funtastic LIMITED

2019 Annual Report

OUR STORY

Bringing fun to life

Since 1996, Funtastic has been a much loved part of most Australian families. You may have a Razor scooter waiting in the garage, a Chill Factor slushy maker in the freezer, a Woody or Buzz Lightyear in the toybox or a Pillow Pet on the bed - Funtastic is there as part of your family life. We always strive to find new and innovative ways to help you bring fun to life.

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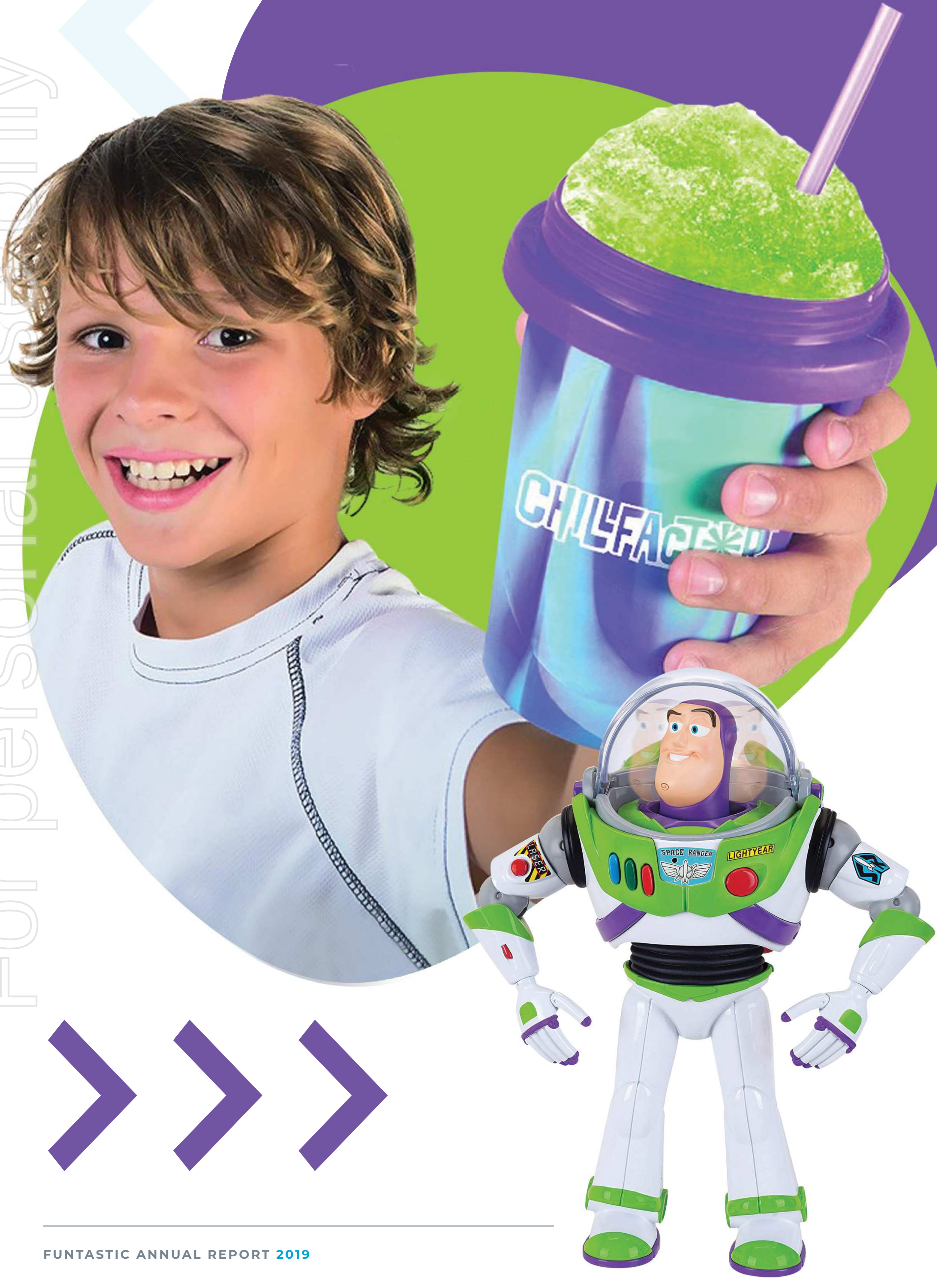

SPACE RANGER
LIGHTYEAR

CHAIRMAN'S REPORT

On behalf of the Board of Directors of Funtastic Limited (FUN or the Company), I am pleased to present our 2019 Annual Report.

