3 (Continued)

		Short-term		Post-employment	Share Based Payments		Total	Percentage Performance related
	Year	Salary and fees \$	STI cash bonus \$	Superannuation \$	Value of Options \$	Value of rights \$	\$	
Key Management Personnel								
George Saoud (1) Chief Financial Officer / Company Secretary	2015	413,483	249,000	29,318	-	-	691,801	36.0%
	2014	375,000	-	25,312	-	-	400,312	0%
Debra Singh (2) Chief Executive Officer - Fantastic Furniture	2015	416,712	250,000	31,366	-	-	698,078	35.8%
	2014	324,000	-	-	-	-	324,000	0%
Jason Newman (3) Chief Operating Officer - Manufacturing and Supply Chain	2015	369,048	116,543	22,154	-	-	507,745	23.0%
	2014	360,000	20,000	-	-	40,000	420,000	14.3%
Chris Burke (4) General Manager - Plush	2015	260,000	742,778	30,000	-	-	1,032,778	71.9%
TOTAL	2015	1,459,243	1,358,321	112,838	-	-	2,930,402	46.4%
	2014	1,059,000	20,000	25,312	-	40,000	1,144,312	5.2%

Notes:

- (1) Mr George Saoud is the Chief Financial Officer of Fantastic Holdings Limited. The employment arrangement for Mr Saoud included an agreement for certain KPI targets. Mr Saoud was awarded 120% of his overall payable at "stretch" STI value based on performance against approved KPI's.
- (2) Ms Debra Singh is the Chief Executive Officer of Fantastic Furniture. The employment arrangement for Ms Singh included an agreement for certain KPI targets. Ms Singh was awarded 100% of her STI value based on performance against approved KPI's.
- (3) Mr Jason Newman is the Chief Operating Officer of the Manufacturing and Supply Chain for Fantastic Furniture responsible for manufacturing, logistics and products delivery. Mr Newman was awarded 64.0% of his STI value based on performance against approved KPI's. Resteasy Bedding Pty Ltd, a company associated with Mr Newman, received the sum of \$100,100 by way of fees for professional services rendered.
- (4) Mr Chris Burke is the General Manager of the Plush business. The employment arrangement for Mr Burke included an agreement to a percentage of the business unit EBIT, subject to exceeding performance hurdles on financial and non-financial performance targets.

SECTION 8: SERVICE AGREEMENTS

The Managing Director conducts an annual review of the performance of the Group's senior executives and reports on their performances to the Remuneration Committee. The performance and reward of senior executives were reviewed in this manner during the year.

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

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

REMUNERATION REPORT (Continued)

KMP Remuneration - FY15 - Table 4

Key	Period of notice	Contract Length	Fixed Annual Remuneration (exc super)	STI / LTI / Restrictive Covenant
Mr S Heath	6 months	Ongoing	\$626,750	<p>STI Mr Heath will be entitled to a maximum potential short-term incentive of \$360,000 per annum subject to financial and non-financial performance of the Group. Mr Heath's performance will be assessed against performance targets and priorities set by the Board.</p> <p>LTI Mr Heath will be granted Performance Rights, with a value at the date of grant equivalent to \$1,800,000 (or \$600,000 per year for 3 years) determined by reference to the face value of the shares at the time of grant. The LTI will vest after 3 years if EPS (70% weighting) and ROE (30% weighting) performance hurdles are met. The Fantastic Holdings Limited Employee Share Trust acquired 900,000 shares for the purpose of delivering on the LTI at the time of vesting if the performance hurdles are met.</p> <p>Restrictive Covenant Mr Heath will be restrained for up to twelve months after termination of his employment from being engaged in competition with the Company.</p>
Mr G Saoud	3 months	Ongoing	\$415,000	<p>STI Mr Saoud will be entitled to a maximum potential short-term incentive of \$249,000 per annum subject to financial and non-financial performance of the Group. Mr Saoud's performance will be assessed against performance targets and priorities set by the Board.</p> <p>LTI Mr Saoud will be granted Performance Rights, with a value at the date of grant equivalent to \$450,000 (or \$150,000 per year for 3 years) determined by reference to the face value of the shares at the time of grant. The LTI will vest after 3 years if EPS (70% weighting) and ROE (30% weighting) performance hurdles are met. The Fantastic Holdings Limited Employee Share Trust acquired 225,000 shares for the purpose of delivering on the LTI at the time of vesting if the performance hurdles are met.</p> <p>Restrictive Covenant Mr Saoud will be restrained for up to six months after termination of his employment from being engaged in competition with the Company.</p>
Ms D Singh	3 months	Ongoing	\$465,000	<p>STI Ms Singh will be entitled to a potential short-term incentive of \$250,000 per annum subject to financial and non-financial performance of the Group. Ms Singh's performance will be assessed against performance targets and priorities set by the Board.</p> <p>LTI Ms Singh will be granted Performance Rights, with a value at the date of grant equivalent to \$450,000 (or \$150,000 per year for 3 years) determined by reference to the face value of the shares at the time of grant. The LTI will vest after 3 years if EPS (70% weighting) and ROE (30% weighting) performance hurdles are met. The Fantastic Holdings Limited Employee Share Trust acquired 225,000 shares for the purpose of delivering on the LTI at the time of vesting if the performance hurdles are met.</p> <p>Restrictive Covenant Ms Singh will be restrained for up to six months after termination of her employment from being engaged in competition with the Company.</p>
Mr J Newman	3 months	Ongoing	\$364,200	<p>STI Mr Newman will be entitled to a potential short-term incentive of \$182,100 for financial year 2015 subject to financial and non-financial performance of the manufacturing, logistics, product delivery as well as overall performance of the Fantastic Furniture business.</p> <p>Restrictive Covenant Mr Newman will be restrained for up to twelve months after termination of his employment from being engaged in competition with the Company.</p>

REMUNERATION REPORT (Continued)

KMP Remuneration - FY15 (continued) - Table 4

Key	Period of notice	Contract Length	Fixed Annual Remuneration (exc super)	STI / LTI / Restrictive Covenant
Mr C Burke	4 months	Ongoing	\$260,000	STI Mr Burke will be entitled to a percentage of the business unit EBIT subject to exceeding performance hurdles on sales and subject to financial and non-financial performance targets. Mr Burke's performance will be assessed against performance targets and priorities set by the Board. Restrictive Covenant Mr Burke will be restrained for up to six months after termination of his employment from being engaged in competition with the Company.

SECTION 9: OTHER INFORMATION

Insider Trading

The Group's insider trading policy prohibits Directors, key management personnel and employees of the Group from dealing in the Company's shares in accordance with the insider trading restrictions under the Corporations Act 2001. Strict compliance with the insider trading is a condition of employment. Breaches of the policy are subject to disciplinary action, which may include termination of employment.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2015

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

ASX CGC Principles and Recommendations	Comply Yes / No	Reference/ Explanation in Annual Report
Principle 1 – Lay solid foundations for management and oversight		
Recommendation 1.1 A listed entity should disclose: a) The respective roles and responsibilities of its board and management; and b) Those matters expressly reserved to the board and those delegated to management.	Yes	Page 25
Recommendation 1.2 A listed entity should: a) Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and b) Provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	Yes	Page 28
Recommendation 1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes	Page 26
Recommendation 1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Yes	Page 26
Recommendation 1.5 A listed entity should: a) Have a diversity policy which includes requirements for the board or relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity’s progress in achieving them. b) Disclose that policy or a summary of it; and c) Disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity’s diversity policy and its progress towards achieving them and either: 1) The respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined “senior executive” for these purposes); or 2) If the entity is a “relevant employer” under the Workplace Gender Equality Act, the entity’s most recent “Gender Equality Indicators”, as defined in and published under that Act.	Yes	Re - 1.5 c) - Refer to note on FHL website (available on request)
Recommendation 1.6 A listed entity should: a) Have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes	Page 27
Recommendation 1.7 A listed entity should: a) Have and disclose a process for periodically evaluating the performance of its senior executives; and b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes	Page 27

ASX CGC Principles and Recommendations (continued)	Comply Yes / No	Reference/ Explanation in Annual Report
Principle 2 – Structure the board to add value		
<p>Recommendation 2.1 The board of a listed entity should:</p> <p>a) Have a nomination committee which:</p> <ol style="list-style-type: none"> 1) Have at least three members, a majority of whom are independent directors; and 2) Is chaired by an independent director, <p>And disclose</p> <ol style="list-style-type: none"> 3) The charter of the committee; 4) The members of the committee; and 5) As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>b) If it does not have a nominations committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	No	Page 28
<p>Recommendation 2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	Yes	Page 26
<p>Recommendation 2.3 A listed entity should disclose:</p> <p>a) The names of the directors considered by the board to be independent directors;</p> <p>b) If a director has an interest, position, association or relationship with the entity but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>c) The length of service of each director.</p>	Yes	Page 26
<p>Recommendation 2.4 A majority of the board of a listed entity should be independent directors.</p>	No	Page 26
<p>Recommendation 2.5 The chair of the board of a listed entity should be an independent director, in particular, should not be the same person as the CEO of the entity.</p>	No	Page 26
<p>Recommendation 2.6 A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.</p>	Yes	Page 26
Principle 3 – Act ethically and responsibly		
<p>Recommendation 3.1 A listed entity should:</p> <p>a) Have a code of conduct for its directors, senior executives and employees; and</p> <p>b) Disclose that code or a summary of it.</p>	Yes	Page 29
Principle 4 – Safeguard integrity in corporate reporting		
<p>Recommendation 4.1 The board of a listed entity should:</p> <p>a) Have an audit committee which:</p> <ol style="list-style-type: none"> 1) Has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and 2) Is chaired by an independent director, who is not the chair of the board, And disclose 3) The charter of the committee; 4) The relevant qualifications and experience of the members of the committee; and 5) In relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>b) If it does not have an audit committee, disclose the fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	Yes	Page 27

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

ASX CGC Principles and Recommendations (continued)	Comply Yes / No	Reference/ Explanation in Annual Report
<p>Recommendation 4.2</p> <p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	Yes	Page 28
<p>Recommendation 4.3</p> <p>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	Yes	Page 30
Principle 5 – Make timely and balanced disclosure		
<p>Recommendation 5.1</p> <p>A listed entity should:</p> <ul style="list-style-type: none"> a) Have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and b) Disclose that policy or a summary of it. 	Yes	Page 30
Principle 6 – Respect the rights of security holders		
<p>Recommendation 6.1</p> <p>A listed entity should provide information about itself and its governance to investors via its website.</p>	Yes	Page 30
<p>Recommendation 6.2</p> <p>A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</p>	Yes	Page 30
<p>Recommendation 6.3</p> <p>A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p>	Yes	Page 30
<p>Recommendation 6.4</p> <p>A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p>	Yes	Page 30
Principle 7 – Recognise and manage risk		
<p>Recommendation 7.1</p> <p>The board of a listed entity should:</p> <ul style="list-style-type: none"> a) Have a committee or committees to oversee risk *, each of which; <ul style="list-style-type: none"> 1) Has at least three members, a majority of whom are independent directors; and 2) Is chaired by an independent director, And disclose: <ul style="list-style-type: none"> 3) The charter of the committee; 4) The members of the committee; and 5) As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) If it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework. <p>* The risk committee may be a stand-alone risk committee, a combined audit and risk committee or a combination of board committees addressing different elements of risk.</p>	Yes	Page 27
<p>Recommendation 7.2</p> <p>The board or a committee of the board should:</p> <ul style="list-style-type: none"> a) Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and b) Disclose, in relation to each reporting period, whether such a review has taken place. 	Yes	Page 29

ASX CGC Principles and Recommendations (continued)	Comply Yes / No	Reference/ Explanation in Annual Report
<p>Recommendation 7.3</p> <p>A listed entity should disclose:</p> <p>a) If it has an internal audit function, how the function is structured and what role it performs; or</p> <p>b) If it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	Yes	Page 28
<p>Recommendation 7.4</p> <p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	Yes	Page 29
Principle 8 – Remunerate fairly and responsibly		
<p>Recommendation 8.1</p> <p>The board of a listed entity should:</p> <p>a) Have a remuneration committee which:</p> <p>1) Has at least three members, a majority of whom are independent directors; and</p> <p>2) Is chaired by an independent director,</p> <p>And disclose;</p> <p>3) The charter of the committee;</p> <p>4) The members of the committee; and</p> <p>5) As at the end of each reporting period, the number of times the committee met through out the period and the individual attendances of the members at those meetings; or</p> <p>b) If it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	Yes	Page 27
<p>Recommendation 8.2</p> <p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	Yes	Disclosed in Remuneration Report – Sections 5 & 6
<p>Recommendation 8.3</p> <p>A listed entity which has an equity-based remuneration scheme should:</p> <p>a) Have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>b) Disclose that policy or a summary of it.</p>	Yes	Page 29

CORPORATE GOVERNANCE PRINCIPLES

The Board is responsible for ensuring that risks are identified on a timely basis and that the objectives of the Group are aligned with these risks. The Board's risk management process and corporate governance principles are detailed in the Corporate Governance Statement that follows.