Under the stewardship of a fresh new management team and Board, Funtastic is excited to build on its significant experience in sourcing, developing and distributing the world's most loved brands. From bringing family favourites to Australian homes, to developing innovative concepts to a global audience, the team at Funtastic is passionate, innovative and collaborative.

While this Annual Report contains some sobering news for investors, it should be noted we start our 2019/20 financial year largely debt free following many years when the business was burdened with an unsustainable level of debt. The excellent work on the Toy Story 4 product range in the second half of this reporting year is also a notable highlight and points to small steps in a positive change in direction. We have commenced the process of re-engineering and re-inventing a business which has been unprofitable and continues to suffer from a decline in enterprise value. The job ahead will take time and require investment and patience by all stakeholders.

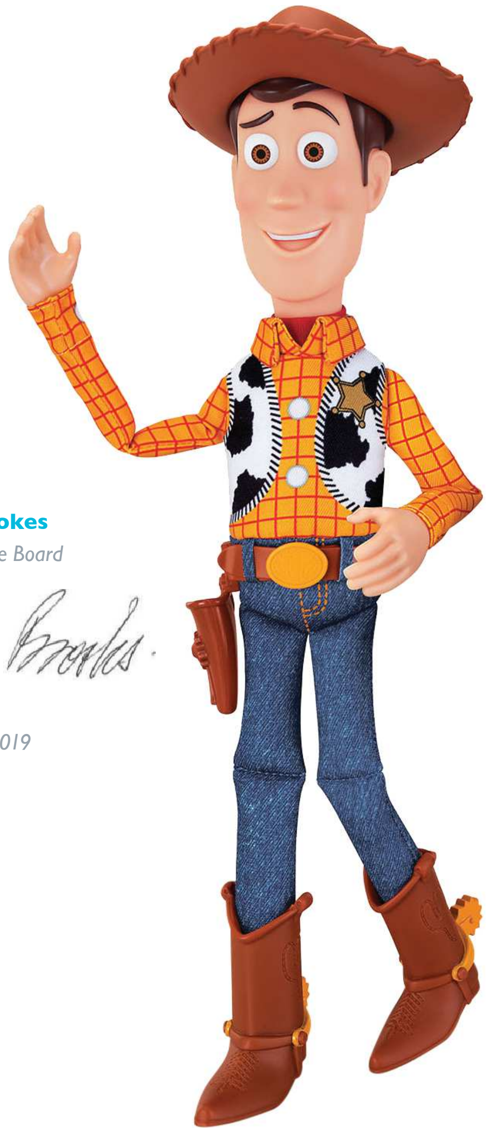
The team at Funtastic have a renewed focus on what's important to families. The new direction for the business is to seek opportunities to lift value to stakeholders through such focus. While our core business in toys will remain, you will see initiatives and focus in complementary market segments.

Funtastic will focus on securing wanted and exclusive brands. The team has experience in identifying brands and products that resonate with families. In addition, we plan to utilise our significant experience in sourcing, marketing and distribution to add new products to herald a new focus and direction which moves from distribution of universally available product to ranges that have a strong brand or unique product DNA.

Relationships with retailers and distributors remain strong and secure and we value and appreciate our long-term partnerships with all key customers. We will examine a number of new distribution channels in line with our new strategy.

Looking forward, we still have much to do to strengthen our financial returns and structural fundamentals for the Funtastic business. It is going to take time and additional funding to return the business back to growth however, with our new leadership team, fresh focus and our evolving new strategic direction Funtastic is positioned to make significant improvements in the years to come and I'm delighted to be part of this future.

On behalf of the Board I would like to take the opportunity to thank our loyal shareholders who have stood steadfastly behind the company during the past financial year. We would also like to express our sincere thanks to our valued customers, business partners, suppliers, bankers and advisors for their continued support. We especially thank the management and entire staff of Funtastic for their undivided commitment, dedication and loyalty. We look forward to all of your continued support and contribution as we work together to improve the Company's performance and shareholder value in the coming years.