Recognising that shareholders, employees, customers, regulatory bodies and the community expect a high standard of performance, accountability and ethical behaviour, the Board of Fantastic Holdings Limited ("the Board") acknowledges its responsibility for and commitment to a strong culture in corporate governance.

This Statement sets out the main corporate governance practices in place throughout the financial year, which comply with the Australian Stock Exchange Corporate Governance Council ("Council") recommendations, unless otherwise stated.

A: Board of Directors

1) Role of the Board

In general, the Board, directly or through its Committees, is responsible for and has the authority to determine all matters

relating to the policies, practices, management and operations of Fantastic Holdings Limited and its subsidiaries (the Group). The Board has responsibility for the control and direction, or stewardship, of all operations of the Group. Without intending to limit this general role of the Board, the Board's specific or principal functions and responsibilities include:

- approving the Group's strategic direction, goals and annual business plans;
- reviewing progress on strategic issues;
- monitoring the Group's operational and financial performance as well as senior management's performance;
- setting the various internal controls and reporting framework for the management of the risks inherent in the Group's operations;
- ensuring that the Group operates ethically and responsibly and in compliance with internal codes of conduct and legal and regulatory requirements;
- approving and monitoring major expenditure, acquisitions, divestments and funding;
- setting of discretionary financial and related operating limits for management;

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

- h. appointment of and reviewing the performance, remuneration and succession planning for the position of Managing Director; and
- i. establishing and determining the powers and functions of the committees of the Board, including the Audit, Risk and Compliance Committee and the Remuneration Committee.

The Board delegates authority to management in relation to various operational functions. These authorities include expenditure, disciplinary action, remuneration changes, recruitment of new staff, termination of staff, release of intellectual property, entering lease commitments, product pricing, introduction of new products and services and commitment to promotional and advertising expenditure programs.

The following rules take precedence over specific delegations:

- i. there has to be a budget for the expenditure;
- ii. items not in the budget that are considered material must have been subsequently approved by the Board;
- iii. an executive can never approve his or her own expenditure item. Items must be approved by the executive deemed to be on the next delegative level above the relevant executive; and
- iv. authorities cannot be sub-delegated without prior authority from the next delegative level up.

2) Composition of the Board

For the year ended 30 June 2015, the Board consisted of six Directors, one of whom is an Executive Director and five of whom are Non-Executive Directors. Of the five Non-Executive Directors, three were independent.

A Director is deemed to be "independent" if they are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their independent judgement. Specifically, an independent Director:

- a. is not a substantial shareholder of the Group (as defined by the Corporations Act 2001);
- b. has not been employed as a Director or executive by the Group within the last three years;
- c. has not been a principal of any profession advisor or consultant to the Group within the last three years;
- d. is not a supplier or customer of the Group;
- e. has no contractual relationships with the Group;
- f. has not served on the Board for a period which could be reasonably perceived to materially interfere with the Director's ability to act in the best interests of the Group; and
- g. is free from any interest and any business or other relationship, which could be reasonably perceived to materially interfere with the Director's ability to act in the best interests of the Group.

The names of the independent Directors of Fantastic Holdings Limited as at 30 June 2015 are Geoffrey Squires, Margaret Haseltine and Robyn Watts (appointed 10 November 2014).

The non-independent Directors are Stephen Heath (Managing Director and CEO), Julian Tertini (Chairman) and Peter Brennan.

The following changes to the Board occurred in the year ended 30 June 2015:

- 10 November 2014, Robyn Watts was appointed as a Non-Executive Director.
- On 30 April 2015, Margaret Haseltine was appointed as the Deputy Chairman.

Recommendation 2.4 of the ASX Corporate Governance Principles and Recommendations provides that a majority of the Board of a listed entity should be independent Directors.

The Company did not comply with the Recommendation 2.4 as it has an equal number of independent and non-independent Directors.

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

The Board is currently working towards becoming independent. In the interim the Board believes that Julian Tertini is the most appropriate person to lead the Board as Chairman, and that he is able to and does bring the required quality and judgement to all relevant issues falling within the scope of the role of Chairman, and that the Company as a whole benefits from his long standing experience.

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

The skills, experience and expertise relevant to the position of each Director who is in office at the date of the Annual Report and their term of office are detailed in this Directors' Report. For each Director, there is a written agreement in place setting out the terms of their appointment.

3) Board Processes

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

To assist in the effective discharge of their duties, Directors may, in consultation with the Chairman, seek independent legal advice on their duties and responsibilities at the Group's expense and in due course, make all Board members aware of both instructions to advisors and the advice obtained.

Should the need arise to confidentially discuss particular issues, the independent Directors may meet separately prior to the commencement of monthly Board Meetings. The provisions of section 195 of the Corporations Act 2001 govern the Board's procedures where there are conflicts of interest involving Directors.

That section, which has application to listed companies, prohibits a Director who has a material personal interest in a matter being considered by the Board from voting on the matter or being present while the matter is being discussed, unless the Board specifically passes a resolution overriding that prohibition.

4) Performance Evaluation

It is the responsibility of the Chairman to ensure Directors contribute appropriately and he monitors this in an informal manner at each Board and Committee meeting. If there is a matter of improvement to be raised, this will be done either on an individual or group level, as appropriate. The Chairman also reviews the effectiveness of meetings and makes recommendations as to areas of possible improvement for future meetings where appropriate.

The number of Board and Committee meetings attended by each Director is provided in this Directors' Report, as it is important that individual Board members devote the necessary time to the Board. To this end, there is a review of the time required from a Non-Executive Director and whether they are meeting this. A Non-Executive Director should inform the Chairman before accepting any new Board appointments.

The size and composition of the Board are also reviewed to ensure that these are conducive to achieving the best possible performance from Directors with the skills necessary for good stewardship of the Group.

The performance of key executives is monitored via regular monthly management reporting for each of their divisions, attendance on a periodic basis at Board meetings, and review by the Board on the financial performance.

5) Board Committees

The Board has established a number of Board Committees with written mandates and operating procedures to assist in the execution of responsibilities. These are:

(i) Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee consists of three Non-Executive independent Directors and one Non-Executive non independent Director. The names and qualifications of the members of the Audit, Risk and Compliance Committee and their attendance at meetings of the Committee are included in this Directors' Report. The internal and external auditors, the Managing Director, and Chief Financial Officer attend meetings by invitation. The Committee members are all required to be financially literate. At least one must have specific experience in financial or accounting matters and at least one must have an understanding of the Fantastic Group's industry, namely the retail furniture industry. Mr Geoffrey Squires chairs the Audit, Risk and Compliance Committee.

The Board requires that the Managing Director and the Chief Financial Officer sign a statement declaring that the Group's financial reports present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with relevant accounting standards. This statement has been received at the time of signing the Half-Year and Annual Financial Reports.

The Audit, Risk and Compliance Committee's functions include:

- a. reviewing the Group's financial statements and other financial information distributed externally, and overseeing the financial reporting process;
- b. reviewing reports prepared by the internal and external auditors including meeting with them both, with and without management being present, and ensuring that any major deficiencies identified are actioned;
- c. monitoring accounting and internal controls and recommending enhancements;
- d. monitoring compliance with the Corporations Act 2001, Australian Stock Exchange Listing Rules (including continuous disclosure of financial aspects) and other legislation and any matters outstanding with taxation and other regulatory authorities;
- e. reviewing risks and the effectiveness and adequacy of the Group's insurance and risk management programs;
- f. reviewing related party and significant transactions which are not a normal part of the Group's business, and considering the adequacy of disclosure of those transactions in the financial statements;
- g. reviewing the effectiveness and adequacy of external audit arrangements and making any recommendations to the Board where appropriate regarding replacement of the auditor, changes to their terms of appointment and rotation of the engagement partner;
- h. assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period, the external auditor provides an independence declaration in relation to the audit or review; and
- i. providing advice to the Board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001.

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

(ii) Remuneration Committee

The Remuneration Committee reviews and makes recommendations to the Board on the structure and quantum of Director and senior executive remuneration and overall staff remuneration and incentive policies. When making recommendations, the Remuneration Committee aims to design policies that motivate executives to pursue appropriate growth strategies while marrying performance with remuneration. Remuneration for senior executives typically comprises a package of fixed and performance based components.

The Committee may, from time to time, seek advice from external experts, so as to ensure that the Committee remains informed of market trends and practices.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

Aspects considered by the Committee include the following:

- a. the basis of the calculation for senior executives' and Directors' remuneration annually (including valuation protocols adopted when valuing non-cash benefits) to ensure that they are reasonable;
- b. monitoring current industry practice and the generally accepted market range for remuneration, and publications of professional recruitment organisations;
- c. assessing different methods for remunerating senior executives and Directors;
- d. reviewing and monitoring existing or proposed share/option and other incentive schemes;
- e. considering superannuation payments;
- f. considering retirement and termination payments;
- g. monitoring fringe benefits;
- h. reviewing professional indemnity and liability insurance policies;
- i. reviewing disclosure of senior executive remuneration in the financial statements; and
- j. making recommendations to the Board as appropriate.

The names and qualifications of the members of the Remuneration Committee and their attendance at meetings of the Remuneration Committee are included in this Directors' Report.

The Group's remuneration policy ensures that remuneration packages properly reflect the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. The amount of remuneration, both monetary and non-monetary, for certain executives and all Directors for the year are provided in this Directors' Report. Where remuneration is of a non-cash nature, such benefit is quantified as closely as possible to a cash equivalent basis.

In addition to normal salary and superannuation, senior executive benefits typically include bonuses paid in cash or shares based on the achievement of specific goals related to the performance of business units within the Fantastic Group. Issues of shares under the Group's share plans are subject to shareholder approval or subsequent shareholder ratification.

When an employment contract is deemed to have triggered a continuous disclosure obligation, the Group will provide to the market a summary of the main elements and terms of the relevant agreement including termination entitlements. No individual is able to become directly involved or participate in the decision involving their own remuneration.

Non-Executive Directors are remunerated by way of Directors' fees and superannuation. They do not participate in schemes designed for the remuneration of executives and do not receive retirement benefits (other than statutory superannuation), bonus payments or incentive shares.

Recommendation 2.1 of the ASX Corporate Governance Principles and Recommendations states "the Board should establish a Nomination Committee as a Nomination Committee is an efficient mechanism for examination of the selection and appointment practices of the Company".

In view of its size, the Board has not established a Nomination Committee and believes it is in a position to perform the functions typically carried out by a Nomination Committee. These are performed through consultation and discussion.

B: Risk Management Overview

The Board of Fantastic Holdings Limited believes that risk management is a critical component of best business practice, offering a proactive way to prepare for undesirable events which can have a detrimental effect on the business and also providing a way to take advantage of opportunities in a planned manner.

The business units in the Group operate in a culture that accepts intelligent risk taking as a key component of business success and growth. It is understood that a certain level of risk is both required and desirable for a business that has considerable growth potential, but that risk must be understood well in terms of its probability, impact and optimal mitigation and/or contingency strategy. The Group risk management systems are designed to manage and reduce (not eliminate) the risk of failure to achieve business objectives and provide reasonable (as opposed to absolute) assurance against material misstatement or loss.

1) Risk Management and Internal Controls and Accountabilities

The Board of Fantastic Holdings Limited has overall responsibility for risk management and internal control, including material business risks and financial reporting risks. The Audit, Risk and Compliance Committee provides strategic guidance and overview for all the risk management systems in the Group, and ensures compliance with all legal obligations. It is also responsible for reviewing the effectiveness of the risk management process and making recommendations in this regard.

The Executive Management team of the Group has responsibility for implementing and maintaining the risk management and internal control systems. A standardised process has been adopted for establishing the risks and responsibilities assigned to each level of management and the controls which are required to be operated and monitored. The Board requires management to report on the effectiveness of the management of material business risks on a regular basis.

Every six months, detailed internal control questionnaires are signed off by General Managers. This sign-off process supports the declaration provided to the Board by the Managing Director and Chief Financial Officer that the risk management and internal control systems are operating effectively in all material respects in relation to financial reporting risks. This declaration has been received at the time of signing the Half-Year and Annual Financial Reports.

The Internal Audit function is utilised to monitor the internal control systems and to report on their operational effectiveness. The Internal Audit function is independent of daily business operations and has a Group-wide mandate. It operates a risk-based methodology, ensuring that the Group's key risks receive appropriate and regular examination. Its responsibilities include reviewing and reporting on the effectiveness of risk management systems and internal control to the Executive team, the Audit, Risk and Compliance Committee and ultimately to the Board.

The external auditors provide an independent perspective on key aspects of the control systems and report to the Audit, Risk and Compliance Committee.

Each business unit has a 3 year business plan which underpins long term growth and return for shareholders. All objectives are derived from these business plans which are then cascaded to managers and all staff by way of personal objectives. It is understood that delivering the required standards in risk management requires that all employees have a good understanding of the Group's strategy and the policies, procedures, values and expected performance.

2) Risk Management Model and System

The approach to managing risk is based on the ISO 31000:2009 standard, which in simplified, high level form is:

- a. Establish Context: this involves defining internal or external elements, defining the risk management process, and defining values and principles relating to risk, such as risk tolerance;
- b. Risk Identification: confirming what are possible risk events;
- c. Risk Analysis: determining the probability and impact of the risk events;
- d. Risk Evaluation: prioritising the risks and preparing them for treatment;
- e. Risk Treatment: these include accepting, transferring, mitigating and avoiding, but for significant risks could demand a contingency plan;
- f. Monitoring, Reviewing and Recording: this is the administrative process of risk management, involving the management of all information both required for and produced from the risk management process; and
- g. Communicating and Consulting: this refers to an overall approach which seeks to ensure a co-operative, formation driven view that engages all stakeholders on an ongoing basis.

In support of the risk management model, a risk management report has been developed that records anticipated risks, responses and risk events. The report is reviewed and updated through regular discussions with senior management and the Audit, Risk and Compliance Committee. In addition to mitigating risks, the risk management process allows business improvement opportunities to be recognised and implemented.

3) Reporting

On a quarterly basis, the Audit, Risk and Compliance Committee receive a report from management outlining:

- a. the key risk events that have taken place in the preceding quarter and how they were handled, allowing for an evaluation of risk management performance;
- b. future directions in risk management.

Financial reporting risks included in the Financial Report are interest rate, credit, liquidity and foreign exchange risk.

C: Ethical Standards

The Group's core activities centre on the retail, manufacture and import of furniture. To this end, the Group is committed to maintaining the highest ethical standards in delivering quality products and services to its customers.

1) Code of Conduct

The Board has adopted a Code of Conduct which sets out the expectations placed on Directors, executive officers and employees in their business dealings. The Code of Conduct requires high standards of personal integrity and honesty in all dealings, a respect for the privacy of customers and others and observance of the law. It is designed to let everyone know the values that should guide him or her in their daily business activities. The Group's reputation for honesty, integrity, excellence and fairness is one of its most important assets and the highest standards should govern all actions. Decisions made within the Group should honour the spirit and the letter of applicable laws. The Group prevents its Directors, executive officers and employees from taking advantage of Group property, information or using their position for personal gain or to compete with the Group. They should deal fairly and honestly with customers, each other, business suppliers and competitors.

All Directors, executive officers and employees are responsible for taking appropriate action in proven cases of illegal behaviour or behaviour outside the spirit of the Code of Conduct in the workplace.

All concerns or reports regarding any impropriety or breaches of the Code of Conduct are dealt with confidentially. The Code of Conduct is regularly reviewed by the Board to ensure its continued relevance to contemporary conditions.

2) Trading in Company Securities by Directors and Employees

The Board aims to ensure that shareholders are informed of all major dealings in the shares of Fantastic Holdings Limited. Directors, executive officers and employees of the Group are subject to insider trading restrictions under the Corporations Act 2001 relating to dealing in Fantastic Holdings Limited's shares.

The following policy supplements those restrictions:

- a. Directors, executive officers and employees should not deal in (i.e. buy, sell or encumber) the shares of Fantastic Holdings Limited (or any related company) when they have or may be perceived as having relevant unpublished price sensitive information. Also, they are only permitted to deal in such shares in accordance with these guidelines.
- b. Directors, executive officers and employees should notify the Company Secretary before buying or selling Fantastic Holdings Limited shares.
- c. Directors, executive officers and employees cannot deal in the shares of Fantastic Holdings Limited during a Blackout Period or any period when the Board otherwise has reason to believe that the proposed dealing in the Company's shares is in breach of this policy. The Company reserves the right to preclude the dealing in shares of the Company at any time.

The Blackout period is 30 days prior to half year and year end up until one day after the release of the respective results.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

It is recognised that it is the responsibility of each Director, executive officer, and employee to ensure that they comply with the spirit and letter of any insider trading laws. Notification to the Company Secretary under these guidelines in no way implies approval or validation of any transaction. Directors and executive officers should not purchase shares in Fantastic Holdings Limited with the intention of undertaking short term trading.

Directors, secretaries and key management personnel who own 5% or more of the issued capital of the Company are prohibited from entering into arrangements in relation to 5% or more of the Company's issued capital in relation to (i) limiting their exposure to losses that would result from share price decreases and (ii) transactions such as margin loans or similar funding arrangements. They are required to sign an annual declaration of compliance in this regard.

This policy, as it applies to Directors, executive officers and employees also applies to dealings in Fantastic Holdings Limited shares of which they are aware, by their spouse and dependent children, by any company in which they or their spouse holds a controlling interest and by any trust under which the trustee must act at the direction of their spouse, and by any company in which a Director, executive officer or employee, or their spouse is an officer (i.e. a Director, secretary, executive officer or employee) unless appropriate arrangements are in place within that company to ensure that they take no part in the company's decision to deal in the shares of Fantastic Holdings Limited or any related entity. For the purposes of this policy a "spouse" shall include a "de facto spouse."

It is inappropriate for a Director, executive officer and employee to procure others to trade Fantastic Holdings Limited shares when they are precluded from trading.

The Group reserves the right to preclude trading of shares outside the trading window notably if there are developments of potential commercial significance which have yet to be disclosed to the market. Notwithstanding this, the Group may permit one off transactions by employees if they are unaware and uninvolved with any such developments and for which there are compelling circumstances. The Group may restrict dealings in shares of Fantastic Holdings Limited by certain employees during any period if, in its opinion, information is available to those employees, which, if published, could affect the price of the shares.

Directors disclose to the Board and the market details of any transactions which have the direct or indirect impact of altering the effective exposure of the disclosed security holding in Fantastic Holdings Limited. Directors should also disclose in particular the purchase of any put option or similar security that has the effect of reducing the Director's disclosed security holding in Fantastic Holdings Limited.

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

D: Communication with Shareholders and Continuous Disclosure

The Board aims to ensure that the shareholders are informed of all major developments affecting the Group's state of affairs, notably but not solely financial and operational information needed by a normal investor to make an informed assessment of the Group's activities and trading results. The Company Secretary is responsible for the timely preparation of announcements.

Announcements (other than standard regulatory announcements which the Company Secretary is authorised to make) are checked for completeness, correctness and clarity by the Board and are approved prior to release. It is the responsibility of the Board and the Company Secretary to ensure that the Group complies with its continuous disclosure obligations and deciding what information will be disclosed. Where uncertainty arises as to the meeting of continuous disclosure obligations, the Company Secretary may seek external legal advice. The Board monitors the implementation and effectiveness of the continuous disclosure procedures and promotes the understanding of compliance.

Information is communicated to shareholders as follows:

- a. The Notice of Annual General Meeting is distributed to all shareholders, while the Half-Yearly Financial Report and Annual Financial Report are distributed to all shareholders that have requested a hard copy. The Notice of Annual General Meeting and Half-Yearly and Annual Financial Reports can be found on the Fantastic Holdings Limited's website.
- b. Announcements (which include media releases) are made to the Australian Stock Exchange in respect of half-yearly and annual results and on other occasions under the continuous disclosure requirements when the Fantastic Group becomes aware of information which might materially affect the price of its shares.

These announcements are placed on the Fantastic Holdings Limited website after they have been released to the Australian Stock Exchange. Where information or presentation material has been prepared for external promotional and communication purposes, especially for analysts, institutional and media markets, such material will be released to the Australian Stock Exchange and will be included on the Fantastic Holdings Limited's website.

The Board encourages full participation of shareholders at the Annual General Meeting. Important issues are presented to shareholders as single resolutions. The shareholders are requested to vote on the Remuneration Report. This vote is advisory only and is not binding on the Directors.

The Fantastic Group's external auditor is requested to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report. The Chairman of the meeting is to allow a reasonable opportunity for shareholders to ask questions of the auditor regarding the audit and Auditor's Report.

OTHER INFORMATION

Further information relating to the Group's corporate governance practices and policies has been made publicly available on the Fantastic Holdings Limited website at www.fantasticholdings.com.au under "Investor Centre – Corporate Governance".

DIVERSITY POLICY

1. Policy Statement

The Group is committed to developing guidelines and practices that support diversity and are in line with our 3P's (Purpose, Principles and Practices). The Group recognises that promoting a diverse workforce will enrich its workplace and broaden its perspective.

Diversity fosters an environment of mutual learning as well as of respect, dignity, openness to other cultures and an appreciation of differences and alternate perspectives. The Group strives to provide an environment that makes it a great place to work.

2. Principles

The Group recognises the following:

- All individuals have the right to work in a climate characterised by mutual respect and integrity that enables them to reach their full potential
- The rights and abilities of people with disabilities in the workplace

3. Gender Diversity

The Group aims to provide an environment where women feel comfortable, safe, valued and supported. The Group strives to;

- Encourage women to consider the Group as an employer and a career choice
- Support the recruitment of women through positive recruitment actions
- Support and develop women who are establishing their careers
- Encourage women to pursue careers in non-traditional occupations
- Provide opportunities for women to move into senior roles and develop a pipeline of women for leadership positions in the years to come
- Provide workplace practices that support the retention and engagement of women throughout their career within the Group

The Group is very proud that its culture and inclusive policies have created a workplace in which females represent 45% of the workforce as at June 2015. At present there are two female Board members. As at June 2015, 25% of our senior executives are females and 45% of our frontline management positions are held by females.

The Group has a set target of 33% of senior executive positions, and one Board position, to be held by females within a five year period commencing 1 July 2012.

To date, the Group has adopted a number of initiatives to promote diversity. These include:

- Implementation of Flexible Working Practices
- Paternity Leave and Return to Work Information Booklets

- Cadetship Program
- Appointment of females into senior non-traditional roles - e.g. Sales and Distribution Manager, Logistics Manager, Manufacturing Manager, Product Buyer.

The Group will continue to implement initiatives that will improve the proportion of women employed by the Company in leadership positions including:

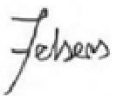
- Personal Development Program
- Further development of flexible work practices
- Short listing of candidates for senior management positions
- Store management development and induction programs
- Developing Leader programs
- Employee pay review to ensure that no gender based pay disparity exists.

UNDER S 307C OF THE CORPORATIONS ACT 2001

TO THE DIRECTORS OF FANTASTIC HOLDINGS LIMITED AND CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2015 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Felsers
Chartered Accountants



Michael Kersch
Partner
Sydney

Dated: 8 September 2015

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

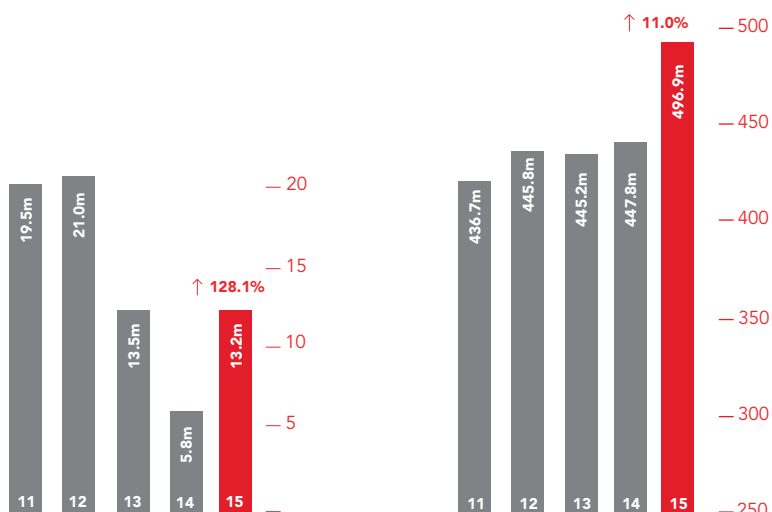
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FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED 30 JUNE 2015

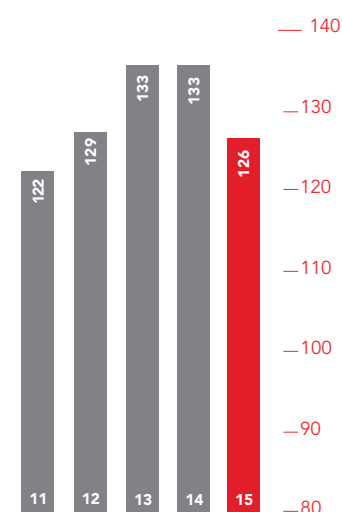


Net Profit After Tax

Net profit after tax for the Group of \$13.2 million in 2015.

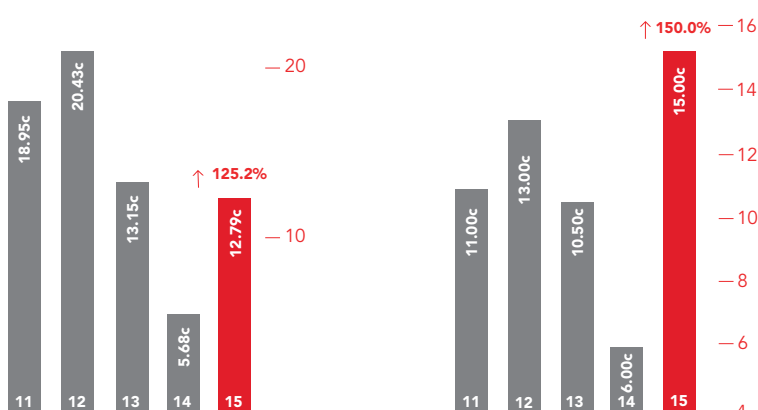
Revenue

Sales revenue of \$496.9 million in 2015.