Bernie Brookes
Chairman of the Board

Bernie Brookes

15th October 2019

COMPANY INFORMATION

DIRECTORS

Bernie Brookes
Chairman and Independent Non-Executive Director (appointed 1st August 2019)

John Tripodi
Independent Non-Executive Director (appointed 25th October 2018)

Nicki Anderson
Independent Non-Executive Director (appointed 25th October 2018)

Shane Tanner
Chairman and Independent Non-Executive Director (resigned 31st July 2019)

Stephen Heath
Independent Non-Executive Director (resigned 6th February 2019)

Steven Leighton
Managing Director and Chief Executive Officer (appointed Chief Executive Officer 24th July 2017, appointed Executive Director 31st May 2018. Resigned 31st March 2019)

COMPANY SECRETARY

Howard Abbey
(appointed 31st May 2018)

REGISTERED OFFICE

Level 2, 315 Ferntree Gully Road
Mount Waverley
VIC 3149

PRINCIPAL ADMINISTRATIVE OFFICE

Level 2, 315 Ferntree Gully Road
Mount Waverley
VIC 3149

SHARE REGISTRY

Automic Group
Level 5, 126 Phillip Street
Sydney NSW 2000

AUDITORS

Grant Thornton
Collins Square, Tower 5
727 Collins Street Docklands
VIC 3008

BANKERS

Commonwealth Bank of Australia
201 Sussex Street
Sydney NSW 2000

SOLICITORS

Law Squared
Level 13, 114 William Street
Melbourne VIC 3000

Corporate Governance Statement

The Corporate Governance principles that guide the operations of Funtastic Limited ACN 063 886 199 (**Funtastic** or **Company**) are detailed in this statement. Funtastic respects and endorses the ASX Corporate Governance Council's Principles and Recommendations. The Board believes that it has been compliant with the spirit of the ASX Corporate Governance Council's principles and recommendations throughout the 2019 financial year.

The ASX principles that have been adopted are outlined below. Where an alternative approach has been adopted, this is outlined within the relevant section. All these practices unless otherwise stated, were in place for the entire year.

This Corporate Governance Statement is current as at the date of this report and has been approved by the Board. The Company's corporate governance polices, charters and policies are all available on the corporate governance section of the Company's website at: https://corporate.funtastic.com.au/investors/corporate-governance/

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Role and Responsibility of the Board

The Board of Directors is elected by the shareholders to represent the interests of all shareholders, collectively, and in this regard, its primary purpose is to safeguard the financial security of Funtastic.

Although responsibility for the operation of the Funtastic business is delegated to management, the Board remains responsible for, amongst other things:

- establishing, monitoring and modifying Funtastic's corporate strategies;
- ensuring best practice corporate governance;
- appointing the Chief Executive Officer and approving succession plans;
- monitoring the performance of Funtastic's management;
- ensuring that appropriate risk management systems, internal control and reporting systems and compliance frameworks are in place and are operating effectively;
- monitoring financial results;
- ensuring that business is conducted ethically and transparently;
- approving decisions concerning Funtastic's capital, including capital restructures and dividend policy; and
- ensuring effective external disclosure policies so that the market is fully informed on all matters that may influence the share price.

Board members have complete and open access to management.

The Company has a written agreement with each director and senior executive setting out the terms of their appointment and has an annual process for periodically evaluating the performance of its senior executives.

The Company Secretary provides advice and support to the Board and is responsible for the Company's day to day governance framework. The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

The Chairman, on behalf of the Board, undertakes a review of the Chief Executive Officer's performance at least on an annual basis. Objectives are set and aligned to the overall business goals and the Company's requirement of the position. An evaluation of the Chief Executive Officer's performance was undertaken during the year.

The performance of senior management is evaluated by the Chief Executive Officer through formal performance reviews undertaken on an annual basis. The individual performance of each Senior Executive is reviewed against goals set in the previous year and new objectives are established for the following financial year.

Diversity

Funtastic is an equal opportunity employer and makes its recruitment decisions based on the best person for the role with no discrimination on the grounds of gender or any other factor. The company is committed to be a business which is an appealing and rewarding place to work for men and women.

Corporate Governance Statement

CONTINUED

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT *(CONTINUED)*

Diversity *(continued)*

Funtastic has established a Diversity Policy which is published on the company's website. As at 31 July 2019 the group's mix of employees was as follows:

	Female	Male	Total
General employees	15	5	20
Middle managers	5	8	13
Senior managers	3	5	8
Board	1	2	3
Total	**24**	**20**	**44**

Funtastic has elected not to establish targets with regard to gender mix within its workforce on the grounds that, as a small business, such targets could place unreasonable restrictions on the company's ability to operate effectively.

Director competencies

The Board plans annual self-assessments of its collective performance, and its subcommittees. This exercise takes into consideration the collective directors' competency, skills, experience and expertise. Where necessary, Funtastic will provide the required resources to assist directors in improving their performance. An internal evaluation of the performance of Board members and Committees was undertaken during the year.