Store Numbers

There are 126 company owned stores in 2015.

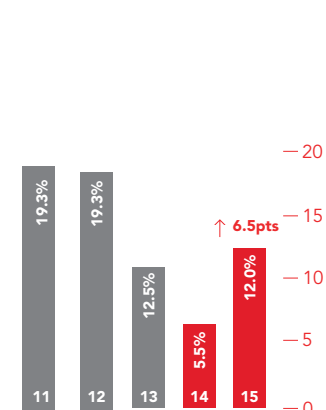


Earnings Per Share (EPS)

EPS of 12.79 cents in 2015.

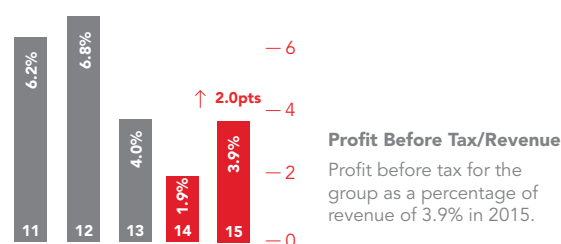
Dividends Per Share (DPS)

DPS of 15 cents in 2015, includes 4 cents special dividend. The dividends are all franked to 100%.



Return On Equity (ROE)

ROE of 12.0% in 2015.



Profit Before Tax/Revenue

Profit before tax for the group as a percentage of revenue of 3.9% in 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	Consolidated Entity	
		30 June 2015 \$'000	30 June 2014 \$'000
Sales revenue from continuing operations	(2a)	496,921	447,772
Cost of sales		(275,723)	(248,589)
Gross Profit		221,198	199,183
Other income	(2a)	3,171	3,702
Employment expenses	(2b)	(87,062)	(76,614)
Property expenses		(58,600)	(57,719)
Marketing expenses		(34,885)	(33,299)
Sales related expenses		(5,908)	(5,581)
Depreciation and amortisation	(2b)	(5,136)	(6,853)
Other expenses		(12,877)	(14,145)
Share of loss of a joint venture (net of tax)	(30)	(865)	-
Results from Continuing Operations		19,036	8,674
Financial income		364	120
Financial expense		(124)	(434)
Net Financing Income/(Expense)	(3)	240	(314)
Profit Before Tax from Continuing Operations		19,276	8,360
Income tax expense	(4a)	(6,072)	(2,572)
Profit After Tax from Continuing Operations		13,204	5,788
Attributable to:			
Equity holders of the Parent	(21)(ii)	13,204	5,859
Non-controlling interest	(22)	-	(71)
Other Comprehensive Income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operations		1,380	(457)
Gain on cash flow hedges		2,011	-
Income tax effect		(1,017)	127
Total Comprehensive Income for the year, net of tax		15,578	5,458
Attributable to:			
Equity Holders of the Parent		15,578	5,529
Non-controlling interest		-	(71)
Earnings Per Share for Profit Attributable to the Equity Holders of the Company:			
Basic earnings per share (cents per share)	(7)	12.79	5.68
Diluted earnings per share (cents per share)	(7)	12.79	5.68

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

		Consolidated Entity	
		30 June	30 June
		2015	2014
		\$'000	\$'000
Notes			
Current Assets			
Cash and cash equivalents	(8a)	36,721	21,127
Trade and other receivables	(9)	4,630	9,304
Other financial assets	(10)	2,011	-
Inventories	(11)	90,544	81,278
Total Current Assets		133,906	111,709
Non-Current Assets			
Investments	(12)	3,712	24,423
Property, plant and equipment	(13)	27,115	30,275
Investment in a joint venture	(30)	5,644	-
Intangible assets	(14)	7,772	8,069
Deferred tax assets	(4b)	8,984	7,564
Other non-current assets	(15)	-	49
Total Non-Current Assets		53,227	70,380
TOTAL ASSETS		187,133	182,089
Current Liabilities			
Trade and other payables	(16)	38,415	35,726
Interest bearing loans and borrowings	(17)	5,000	-
Current tax payable	(18)	4,000	-
Employee benefits	(19a)	20,263	13,499
Provisions	(20)	1,688	1,454
Total Current Liabilities		69,366	50,679
Non-Current Liabilities			
Interest bearing loans and borrowings	(17)	-	15,000
Employee benefits	(19a)	1,952	1,581
Provisions	(20)	3,564	2,518
Deferred tax liabilities	(4c)	2,335	1,742
Total Non-Current Liabilities		7,851	20,841
TOTAL LIABILITIES		77,217	71,520
NET ASSETS		109,916	110,569
EQUITY			
Share capital	(21)(i)	23,608	23,270
Reserves	(21)(iii)	2,078	(295)
Retained earnings	(21)(ii)	84,230	84,515
Equity attributable to equity holders of the parent		109,916	107,490
Non-controlling interest	(22)	-	3,079
TOTAL EQUITY		109,916	110,569

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

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

	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	-	5,859	-	5,859	(71)	5,788
Other comprehensive income, net of tax	-	-	(330)	(330)	-	(330)
Total comprehensive income	-	5,859	(330)	5,529	(71)	5,458
Dividends paid	-	(6,184)	-	(6,184)	-	(6,184)
Acquisition of non-controlling interest	-	-	-	-	3,150	3,150
As at 30 June 2014	23,270	84,515	(295)	107,490	3,079	110,569

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

		Consolidated Entity	
		30 June	30 June
	Notes	2015	2014
		\$'000	\$'000
Cash Flows from Operating Activities:			
Cash receipts from customers		552,464	504,683
Cash payments to suppliers and employees		(527,850)	(484,978)
Interest received		364	120
Interest paid		(124)	(434)
Income tax paid		(541)	(7,667)
Net Cash provided by Operating Activities	(8b)	24,313	11,724
Cash Flows from Investing Activities:			
Payments for acquisitions of property, plant and equipment		(4,950)	(7,490)
Proceeds from sale of property, plant and equipment		-	12,056
Proceeds from sale of investments		26,811	-
Payment for investments		(1,712)	(487)
Payment for intangibles		(1,328)	(310)
Deconsolidation of China subsidiary	(30)	(4,142)	-
Net Cash provided by Investing Activities		14,679	3,769
Cash Flows from Financing Activities:			
Repayment of external borrowings		(10,000)	(10,324)
Proceeds from issuance of shares to non controlling interest		-	3,150
Dividends paid	(6a)	(13,418)	(6,184)
Net Cash used in Financing Activities		(23,418)	(13,358)
Net Increase in Cash Held		15,574	2,135
Net Foreign Exchange Difference		20	(1)
Cash at the Beginning of the Financial Year		21,127	18,993
Cash at the End of the Financial Year	(8a)	36,721	21,127

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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Reporting Entity

The consolidated financial report for the financial year ended 30 June 2015 comprises Fantastic Holdings Limited (the Company) and its subsidiaries, together referred to as the Group.

1. Significant Accounting Policies

Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASB) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board, and the Corporations Act 2001. The financial report also complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial report was approved by the Board of Directors on the 8th September 2015.

Basis of Measurement

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise stated.

Use of Estimates and Judgements

The preparation of financial statements in conformity with AASB requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. In particular, refer to the following notes for estimates and associated judgements in the financial report:

Note 5 - Segment Information

Note 14 - Intangible Assets

Note 19 - Employee Benefits

Note 20 - Provisions

Note 23 - Financial Instruments

Note 33 - Contingencies

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(a) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less

than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over and investee, including:

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

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

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

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

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

(b) Business combinations

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

1. Significant Accounting Policies (continued)

(b) Business combinations (continued)

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

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

(c) Investment in associates and joint ventures

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

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

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

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

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

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in

the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

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

(d) Current versus non-current classification

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

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

The Group classifies all other assets as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

(e) Foreign Currency

Foreign Currency Transactions

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

Transactions and balances

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

1. Significant Accounting Policies (continued)

(e) Foreign Currency (continued)

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

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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

Group companies

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

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

(f) Financial Instruments

i) Non-derivative Financial Instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, trade and other payables, and loans and borrowings.

Trade and other receivables are stated at their amortised cost less impairment losses. Cash and cash equivalents comprise cash balances, short term bills and deposits at call. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Consolidated Statement of Cash Flows.

Trade and other payables are stated at their cost and are non-interest bearing. Due to their short term nature, they are not discounted. Loans and borrowings are stated at their cost and are interest bearing. The fair value of interest bearing loans and borrowings is based on the present value of expected future principal and interest cash flows discounted at the market rate of interest at reporting date.

(ii) Derivative Financial Instruments

Initial recognition and subsequent measurement

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

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedge item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as cash flow hedges, when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

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

Cash flow hedges

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

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

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

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

iii) Share Capital

Ordinary Shares

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

1. Significant Accounting Policies (continued)

Dividends

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

(g) Property, Plant and Equipment

i) Recognition and Measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located and an appropriate proportion of production overheads. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset is capitalised as part of the cost of that asset. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognised net within other expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

In respect of borrowing costs relating to qualifying assets, the Group capitalises borrowing costs.

ii) Reclassification to Investment Property

Property that is being constructed or developed for future use as investment property is being classified as investment property and measured at cost.

When the use of a property changes from owner-occupied to investment property, the property is reclassified as investment property and measured at cost.

iii) Leased Assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and are not recognised in the Group's Statement of Financial Position.

iv) Subsequent Costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as an expense is incurred.

v) Depreciation

Depreciation is charged to the Consolidated Statement of Profit or Loss and Other Comprehensive Income over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives in the current and comparative periods are as follows:

• buildings	40 years
• plant and equipment	3-12 years
• fixtures and fittings	5-12 years

- leasehold improvements 10 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

(vi) Fair Value

The fair value of property, plant and equipment and investment property is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

(h) Intangible Assets

i) Goodwill

Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Fair value is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Negative goodwill arising on an acquisition is recognised directly in profit or loss.

Goodwill arising on the acquisition of a non-controlling interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

Cash-generating units represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment or brand.

ii) Software

Unless software is integral to the functionality of the related hardware, it is capitalised as an intangible asset. Otherwise it is capitalised as property, plant and equipment. Where an enhancement is considered to be so extensive that it constitutes a replacement of the existing software, the enhancement should be capitalised. Any amortisation relating to the replaced software must be written back against its initial cost and the remaining unamortised amount must be written-off (expensed) in the year that the software is replaced.

All software is amortised using the straight line method over a useful life of 5 years.

iii) Other

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1. Significant Accounting Policies (continued)

(j) Impairment

i) Financial Assets

A financial asset is assessed at each reporting date to determine if it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

ii) Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Management has determined that the cash-generating unit is at retail brand and not retail store level, as cash inflows are not dependent on single stores. Impairment losses are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Cash and Cash Equivalents

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

(l) Employee Benefits

i) Short-term Benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date. These liabilities are calculated at undiscounted amounts based on wage and salary rates that the Group expects to pay as at the reporting date including related on-costs, such as superannuation, workers compensation insurance and payroll tax.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii) Long-term Benefits

The Group's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates and is discounted using the rates attached to the Commonwealth Government bonds at the Statement of Financial Position date which have maturity dates approximating the terms of the Group's obligations.

iii) Share-based Payment Transactions

The fair value of share based payments is determined using the Black-Scholes valuation methodology. Measurement inputs include share price on measurement date and issue date, expected volatility, expected vesting period, expected dividends, and the risk free interest rate.

This fair value is recognised as an employee expense over the vesting period of the shares. The amount recognised as an expense is adjusted to reflect the actual shares that eventually vest or lapse.

At each reporting date, the Group reviews the estimate of the number of shares expected to vest in the future and recognises any adjustment over the remaining vesting period.

iv) Termination Benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be estimated reliably.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

1. Significant Accounting Policies (continued)

(m) Provisions

i) General

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

ii) Lease Incentives

Lease incentives received under operating leases (for example, a rent free period or contribution to certain costs) are recognised as a liability and are brought to account as reductions in rent expense over the term of the lease on a straight line basis.

iii) Fixed Rental Increases

Payments under operating leases are expensed on a straight line basis over the term of the lease. Fixed rate increases to lease rental payments excluding contingent or index based rental increases such as CPI, turnover rental and other similar increases, are recognised on a straight line basis over the lease term. A liability is raised on the initial recognition of the increase and is then amortised over the term of the lease on a straight line basis as a reduction in rent expense.

iv) Make Good

An estimate of the costs to dismantle, remove and restore the site on which property plant and equipment is located is included in the measurement of its initial cost and a corresponding provision included as a liability.

(n) Borrowings

Borrowings are initially recognised at fair value, net of directly attributable transaction costs. Borrowings are subsequently measured at amortised cost. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(o) Revenue Recognition

i) Revenues are recognised at the fair value of the consideration received net of returns, discounts and the amount of goods and services tax (GST) payable to the Australian Taxation Office. The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

ii) Sale of Goods

Sales are recognised as revenue only when the sale becomes unconditional and ownership of a product has passed to the customer, after delivery. Sales revenue includes retail sales by Company owned stores and sales by the Group's import and manufacturing divisions to franchise stores and excludes retail sales by franchise stores.

iii) Interest Income

Revenue is recognised from interest income from term deposits.

iv) Dividends

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

(p) Expenses

i) Operating Lease Payments

Payments made under operating leases are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the term of the lease.

ii) Finance Lease Payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

iii) Financial Income and Expense

Financial income and expense comprise interest payable on borrowings, interest receivable on funds invested and dividend income. Borrowing costs are expensed as incurred and included in net financing costs, except where they are capitalised in relation to the acquisition of a qualifying asset.

Interest income is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as it accrues. Dividend income is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on the date the entity's right to receive payments is established.

(q) Income Tax

i) Income Tax Expense

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

ii) Tax Consolidation

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group and are therefore taxed as a single entity. The head entity within the tax-consolidated group is Fantastic Holdings Limited.

Current tax expense and deferred tax assets or liabilities arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

1. Significant Accounting Policies (continued)

ii) Tax Consolidation (continued)

Any current tax liabilities and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable to other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised. Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

iii) Nature of Tax Funding and Sharing Arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding and sharing arrangement which:

(i) sets out the funding obligations of members within the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/asset assumed by the head entity and deferred tax asset arising from any tax-loss assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/payable equal in amount to the tax liability/asset assumed. Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities; and

(ii) provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

No amounts have been recognised in the financial statements in respect of this agreement, as payments of any amounts under the tax sharing agreement are considered remote.

(r) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to the ATO, is included as a current asset or liability in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flow arising from investing and financial activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(s) Discontinued Operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view for resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative Consolidated Statement of Profit or Loss and Other Comprehensive Income is restated as if the operation had been discontinued from the start of the comparative period.

(t) Earnings Per Share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(u) Segment Reporting

Under AASB 8, segments are presented based on the way information is reported internally to the chief operating decision maker (CODM). The term CODM refers to a function rather than a specific title. For the purpose of applying AASB 8, the CODM is the highest level of management at which decisions are made about how resources will be allocated so that other levels of management can execute those operating decisions.

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

The adoption of AASB 8 has resulted in two reportable segments, but has no impact on the reported results or financial position of the Group.

(v) Changes in Disclosures, Standards and Interpretations

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

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2014:

> AASB 1031 *Materiality*

> AASB 132 *Financial Instruments: Presentation*

> AASB 136 *Impairment of Assets*

> AASB 139 *Financial Instruments - Recognition and Measurement*

> AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments

The adoption of the Standards or Interpretations is described below:

i) AASB 1031 Materiality

The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contain guidance on materiality. Adoption of this revised standard did not have any material impact on the financial statements.

ii) AASB 132 Financial Instruments: Presentation

The amendment to AASB 132 addresses the inconsistencies in current practice when applying the offsetting criteria. Clarifies the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. Adoption of this amendment to the standard did not have any material impact on the financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

1. Significant Accounting Policies (continued)

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

iii) AASB 136 Impairment of Assets

The amendment to AASB 136 addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal for non financial assets. Adoption of this amendment to the standard did not have any material impact on the financial statements.

iv) AASB 139 Financial Instruments - Recognition and Measurement

The amendment to AASB 139 permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This amendment is not expected to have any material impact for the Group.

(v) AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments

Amendments in Part B Materiality makes changes to particular Australian Accounting Standards to delete references to AASB 1031 and minor editorial amendments to various standards. As such this has no impact on the financial statements.

(w) Parent Entity Financial Information

The financial information for the parent entity Fantastic Holdings Limited, has been prepared on the same basis as the consolidated financial statements, except as set out below.

i) Investments in Subsidiaries, Associates and Joint Venture Entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Fantastic Holdings Limited.

ii) Tax consolidation legislation

Fantastic Holdings Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Fantastic Holdings Limited, and the controlled entities in the tax-consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax-consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Fantastic Holdings Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax-consolidated group.

iii) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

(x) Comparatives

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

	Consolidated Entity	
	30 June	30 June
	2015 \$'000	2014 \$'000
2(a). Revenue and Other Income		
Sale of goods	496,921	447,772
Franchise fees	624	680
Property income	105	2,157
Gain on sale of Dare Gallery business	1,210	-
Other	1,232	865
Total Other Income	3,171	3,702
Total	500,092	451,474
2(b). Expenses from Continuing Operations		
Profit before tax includes the following:		
Employment expenses:		
~wages, salaries and bonuses	88,968	79,100
~uation	7,819	7,100
~other associated wage on-costs	6,776	6,175
~increase in annual leave	5,918	5,183
~increase in long service leave	945	750
Total	110,426	98,308
Employment expenses included in Consolidated Statement of Profit or Loss as:		
Employment expenses	87,062	76,614
Cost of sales	23,364	21,694
Total	110,426	98,308
Depreciation and amortisation included in Consolidated Statement of Profit or Loss as:		
Cost of doing business	5,136	6,853
Other income	790	1,110
Cost of sales	1,099	3,237
Total	7,025	11,200
Impairment loss on trade receivables	96	110
Inventory write downs	2,032	2,280
Net (gain) / loss on disposal of property, plant and equipment	134	(1,410)
Operating lease rental - minimum lease payments	52,802	52,032
Significant items before tax included in expenses are:		
Depreciation on fit-out assets	-	3,822
Redundancy costs	-	767
Total Significant Items	-	4,589
3. Financial Income and Expense		
Interest income	364	120
Interest expense	(124)	(434)
Net Financing Income / (Expense)	240	(314)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

	Consolidated Entity	
	30 June 2015 \$'000	30 June 2014 \$'000
4. Taxation		
(a) Income Tax Expense		
Current Tax Expense		
~Current year	7,949	2,454
~Adjustment for prior years	99	176
	8,048	2,630
Deferred Tax Expense		
~Origination and reversal of temporary differences	(1,976)	(58)
Income Tax Expense From Continuing Operations	6,072	2,572
Numerical Reconciliation of Income tax Expense to Prima Facie Tax Payable		
Profit before tax	19,276	8,360
Income tax at 30% (2014: 30%)	5,783	2,508
Increase in income tax expense due to:		
~non-deductible expenses	97	38
~ share of joint venture loss	260	-
Decrease in income tax expense due to:		
~ sale of business	(167)	-
~tax incentives	-	(150)
	5,973	2,396
Under provided in prior years	99	176
Income Tax Expense	6,072	2,572
(b) Deferred Tax Assets		
Attributable to the following:		
Property, plant and equipment	1,017	1,232
Employee benefits	5,269	4,248
Provisions	1,828	2,014
Trade and other payables	841	-
Other	29	70
	8,984	7,564
(c) Deferred Tax Liabilities		
Attributable to the following:		
Property, plant and equipment	453	615
Provisions on lease incentives	-	171
Receivables and prepayments	17	10
Other	1,865	946
	2,335	1,742
(d) Deferred Tax related to items recognised in Other Comprehensive Income:		
Attributable to the following:		
Exchange difference on translation of foreign operations	287	(127)
Gain on cash flow hedge	603	-
	890	(127)

The benefit of the deferred tax assets will only be obtained if:

- the Group derives future assessable income of a nature and amount sufficient to enable the benefit to be realised;
- the Group continues to comply with the conditions for deductibility imposed by the law; and
- no changes in tax legislation adversely affect the Group in realising the benefit.

5. 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 meeting.

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, Ashley Furniture HomeStore and Dare Gallery (until date of sale) 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 Group and leases surplus requirements to external tenants. The property business is a reportable operating segment. Segment information has been prepared in accordance with the Group's segment accounting policy. The following is an analysis of the Group's revenue and results by reportable operating segment:

Year Ended 30 June 2015

	Retail	Property	Reportable Segments	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenues					
Revenues from external customers	496,921	-	496,921	-	496,921
Other revenue	1,754	1,417	3,171	-	3,171
Inter-segment revenue	-	456	456	(456)	-
Total segment revenue	498,675	1,873	500,548	(456)	500,092
Total revenue					500,092
Result					
Segment Result	18,475	561	19,036	-	19,036
Profit before tax and finance cost					19,036
Net finance costs					240
Income tax expense					(6,072)
Net profit for the year for the Group					13,204
Assets and liability					
Segment assets	181,049	6,866	187,915	(782)	187,133
Total assets					187,133
Segment liabilities	71,762	6,237	77,999	(782)	77,217
Total liabilities					77,217
Other segment information					
Capital expenditure	6,270	574	6,844	-	6,844
Depreciation and amortisation	6,235	790	7,025	-	7,025
Other non-cash expense	2,258	-	2,258	-	2,258

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

5. Segment Information (continued)

Year Ended 30 June 2014

	Retail	Property	Reportable Segments	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenues					
Revenues 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
Total revenue					451,474
Result					
Segment Result	5,773	2,901	8,674	-	8,674
Profit before tax and finance cost					8,674
Net finance costs					(314)
Income tax expense					(2,572)
Net profit for the year for the Group					5,788
Assets and liability					
Segment assets	175,578	28,584	204,162	(22,073)	182,089
Total assets					182,089
Segment liabilities	71,257	22,336	93,593	(22,073)	71,520
Total liabilities					71,520
Other segment information					
Capital expenditure	7,725	562	8,287	-	8,287
Depreciation and amortisation	10,090	1,110	11,200	-	11,200
Other non-cash expense	2,949	20	2,969	-	2,969

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 \$456,367 (2014: \$744,648).

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 and import of household furniture in Australia. The Group also engages in the manufacture of household furniture in Australia and Vietnam through its wholly owned subsidiaries. The Group also has an interest in an Asian manufacturing operation domiciled in Hong Kong and the People's Republic of China (PRC) through a joint venture. There is no material effect on the profit of the Group from the Asian manufacturing.

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

- (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

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

6. Dividends

(a) Dividends Paid or Declared by the Company

Type	Cents per Share	Total Amount \$	Date of Payment	Tax Rate for Franking Credit
2015				
In respect of the previous financial year:				
Final dividend 100% franked	3.00	3,092,052	15 Oct 2014	30%
In respect of the current financial year:				
Interim dividend 100% franked	6.00	6,195,444	8 Apr 2015	30%
Special dividend 100% franked	4.00	4,130,296	8 Apr 2015	30%
		13,417,792		
2014				
In respect of the previous financial year:				
Final dividend 100% franked	3.00	3,092,052	15 Oct 2013	30%
In respect of the current financial year:				
Interim dividend 100% franked	3.00	3,092,052	14 Apr 2014	30%
		6,184,104		

A final dividend of 5.0 cents per share, totalling \$5,162,870 (2014: \$3,092,052) will be paid on 15 October 2015 and will be fully franked at 30%. This dividend was declared at a meeting of Directors on 27 August 2015 and as such the financial effect has not been brought into account in the financial statements for the year ended 30 June 2015, but will be recognised in a subsequent financial report.

Company	
30 June 2015	30 June 2014
\$'000	\$'000

(b) Dividend Franking Account

Balance of franking account at year end adjusted for franking credits which will arise from the refund or payment of income tax provided for in the financial statements and after deducting franking credits to be used in payment of the dividend on 15 October 2015.

30% Franking Credits	33,162	34,248
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The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated group has assumed the benefit of the franking credits.

Consolidated Entity	
30 June 2015	30 June 2014
\$'000	\$'000

7. Earnings Per Share

The following reflects the net profit and share data used in the calculations of basic and diluted earnings per share:

Net profit attributable to ordinary shareholders used in calculating basic and diluted earnings per share*	13,204	5,859
	2015 No.	2014 No.
Weighted average number of ordinary shares outstanding during the period used in the calculation of earnings per share	103,196,297	103,061,190
Basic earnings per share (cents per share)	12.79	5.68
Diluted earnings per share (cents per share)	12.79	5.68

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

8(a). Cash and Cash Equivalents

	Consolidated Entity	
	30 June 2015 \$'000	30 June 2014 \$'000
Cash at bank and on hand	26,721	21,127
Term deposit	10,000	-
	36,721	21,127

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

8(b). Notes to the Statement of Cash Flows

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

Profit after tax	13,204	5,788
Add non-cash items:		
Depreciation	5,775	9,423
Amortisation	1,250	1,777
(Gain) on disposal of property, plant and equipment	(634)	(1,410)
(Gain) on disposal of subsidiary	(1,210)	-
(Gain) on deconsolidation of joint venture	(101)	-
Share of equity account net loss	865	-
Charges to provisions and employee benefits	3,473	(1,128)
Net Cash Provided by Operating Activities Before Change in Assets and Liabilities	22,622	14,450
Change in Assets and Liabilities		
(Increase) / decrease in trade and other receivables	(1,663)	549
(Increase) in inventories	(12,572)	(5,860)
(Increase) / decrease in other assets	(420)	506
(Increase) / decrease in deferred tax assets	(1,612)	190
Increase in deferred tax liabilities	608	751
Increase in trade and other payables	10,211	7,174
Increase / (decrease) in income tax payable	7,139	(6,036)
Net Cash Provided by Operating Activities	24,313	11,724

9. Trade and Other Receivables

Current

Trade receivables		
~external	1,249	2,041
~related parties - franchises	509	429
	1,758	2,470
Provision for impairment loss	(100)	(107)
	1,658	2,363
Other receivables and prepayments	2,972	6,941
Total trade and other receivables	4,630	9,304

9. Trade and Other Receivables (continued)	Consolidated Entity	
	30 June 2015 \$'000	30 June 2014 \$'000
Current:		
0 - 30 days	1,369	1,970
Past due but not impaired		
31 - 60 days	197	263
61 - 90 days	32	116
91+ days	60	14
Past due but impaired:		
61 - 90 days	8	26
91+ days	92	81
TOTAL	1,758	2,470

(a) Provision for Impairment Loss

Trade receivables are non-interest bearing and generally on 30 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of \$96,230 (2014: \$110,464) has been recognised by the Group in the current year. Debts which are considered recoverable have not been impaired by the Group. No individual amount within the impairment allowance is material.