New directors are provided with a letter of appointment setting out the Company's expectations, their responsibilities, rights and the terms and conditions of their appointment. All new directors participate in an induction program which covers the operation of the Board and its committees and financial, strategic, operations and risk management issues. The Board provides appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Remuneration & Nomination Committee

The current members of the Remuneration & Nomination Committee are Mr Bernie Brookes, Mr John Tripodi and Ms Nicki Anderson. The chair of the Committee is Ms Nicki Anderson, a non-executive independent director.

The role of the Nomination Committee is to assist the Board in ensuring that the Board is comprised of individuals who are best able to discharge the responsibilities of a Director, having regard to the law and the highest standards of governance, by:

- assessing the skills, knowledge, experience and diversity required on the Board and the extent to which they are represented;
- establishing processes for the identification of suitable candidates for appointment to the Board; and
- overseeing succession planning for the Board.

The charter of the Remuneration & Nomination Committee is set out on the Company's website.

The principal purposes of the Committee are to:

- establish a formal and transparent procedure for the selection and appointment of new directors to the Board;
- regularly review the succession plans in place for membership of the Board to ensure that an appropriate balance of skills, experience and expertise is maintained;
- review the time commitment required from a non-executive director and whether non-executive directors are meeting this requirement; and
- take all reasonable steps to ensure that all individuals nominated for appointment to the Board as a non-executive director, expressly acknowledge prior to their election that they are able to fulfil the responsibilities and duties expected of them.

The committee seeks advice and guidance, as appropriate, from external experts. The Board undertakes appropriate checks before appointing a person or putting forward to shareholders a candidate for election as a director. Additionally, the Board provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE *(CONTINUED)*

Remuneration & Nomination Committee *(continued)*

The Board undertakes appropriate checks in relation to the character, experience, education, criminal record and bankruptcy history for each of these candidates. A candidate standing for election as a non-executive Director will be asked to provide the Board, or the Remuneration & Nomination Committee, with the following information, which will be provided to shareholders to enable them to make an informed decision as to whether to elect or re-elect the candidate at the next annual general meeting:

- biographical details, including the relevant qualifications and experience and the skills the candidate can bring to the Board;
- details of any other material Directorships currently held by the candidate;
- in the case of a candidate standing for election as a Director for the first time:
    - any material adverse information revealed by the checks the Company has performed about the Director;
    - details of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect, their independent judgement;
    - if the Board considers that the candidate will, if elected, qualify as an independent Director, a statement to that effect;
- in the case of a candidate standing for re-election as a Director:
    - the term of office currently served by the Director; and
    - if the Board considers the Director to be an independent Director, a statement to that effect; and
    - a statement by the Board as to whether it supports the election or re-election of the candidate.

In determining whether it will support the election or re-election of a Director, the Board will assess the above information and, in the case of Directors standing for re-election, the performance of each Director.

Board Membership

The members of the Board and details regarding their appointment, removal, term of office, attendance at Board meetings and other committee meetings, skills and experience are detailed in the Directors' Report. The Board composition is determined using the following principles:

- the Board should comprise between 3 and 9 directors;
- the maximum age for directors is 72;
- the Board should comprise directors with a broad range of skills and experience; and
- the term of any appointment is subject to continuing shareholder approval.

The directors believe that limits on tenure may cause loss of experience and expertise that are important contributors to the efficient working of the Board. As a consequence, the Board does not support arbitrary limits on tenure and regards nominations for re-election as not being automatic but based on the needs of Funtastic. The constitution sets out the rules to which Funtastic must adhere to and which include rules as to the nomination, appointment and re-election of directors. The constitution provides for two of the directors to retire and stand for re-election each year at the Annual General Meeting. Directors appointed during the year by the Board stand for re-election at the next Annual General Meeting.

At the commencement of the financial year, the Board comprised of two non-executive directors and one executive director (the Chief Executive Officer). The details of each director's qualifications, experience and skills are set out within the Director's report section of the Annual Report.

Board Matrix

The Board has identified particular qualifications, attributes, skills and experience ("Skills") that it believes important to be represented on the Board as a whole, in light of the Company's current and expected future business needs. Each year, on behalf of the Board, the Remuneration & Nomination Committee reviews these Skills to ensure that they are still relevant and appropriate in enabling the Board to provide constructive challenge to the Company's strategy, evaluate company performance, execute the required governance functions and assess capital markets risks and opportunities. Each year, the Committee also reviews the capabilities of each current Director against these Skills.