Movements in the provision for impairment loss were as follows:

At 1 July	107	70
Charge for the year	96	110
Amount written off	(103)	(73)
TOTAL	100	107

10. Other Financial Assets	Consolidated Entity	
	30 June 2015 \$'000	30 June 2014 \$'000
Forward exchange contracts (cash flow hedge)	2,011	-
TOTAL	2,011	-

The forward exchange contract (FEC) has been recognised as an asset in the current period as a result of the Group undertaking longer term FEC's and the increased movement in the AUD exchange rates.

11. Inventories

Raw materials and consumables	3,745	3,751
Work in progress	286	181
Finished goods	86,513	77,346
	90,544	81,278
Carrying amount of inventories subject to retention of title clauses	6,557	6,612

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

	Consolidated Entity	
	30 June	30 June
	2015 \$'000	2014 \$'000
12. Investments		
Property		
Opening balance as at 1 July	24,423	30,099
Additions	566	487
Disposal	(20,560)	(5,147)
Depreciation	(717)	(1,016)
Closing Balance as at 30 June	3,712	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. The investment property at 30 June 2015 is located at Rockhampton, QLD. As per an independent valuation performed by Herron Todd White in 2013, the property was valued at \$4,000,000. During the year, the Group sold its Dandenong property for \$ 22,700,000.

During the year the Group received external rental income of \$1,417,104 (2014: \$2,746,968) and incurred operating expenses of \$1,732,169 (2014: \$1,791,826).

13. Property, Plant and Equipment

Cost

Land and Buildings

Balance at beginning of year	3,278	8,167
Disposals / transfers	(3)	(4,889)
Balance at End of Year	3,275	3,278

Plant and Equipment

Balance at beginning of year	23,332	22,397
Acquisitions	1,981	1,443
Disposals / transfers	(271)	(508)
Balance at End of Year	25,042	23,332

Fixtures and Fittings

Balance at beginning of year	25,898	24,459
Acquisitions	2,977	1,115
Disposals / transfers	(749)	324
Balance at End of Year	28,126	25,898

Leasehold Improvements

Balance at beginning of year	10,324	10,969
Acquisitions	234	11
Disposals / transfers	(239)	(656)
Balance at End of Year	10,319	10,324

Capital Works in Progress

Balance at beginning of year	3,271	264
Acquisitions	2,039	4,981
Disposals / transfers	(4,872)	(1,974)
Balance at End of Year	438	3,271

	Consolidated Entity	
	30 June	30 June
	2015 \$'000	2014 \$'000
13. Property, Plant and Equipment (continued)		
Total		
Balance at beginning of year	66,103	66,256
Acquisitions	7,231	7,550
Disposals / transfers	(6,134)	(7,703)
Balance at End of Year	67,200	66,103
Depreciation and Impairment Losses		
Land and Buildings		
Balance at beginning of year	235	351
Depreciation	59	70
Disposals /transfers	-	(186)
Balance at End of Year	294	235
Plant and Equipment		
Balance at beginning of year	15,344	12,038
Depreciation	2,038	4,126
Disposals /transfers	(206)	(820)
Balance at End of Year	17,176	15,344
Fixtures and Fittings		
Balance at beginning of year	13,780	11,147
Depreciation	2,067	3,222
Disposals /transfers	(446)	(589)
Balance at End of Year	15,401	13,780
Leasehold Improvements		
Balance at beginning of year	6,469	5,907
Depreciation	895	989
Disposals /transfers	(150)	(427)
Balance at End of Year	7,214	6,469
Total		
Balance at beginning of year	35,828	29,443
Depreciation	5,059	8,407
Disposals /transfers	(802)	(2,022)
Balance at End of Year	40,085	35,828
Carrying Amounts		
Land and Buildings		
At beginning of year	3,043	7,816
At End of Year	2,981	3,043
Plant and Equipment		
At beginning of year	7,988	10,359
At End of Year	7,866	7,988
Fixtures and Fittings		
At beginning of year	12,118	13,312
At End of Year	12,725	12,118
Leasehold Improvements		
At beginning of year	3,855	5,062
At End of Year	3,105	3,855

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

	Consolidated Entity	
	30 June	30 June
	2015 \$'000	2014 \$'000
13. Property, Plant and Equipment (continued)		
Capital Works in Progress		
At beginning of year	3,271	264
At End of Year	438	3,271
Total		
At beginning of year	30,275	36,813
At End of Year	27,115	30,275

Security

At 30 June 2015, land and buildings with a carrying amount of \$2,980,851 (2014: \$3,042,764) are subject to a first registered mortgage to secure bank loans.

14. Intangible Assets

	Consolidated Entity		
	Goodwill	Software	Total
Cost	\$'000	\$'000	\$'000
Balance at 1 July 2014	5,737	9,328	15,065
Acquisitions	-	1,328	1,328
Disposals	-	(77)	(77)
Sale of Dare Gallery business	(375)	-	(375)
Balance at 30 June 2015	5,362	10,579	15,941
Balance at 1 July 2013	5,737	8,900	14,637
Acquisitions	-	310	310
Transfers	-	118	118
Balance at 30 June 2014	5,737	9,328	15,065
Amortisation and Impairment Losses			
Balance at 1 July 2014	1,661	5,335	6,996
Amortisation	-	1,250	1,250
Disposals	-	(77)	(77)
Balance at 30 June 2015	1,661	6,508	8,169
Balance at 1 July 2013	1,661	3,560	5,221
Amortisation	-	1,777	1,777
Disposal	-	(2)	(2)
Balance at 30 June 2014	1,661	5,335	6,996
Carrying Amount			
At 1 July 2014	4,076	3,993	8,069
At 30 June 2015	3,701	4,071	7,772
At 1 July 2013	4,076	5,340	9,416
At 30 June 2014	4,076	3,993	8,069

14. Intangible Assets (continued)

The recoverable amount of each cash-generating unit is determined based on value in use calculations which use cash flow projections from financial budgets approved by management covering a 3 year period. The cash flows beyond the budget period have been extrapolated using a 2.5% long term growth rate (2014: 2.5%) consistent with estimated inflation rates over the period. The resultant cash flows for 5 years have been discounted using a discount rate of 8% (2014: 12%). Discount rates are pretax and are adjusted to incorporate risks associated with each cash-generating unit.

	Consolidated Entity	
	30 June	30 June
	2015 \$'000	2014 \$'000
15. Other Non-Current Assets		
Non-current		
Security deposits	-	49

16. Trade and Other Payables

Current

Trade creditors (a)	7,462	9,385
Sundry creditors and accruals	30,953	26,341
	38,415	35,726
(a) Foreign Currency Liabilities		
Current - United States Dollars	4,683	2,363
Current - Euros	44	-
Current - Thai Baht	2,158	-

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

17. Interest Bearing Loans and Borrowings

Current

Bank loans ~secured (a)	5,000	-
	5,000	-
Non-current		
Bank loans - secured (a)	-	15,000
	-	15,000

(a) Each company within the Group has entered into cross guarantee arrangements. The ANZ Bank loans are secured by a first registered mortgage over freehold property of the Group and is under a 3 year funding arrangement for renewal on 24 March 2016. The weighted average cost of borrowings is 3.6% (2014: 4.2%)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

17. Interest Bearing Loans and Borrowings (continued)

Financing Arrangements

The Group has access to the following lines of credit:

	Consolidated Entity	
	30 June 2015 \$'000	30 June 2014 \$'000
Total Facilities Available:		
Bank overdraft	5,000	15,000
Trade finance	1,200	1,200
Indemnity guarantee	2,800	2,800
Asset finance	410	410
Cash advance facility	5,538	5,538
	14,948	24,948
Facilities Utilised at Balance Date:		
Bank overdraft	5,000	15,000
Trade finance	-	608
Indemnity guarantee	432	429
	5,432	16,037
Facilities Not Utilised at Balance Date:		
Bank overdraft	-	-
Trade finance	1,200	592
Indemnity guarantee	2,368	2,371
Asset finance	410	410
Cash advance facility	5,538	5,538
	9,516	8,911

18. Current Tax Payable / Receivable

The current tax payable for the Group is \$3,999,960 (2014: receivable of \$3,561,589) representing the amount of income tax payable in respect of current financial year. In accordance with the tax consolidation legislation, the Company as the head entity of the Australian tax-consolidated group assumes the current tax receivable or liability initially recognised by the members in the tax-consolidated group.

19. Employee Benefits

	Consolidated Entity	
	30 June	30 June
	2015 \$'000	2014 \$'000
(a) Employee Benefits		
Aggregate liability for employee benefits, including on-costs		
Current		
Salary and wages accrued	10,437	4,900
Annual leave liability	7,225	6,260
Long service leave liability	2,601	2,339
	20,263	13,499
Non-current		
Long service leave liability	1,952	1,581
	22,215	15,080
(b) Superannuation Plan		
Superannuation contributions amounted to:	7,624	7,456

(c) Share Based Payments

The Company has a performance hurdle employee share plans in place:

The Fantastic Holdings Limited Performance Hurdles Executive Share Trust (FHLPHST)

The FHLPHST was established to recognise the contribution of key executives to the growth of the Company in accordance with its long term incentive remuneration strategies. The Trustee will acquire Fantastic Holdings Limited shares on behalf of participants at their market price, and if long term incentive performance criteria are met after three years, the shares will vest to the participant.

275,000 (2014: 328,860) new shares were issued and held by the trust during the financial year 2015, of which 189,000 shares have been vested.

20. Provisions

	Lease Incentive	Lease Increases	Make Good	Total
	\$'000	\$'000	\$'000	\$'000
Consolidated				
Balance at 1 July 2014	3,261	486	225	3,972
Provisions made during the year	2,960	599	177	3,736
Provisions used during the year	(2,291)	(165)	-	(2,456)
Balance at 30 June 2015	3,930	920	402	5,252
Current	1,166	120	402	1,688
Non-current	2,764	800	-	3,564
	3,930	920	402	5,252
Consolidated				
Balance at 1 July 2013	3,603	407	526	4,536
Provisions made during the year	1,288	135	-	1,423
Provisions used during the year	(1,630)	(56)	(301)	(1,987)
Balance at 30 June 2014	3,261	486	225	3,972
Current	1,203	26	225	1,454
Non-current	2,058	460	-	2,518
	3,261	486	225	3,972

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

20. Provisions (continued)

Provision for Lease Incentive

A provision of \$3,930,232 (2014: \$3,261,419) has been recognised for the lease incentives received under operating leases, such as a rent free period or contribution to certain costs. The provision is amortised on a straight line basis over the term of the lease.

Provision for Lease Increases

A provision of \$919,734 (2014: \$485,843) has been recognised to record fixed rate increases to lease rental payments, excluding contingent or index based rental increases such as CPI and turnover rental. The provision is amortised on a straight line basis over the term of the lease.

Provision for Make Good

A provision of \$402,000 (2014: \$225,000) has been recognised for the estimated costs of dismantling and removing items and restoring the site on which property, plant and equipment is located to its original condition.

21. Equity

	Consolidated Entity	
	30 June 2015 \$'000	30 June 2014 \$'000
(i) Share Capital		
103,257,398 (2014: 103,068,398) ordinary shares, fully paid (a)	23,608	23,270
Ordinary shares at beginning of the financial year	23,270	23,270
Shares issued during the year (a)	338	-
Ordinary Shares at the End of the Financial Year	23,608	23,270
(a) During the year ended 30 June 2015, 275,000 shares (2014: 328,860) were issued to Fantastic Holdings Limited Performance Hurdles Executive Share Trust for key executives, of which 189,000 have vested.		
The holders of ordinary shares are entitled to receive dividends as declared and have voting rights that allow one vote for each fully paid share held. All shares rank equally with regard to the Company's residual assets.		
(ii) Retained Earnings		
Retained earnings at the beginning of the financial year	84,515	84,840
Profit after tax attributable to equity holders of the Parent	13,204	5,859
Dividend paid	(13,418)	(6,184)
Loss of control of subsidiary	(71)	-
Retained Earnings at the End of the Financial Year	84,230	84,515
(iii) Reserves		
(a) Foreign Currency Translation Reserve		
Exchange differences on translation of foreign operations	957	(422)
Income tax effect	(287)	127
Total Foreign Currency Translation Reserve	670	(295)
(b) Cash Flow Hedge Reserve		
Mark to market value of forward exchange contracts	2,011	-
Income tax effect	(603)	-
Total Cash Flow Hedge Reserve	1,408	-
Total Reserves	2,078	(295)

22. Non- Controlling Interest

	Consolidated Entity	
	30 June	30 June
	2015 \$'000	2014 \$'000
Interest in:		
Share capital	-	3,150
Retained earnings - non controlling interest	-	(71)
	-	3,079

Non-controlling interest for the comparative year relates to 40% interest in the Hong Kong parent entity for the investment in China operations. During the current year the Group equity accounted for its 60% interest resulting in a gain of \$101,623 upon deconsolidation.

23. Financial Instruments

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

- Interest rate risk
- Credit risk
- Liquidity risk
- Foreign exchange risk

This Note presents information about the Group's exposure to each of the above risks, the process of measuring and managing each risk and the capital management policy.

The financial risk management policies of the Group are established to identify and analyse the risks faced, to set appropriate risk limits and controls, and to monitor risks and adhere to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and activities.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Audit, Risk and Compliance Committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks.

The principal financial instruments comprise bank loans and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for and fund the operations of the Group. There are various other financial instruments such as trade debtors and trade creditors, which arise directly from operations.

(a) Interest Rate Risk

The Group's exposure to interest rate risk is the risk that a financial instrument's fair value will fluctuate as a result of changes in market interest rates. The effective weighted average interest on financial assets and financial liabilities is as follows:

	Notes	Floating Interest Rate \$'000	Fixed Interest Rate 1 Year or Less \$'000	Non-Interest Bearing \$'000	Total \$'000
Consolidated 2015					
Financial Assets					
Cash and cash equivalents	(8)	26,721	10,000	-	36,721
Trade and other receivables	(9)	-	-	4,630	4,630
Other financial assets	(10)	-	-	2,011	2,011
		26,721	10,000	6,641	43,362
Financial Liabilities					
Trade and other payables	(16)	-	-	38,415	38,415
Interest bearing loans and borrowings	(17)	5,000	-	-	5,000
		5,000	-	38,415	43,415
Weighted average interest rate		2.9%			
Net Financial Assets/(Liabilities)		21,721	10,000	(31,774)	(53)
Consolidated 2014					
Financial Assets					
Cash and cash equivalents	(8)	21,127	-	-	21,127
Trade and other receivables	(9)	-	-	9,304	9,304
		21,127	-	9,304	30,431

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

23. Financial Instruments (continued)

Consolidated 2014 (continued)

	Notes	Floating Interest Rate \$'000	Fixed Interest Rate 1 Year or Less \$'000	Non-Interest Bearing \$'000	Total \$'000
Financial Liabilities					
Trade and other payables	(16)	-	-	35,726	35,726
Interest bearing loans and borrowings	(17)	15,000	-	-	15,000
		15,000	-	35,726	50,726
Weighted average interest rate		1.7%			
Net Financial Assets/(Liabilities)		6,127		(26,422)	(20,295)

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts as disclosed in the Consolidated Statement of Financial Position and in the Notes to the Financial Statements. As the Group earns the majority of its revenue from the retail of household furniture, credit risk is minimal.

(c) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group aims to have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to its reputation. Financial liabilities are payable as follows:

	Consolidated Entity	
	30 June 2015 \$'000	30 June 2014 \$'000
Less than six months	38,415	35,726
Six to twelve months	5,000	-
Two to five years	-	15,000
	43,415	50,726

(d) Fair Value of Financial Assets and Liabilities

For cash and cash equivalents, receivables and payables with a remaining life of less than one year, the notional carrying amount on the Statement of Financial Position is a reasonable approximation of fair value. For interest bearing loans and borrowings of the Group, their fair value is calculated based on the present value of expected future principal and interest cash flows discounted at the market rate of interest at the reporting date and is \$5,046,667 (2014: \$18,247,388). The rate used to discount estimated cash flows was 8% (2014: 12%).

(e) Foreign Exchange Risk

The Group has a foreign currency risk in respect of payables as at 30 June 2015. The Group manages its exposure to foreign currency risk by paying its overseas suppliers promptly, applying a conservative pricing policy in respect of foreign sourced products and utilising forward exchange contracts for a significant portion of its estimated foreign currency purchases on a three to six month rolling basis.

(f) Sensitivity Analysis

The sensitivity analysis set out below summarises the sensitivity of the fair value of the financial instruments of the Group at 30 June 2015 to hypothetical changes in market rates and prices. It also shows the potential impact on the Consolidated Statement of Profit or Loss and Other Comprehensive Income if those changes had occurred for the 12 months ended 30 June 2015. The range of variables chosen for the sensitivity analysis reflect the view of changes which are reasonably possible over a one year period. Fair values are the present value of future cash flows based on market rates and prices at the valuation date.

The interest rate sensitivity analysis assumes a 100 basis point change in interest rates from their weighted average level for the year ended 30 June, with all other variables held constant. Based on the composition of the Group's interest bearing loan portfolio for the year ended 30 June, a 1% movement in interest rates would have no impact on interest expense being incurred on the fixed rate bank loans or hire purchase contracts.

The exchange rate sensitivity analysis assumes that the weighted average exchange rate moves by 10% from the level during the year to 30 June, with all other variables held constant. The +10% case assumes a 10% strengthening of the US dollar against Australian currency and the -10% case assumes a 10% weakening of the US dollar.

23. Financial Instruments (continued)

	Consolidated		Consolidated	
	Interest rates +1%	Interest rates -1%	Exchange rates +10%	Exchange rates -10%
2015				
Increase/(decrease) in fair value of financial instruments at 30 June 2015	216,667	(216,667)	(596,642)	596,642
Net Impact on Income Statement; gain/(loss)	216,667	(216,667)	(14,686,733)	14,686,733
2014				
Increase/(decrease) in fair value of financial instruments at 30 June 2014	(18,443)	18,250	(225,361)	245,233
Net Impact on Income Statement; gain/(loss)	(3,775)	3,775	(9,055,786)	7,409,280

(g) Capital Management Policy

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. There were no changes in the approach to capital management during the year.

The Company pays dividends at the discretion of the Board. The dividend amount is based on the profitability of the Company, market conditions, and maintaining capital for future growth.

Consolidated Entity	
30 June	30 June
2015	2014
\$'000	\$'000

24. Operating Lease Commitments

Non-cancellable operating lease rentals are payable as follows:

Less than one year	52,371	50,506
Between one and five years	100,887	87,233
More than five years	24,711	16,958
	177,969	154,697

The Group leases property under operating leases typically expiring from one to ten years.

Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. Lease payments are increased based on either fixed terms, movements in the Consumer Price Index, or other operating criteria. During the financial year ended 30 June 2015, \$52,683,659 (2014: \$52,067,754) was recognised as an expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in respect of operating leases for the Group. Sub-lessee income for the year ended 30 June 2015 was \$2,281,709 (2014: \$1,384,174). During the year our WA distribution centre was vacated.

25. Capital Expenditure Commitments

Plant and equipment and software contracted but not provided for and payable within one year:	365	653
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

	Consolidated Entity	
	30 June 2015 \$	30 June 2014 \$
26. Auditors' Remuneration		
Remuneration of the auditor of the Company for:		
~auditing or reviewing the financial report	165,000	160,000
~other services	-	2,948
	165,000	162,948

27. Subsidiaries

Details of subsidiaries are set out below:

Incorporated in Australia:

Parent Entity

Fantastic Holdings Limited

Subsidiaries

Fantastic Furniture Pty Ltd

Fantastic Furniture (Licensing) Pty Ltd

Plush - Think Sofas Pty Ltd

Best Buy Furniture Pty Ltd

Original Mattress Factory Pty Ltd

FHL Distribution Centre Pty Ltd

Fantastic Metal Furniture Manufacturers Pty Ltd

Royal Comfort Bedding Pty Ltd

Fantastic Property Pty Ltd

The Package Deal Kings Pty Ltd

Fantastic Furniture Share Plan Pty Ltd

White Label Investments Pty Ltd

Innovation Nominees (1) Pty Ltd

Innovation Nominees (2) Pty Ltd

White Label Innovations (1) Pty Ltd

White Label Innovations (2) Pty Ltd

White Label Innovations Pty Ltd

State Marketing and Innovation Corporation Pty Ltd

Incorporated Overseas:

Incorporated in New Zealand:

Fantastic Furniture - The Package Deal Kings Limited

Fantastic Furniture Limited

Incorporated in Vietnam

Cong Ty TNHH Fantastic Metal Furniture Manufacturers

Incorporated in Hong Kong

Fantastic Holdings Hong Kong Limited

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

28. Key Management Personnel Disclosures

(a) Key Management Personnel

The following were key management personnel at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non-Executive Directors

Mr Julian Tertini - Chairman

Mr Peter Brennan OAM

Mr Geoffrey Squires

Ms Margaret Haseltine - Deputy Chairman - appointed 30 April 2015

Ms Robyn Watts - effective 10 November 2014

Executive Director

Mr Stephen Heath: Managing Director

Executives

Mr George Saoud: Chief Financial Officer and Company Secretary

Ms Debra Singh: Chief Operating Officer, CEO Fantastic Furniture (Appointed 1st August 2014)

Mr Jason Newman: Chief Operating Officer - Fantastic Furniture (Manufacturing & Supply Chain)

Mr Chris Burke: General Manager - Plush

(b) Key Management Personnel Compensation

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

	Consolidated Entity		Company	
	30 June 2015 \$	30 June 2014 \$	30 June 2015 \$	30 June 2014 \$
Short term employee benefits	4,159,439	2,140,250	2,004,358	1,436,250
Post employment benefits	177,038	87,543	93,518	87,543
Share based payments	-	40,000	-	-
	4,336,477	2,267,793	2,097,876	1,523,793

Individual Directors and Executives Compensation Disclosures

Information regarding individual Directors and executives compensation and equity instruments disclosures as permitted by Corporations Regulations 2M 3.03 and 2M 6.04 are provided in the Remuneration Report included in the Directors' Report.

Apart from the details disclosed in this Note, no Director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

28. Key Management Personnel Disclosures (continued)

(c) Shareholdings

(i) There were no options over ordinary shares in Fantastic Holdings Limited held directly, indirectly or beneficially by any key management person including their related parties,

(ii) The movement during the reporting period in the number of ordinary shares in Fantastic Holdings Limited held directly, indirectly or beneficially by each key management personnel including their related parties is as follows:

	Balance of Shares 1 July 2014	Received as Remuneration	Shares Purchased, Sold or Reconstructed	Balance of Shares 30 June 2015	Options over Ordinary Shares	Long term incentive shares not vested
	Number	Number	Number	Number	Number	Number
Company Directors						
Julian Tertini (1)	41,776,211	-	-	41,776,211	Nil	Nil
Peter Brennan OAM	10,698,016	-	-	10,698,016	Nil	Nil
Geoffrey Squires	171,405	-	-	171,405	Nil	Nil
Margaret Haseltine	-	-	15,069	15,069	Nil	Nil
Robyn Watts	-	-	10,000	10,000	Nil	Nil
Executives						
Stephen Heath	-	-	56,500	56,500	Nil	900,000
George Saoud	-	-	-	-	Nil	225,000
Debra Singh	8,500	-	-	8,500	Nil	225,000
Jason Newman	-	-	-	-	Nil	Nil
Chris Burke	-	-	-	-	Nil	Nil
Total	52,654,132	-	81,569	52,735,701	Nil	1,350,000

	Balance of Shares 1 July 2013	Received as Remuneration	Shares Purchased, Sold or Reconstructed	Balance of Shares 30 June 2014	Options over Ordinary Shares	Long term incentive shares not vested
	Number	Number	Number	Number	Number	Number
Company Directors						
Julian Tertini (1)	41,776,211	-	-	41,776,211	Nil	Nil
Peter Brennan OAM	10,698,016	-	-	10,698,016	Nil	Nil
James Millar AM	-	-	-	-	Nil	Nil
Geoffrey Squires	171,405	-	-	171,405	Nil	Nil
Denis McCormack	80,968	-	-	80,968	Nil	Nil
Executives						
Stephen Heath	-	-	-	-	Nil	900,000
George Saoud	-	-	-	-	Nil	225,000
Debra Singh	8,500	-	-	8,500	Nil	225,000
Jason Newman	-	-	-	-	Nil	Nil
Chris Burke	-	-	-	-	Nil	Nil
Total	52,735,100	-	-	52,735,100	Nil	1,350,000

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

28. Key Management Personnel Disclosures (continued)

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

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

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

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

	Consolidated Entity	
	30 June 2015 \$	30 June 2014 \$
Franchise fees received	181,965	160,813
Sale of inventory	2,198,032	1,979,416
Amounts receivable from the Caringbah store franchise	10,795	148,070

(ii) Tertan Management Services Unit Trust and Bytenew Pty Ltd, entities associated with Julian Tertini received rent of \$1,180,166 (2014: \$1,172,010) and outgoings of \$96,110 (2014: \$90,777) in respect of company owned stores on normal commercial terms.

(iii) Bytenew Pty Ltd, a company associated with Julian Tertini received consulting fees of \$nil (2014: \$10,000) in relation to executive services rendered.

	Company	
	30 June 2015 \$'000	30 June 2014 \$'000

29. Parent Entity Information

Assets

Current assets	40,097	10,920
Non-current assets	1,513	38,582
TOTAL ASSETS	41,610	49,502

Current liabilities	5,778	8,921
Non-current liabilities	2,038	1,094
TOTAL LIABILITIES	7,816	10,015

Equity

Share capital	23,608	23,270
Reserves	1,408	-
Retained earnings	8,778	16,217
TOTAL EQUITY	33,794	39,487

(Loss)/Profit of Parent Entity	5,980	11,588
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

30. Interest in a joint venture

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

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

Summarised statement of financial position of joint venture

	Consolidated Entity
	30 June 2015 \$'000
Current assets	4,323
Non-current assets	5,346
Current liabilities	(384)
Non-current liabilities	-
Equity	9,285

Summarised statement of profit or loss of joint venture

Revenue	5,927
Cost of sales	(3,077)
Administration expenses	(4,771)
Finance income	11
Loss before tax	(1,910)
Income tax benefit	469
Loss for the year	(1,441)
Total comprehensive income for the year	(1,441)
Group's share of loss for the year @ 60%	(865)
Group's carrying amount of the investment	5,644

The joint venture had no contingent liabilities or capital commitments as at 30 June 2015. The joint venture cannot distribute its profits without the consent from the two venture partners.

31. Disposal of Subsidiary

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

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

32. Events Subsequent to Balance Date

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

33. Contingencies

The Directors are of the opinion that provisions are not required in respect of the matters detailed below, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Contingent Liabilities Considered Remote:

Guarantees

- (i) Under the terms of a Deed of Cross Guarantee, the Company has guaranteed to each creditor payment in full of any debt that remains unpaid six months after the winding up of any of its subsidiaries that are subject to the Deed. The subsidiaries have given similar guarantees in the event that the Company is wound up.
- (ii) Each company within the Group as detailed in Note 35 has entered into cross guarantee arrangements.
The probability of default in respect of these financial guarantee contracts has been measured and has been determined to be remote as all subsidiaries in the group are solvent. As a result, no financial liability has been recognised in the financial statements.

34. Related Parties

The Group's main related parties are as follows:-

- i) Joint Venture accounted for under the equity method:
The Group has a 60% interest in the joint venture Fantastic International Manufacturing – FIM Limited. The interest in joint venture is accounted for in the Group's consolidated financial statements of the Group using the equity methods of accounting. For detail of interest held in joint venture, refer to Note 30.
- ii) Other related parties
Other related parties included entities over which key management personnel have joint control, refer to Note 28 (d) & (e) for details.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2015

35. Deed of Cross Guarantee

Pursuant to ASIC 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and Directors' Report.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed dated 28 June 2007 are:

Fantastic Furniture Pty Ltd

Fantastic Furniture (Licensing) Pty Ltd

Plush - Think Sofas Pty Ltd

Best Buy Furniture Pty Ltd

Original Mattress Factory Pty Ltd

FHL Distribution Centre Pty Ltd

Royal Comfort Bedding Pty Ltd

Fantastic Property Pty Ltd

The Package Deal Kings Pty Ltd

Fantastic Metal Furniture Manufacturers Pty Ltd

Fantastic Furniture Share Plan Pty Ltd

White Label Investments Pty Ltd and its subsidiaries became a party to the Deed on 27 July 2009 by virtue of a Deed of Assumption. The subsidiaries included in this Assumption Deed were as follows:

White Label Investments Pty Limited

Innovation Nominees (1) Pty Limited

Innovation Nominees (2) Pty Limited

White Label Innovations (1) Pty Limited

White Label Innovations (2) Pty Limited

White Label Innovations Pty Limited

State Marketing and Innovation Corporation Pty Limited

The consolidated Statement of Profit or Loss and Other Comprehensive Income and consolidated Statement of Financial Position, comprising the Company and subsidiaries which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2015, is the same as the consolidated Statement of Profit or Loss and Comprehensive Income and consolidated Statement of Financial Position included in this financial report.

D. Gallery Pty Ltd ceased to be a party to the Deed on 25 January 2015 as this entity was sold and is no longer a part of the Group.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2015

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

- (a) The consolidated financial statements and notes set out on pages 34 to 70, and the Remuneration Report in the Directors' Report set out on pages 11 to 21, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Group as at 30 June 2015 and of the performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 1;
- (c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 There are reasonable grounds to believe that the Company and the subsidiaries identified in Note 27 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those subsidiaries pursuant to ASIC Class Order 98/1418.

3 The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2015.

Signed in accordance with a resolution of the Directors



Margaret Haseltine
Deputy Chairman



Stephen Heath
Managing Director and Chief Executive Officer

Dated this 8th day of September 2015

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

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Fantastic Holdings Limited (the company) and Fantastic Holdings Limited and Controlled Entities (the consolidated entity), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards (IFRS)*.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

MATTERS RELATING TO ELECTRONIC PUBLICATION OF THE FINANCIAL REPORT

This paragraph relates to the financial report of Fantastic Holdings Limited and its Controlled Entities for the year ended 30 June 2015 included on the website of Fantastic Holdings Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on its integrity. The financial report refers only to the subject matter described above. We do not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of the financial report are concerned with the inherent risk arising from publication on a website, they are advised to refer to the hard copy of the financial report to confirm the information contained in the website version of the financial report.

INDEPENDENCE

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Fantastic Holdings Limited and Controlled Entities, would be in the same terms if provided to the directors as at the time of this auditor's report.

AUDITOR'S OPINION

In our opinion:

- a) the financial report of Fantastic Holdings Limited and Fantastic Holdings Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2015 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

REPORT ON THE REMUNERATION REPORT


We have audited the Remuneration Report included in pages 11 to 21 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

AUDITOR'S OPINION

In our opinion the Remuneration Report of Fantastic Holdings Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.



Felsers
Chartered Accountants



Michael Kersch
Partner
Sydney

Dated: 8 September 2015

SHAREHOLDING INFORMATION

FOR THE YEAR ENDED 30 JUNE 2015

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

Australian Stock Exchange Company Security Code

The shares of Fantastic Holdings Limited are listed on the Australian Stock Exchange under the trading symbol "FAN". The Home Exchange is Sydney.

Other Information

Fantastic Holdings Limited, incorporated and domiciled in Australia, is a publicly listed company on the Australian Stock Exchange and is a company limited by shares.

Class of Shares and Voting Rights

At 14 August 2015, there were 103,257,398 issued ordinary shares of the Company. The voting rights attached to the ordinary shares, set out in clause 5.8 of the Company's Constitution are: "Subject to this Constitution and any rights or restrictions for the time being attached to any class of shares:

- (a) at meetings of members or classes of members, each member entitled to attend and vote may attend and vote in person or by proxy.
- (b) on a show of hands, every member present in person has one vote.
- (c) on a poll, every member present in person has the following voting rights:
 - (i) in the case of fully paid shares, one vote for each share held by the member; and
 - (ii) in the case of partly paid shares, for each share, a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the shares."

Distribution of Shareholders (at 14 August 2015)

Category	Number of Holders	
	Ordinary Shares	Options
1 – 1,000	488	-
1,001 – 5,000	385	-
5,001 – 10,000	123	-
10,001 – 100,000	135	-
100,001 and over	25	-
	1,156	-

The number of shareholdings held in less than marketable parcels is 230.

Substantial Shareholders

The names of the substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 as at 14 August 2015 are:

Shareholder	Number of Ordinary Fully Paid Shares Held
Julian Tertini	41,776,211*
Peter Brennan	10,698,016
Westpac Banking Corporation	10,291,394
IOOF Holdings Limited	10,440,355
Perpetual Limited	7,346,174

* The total shares held includes 10 million shares by Yaquina Pty Limited and Mr Tertini has voting power on these shares.

Twenty Largest Shareholders (at 14 August 2015)

Shareholder	No. of Ordinary Fully Paid Shares Held	Percentage of Capital Held
Bytenew Pty Limited	30,842,074	29.87%
National Nominees Limited	10,063,167	9.75%
Yaquina Pty Limited <Maia A/C>	10,000,000	9.68%
HSBC Custody Nominees (Australia) Limited	8,272,546	8.01%
RBC Investor Services Australia Nominees Pty Limited <Pi Pooled A/C>	7,346,174	7.11%
J P Morgan Nominees Australia Limited	5,764,218	5.58%
Mrs Patricia Brennan	5,259,965	5.09%
Mr Peter Brennan	3,083,427	2.99%
RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C>	2,729,248	2.64%
BNP Paribas Noms Pty Ltd <DRP>	2,608,648	2.53%
Nonad Financial Services Pty Limited <P & P Brennan Super Fund A/C>	2,354,624	2.28%
Trinity Management Group Pty Limited	1,825,348	1.77%
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	1,440,080	1.39%
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	1,203,751	1.17%
Norman Role	950,000	0.92%
Lawncat Pty Ltd	934,137	0.90%
Citicorp Nominees Pty Limited	837,781	0.85%
Dromore Finance Pty Limited <Bennett Family A/C>	612,149	0.59%
Budetch Pty Limited <Keighran Family No 2 A/C>	503,702	0.49%
WMS Staff Super Fund Pty Ltd <Westleigh Man Serv S/Fd A/C>	274,682	0.27%
	96,941,721	93.88%

On-Market Buy-Back

There is no current on-market buy-back.

CORPORATE DIRECTORY



Directors (L-R) Robyn Watts, Julian Tertini, Peter Brennan, Geoffrey Squires, Margaret Haseltine, Stephen Heath.

DIRECTORS

Julian Tertini	Chairman and Non-Executive Director
Peter Brennan OAM	Non-Executive Director
Geoffrey Squires	Non-Executive Director
Margaret Haseltine	Deputy Chairman and Non-Executive Director (Appointed Deputy Chairman 30 April 2015)
Robyn Watts	Non-Executive Director (Appointed 10 November 2014)
Stephen Heath	Managing Director

EXECUTIVE OFFICER

George Saoud	Chief Financial Officer and Company Secretary
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REGISTERED OFFICE

62 Hume Highway
Chullora NSW 2190

Telephone: 02 8717 2600

Facsimile: 02 8717 2655

AUDITORS

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

Telephone: 02 8226 1655

Facsimile: 02 8226 1616

SHARE REGISTRY

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

Telephone: 1300 850 505

Facsimile: 03 9473 2500

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on
27 October 2015, commencing at 10:30am at Rydges Bankstown,
Corner Hume Highway and Strickland Street, Bass Hill NSW.



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**FANTASTIC
FURNITURE****ACT**

Fyshwick

NEW SOUTH WALES

Albury
Armidale
Artarmon
Auburn
Balgowlah
Bathurst
Bennetts Green
Burwood
Campbelltown
Caringbah
Castle Hill
Chullora
Coffs Harbour
Crossroads
Dubbo
Erina
Griffith
Lismore
Moore Park
Newcastle
Nowra
Penrith
Port Macquarie
Prospect
Roselands
Rutherford
Tamworth
Taree
Tuggerah
Wagga Wagga
Warrawong
Warwick Farm

QUEENSLAND

Aspley
Burleigh Heads
Capalaba
Helensvale
Hervey Bay
Ipswich
Kawana Waters
Morayfield
Toowoomba
Townsville
Underwood
Windsor

SOUTH AUSTRALIA

Marion
Munno Para
Noarlunga
Windsor Gardens

TASMANIA

Hobart
Launceston

VICTORIA

Ballarat
Bendigo
Caroline Springs

Dandenong
Geelong
Hoppers Crossing
Maribyrnong
Mildura
Moorabbin
Mornington
Nunawading
Preston
Richmond
Shepparton
Taylors Lakes
Thomastown
Traralgon
Warrnambool

WESTERN AUSTRALIA

Cannington
Cockburn
Joondalup
Mandurah
Osborne Park
Rockingham

PLUSH**ACT**

Fyshwick

NEW SOUTH WALES

Albury
Alexandria
Artarmon
Auburn
Belrose
Castle Hill
Erina
Crossroads
Newcastle
Penrith
Prospect
Rutherford
Warrawong

QUEENSLAND

Aspley
Bundall
Jindalee
Maroochydore

SOUTH AUSTRALIA

Marion
Mile End
Gepps Cross

VICTORIA

Dandenong
Frankston
Geelong
Highpoint
Knox
Nunawading
Preston
Richmond
Shepparton
South Wharf
Springvale
Taylors Lakes

OMF**ACT**

Fyshwick

NEW SOUTH WALES

Auburn
Artarmon
Bankstown
Bathurst
Belrose
Bennetts Green
Castle Hill
Caringbah
Dubbo
Crossroads
West Gosford
Nowra
Prospect
Rutherford
Tuggerah
Warrawong

LE CORNU**NORTHERN TERRITORY**

Darwin

SOUTH AUSTRALIA

Adelaide

**ASHLEY FURNITURE HOME-
STORE****SOUTH AUSTRALIA**

Gepps Cross (trial store)