Corporate Governance Statement

CONTINUED

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE *(CONTINUED)*

Board Matrix *(continued)*

The Board is satisfied that it has sufficient skills and experience in place in all critical areas. The Skills identified ensure that key components of the Company's strategy can be supported by the Board. They include:

- high standards of governance, legal and regulatory compliance, and financial management;
- Expanding the Company's business in Australia and internationally, organically and through acquisition;
- continuing to expand and deepen the range of products;
- providing an innovative and integrated offer to customers and clients; and
- being the leading FMCG company in Australasia.

Board and Director Independence

The Board has assessed the criteria for independence as outlined in the ASX Corporate Governance Council's best practice recommendation 2.1. Independent directors of Funtastic are those not involved in the day to day management of the company and are free from any real or reasonably perceived business or other relationship that could materially interfere with the exercise of their unfettered and independent judgement.

Currently, all three directors are considered to be independent. It is the Board's view that Mr Bernie Brookes, Mr John Tripodi and Ms Nicki Anderson are independent directors. Accordingly, a majority of the board are independent directors.

Regardless of whether directors are defined as independent, all directors are expected to bring independent views and judgement to Board deliberations.

The Board strongly believes that the degree of commitment, depth of experience and independence of thought present in the current structure is appropriate and will best serve the company and all its shareholders at this stage of its development. The Board periodically assesses the independence of each director.

Funtastic operates in an entrepreneurial environment and requires, and benefits from, the passionate involvement of directors who have been either instrumental in the business, and or who have specialised knowledge of, and expertise in, this business sector.

The chairman of the Board is a non-executive director and is elected by the Board. The chairman is responsible for the management of the affairs of the Board and represents the Board in periods between Board meetings.

The tenure of service and qualifications for each director is as follows:

Director	Term in Office	Qualifications
Bernie Brookes	Independent Director and Chair since 1 August 2019	BA, Dip Ed
John Tripodi	Independent Director since 25 October 2018	B Com, B Bus (Hons)
Nicki Anderson	Independent Director since 25 October 2018	EMBA, B Bus, GAICD

The Board provides appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

Work of Directors

Materials for Board meetings are circulated in advance. The agenda is formulated with input from the Chief Executive Officer and the Chairman. Directors are free to nominate matters for inclusion on the agenda for any Board or Board committee meeting.

The Board is provided with reports from management on the financial performance of the business. The reports include details of all key financial results reported against budgets approved by the Board, with regular updates on forecasts for the year. The Chief Executive Officer and Chief Financial Officer attest to the integrity of the financial reports provided to the Board each meeting. Similarly, the written statement provided to the Board, in relation to Funtastic's full year accounts states that Funtastic's financial reports present a true and fair view, in all material respects. Further, it confirms that Funtastic's financial condition and operational results are in accordance with relevant accounting standards.

Non-executive directors spend approximately thirty days each year on Board business and activities including Board and committee meetings, visits to operations and meeting employees, customers, business associates and other stakeholders.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE *(CONTINUED)*

Work of Directors *(continued)*

The Chairman regularly meets with the Chief Executive Officer to review key issues and performance trends affecting the business of Funtastic.

Conflict of Interest

In accordance with the Corporations Act 2001 and Funtastic's Constitution, directors must keep the Board advised on an ongoing basis, of any interest that could potentially conflict with those of Funtastic. Where the Board believes that a significant conflict exists, the director concerned does not receive the relevant Board papers and is not present at the meeting while the item is being considered.

Independent Professional Advice

Each director has the right to seek independent professional advice at the expense of Funtastic. Prior written approval of the chairman is required, which will not be unreasonably withheld. All directors are made aware of the professional advice sought and obtained.

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

Ethical Standards

All directors, officers and employees are expected to perform their duties professionally and act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of Funtastic and its brands. The Board oversees the identification and implementation of procedures and development of policies in respect of the maintenance of appropriate ethical standards. Funtastic has a Code of Conduct, which sets out the standards as to how directors and employees of Funtastic are expected to act. Employees are required to read the updated Employee Code of Conduct in the performance of their duties and to sign an acknowledgement stating that they have read and understood this document.

Ethical Compliance

Funtastic uses its best endeavours through contract negotiations to ensure that all its products are manufactured in accordance with local and internationally accepted labour, environmental and employment laws. Funtastic is working to ensure that manufacturing occurs under working conditions that meet legal standards and without the use of child, forced or prison labour.

Dealings in Funtastic shares by Directors, Officers and Employees

The Board permits directors to acquire shares in Funtastic. It is recommended that all employees do not buy or sell shares in the company at any time they are aware of any material price sensitive information that has not been made public and are reminded of the laws against "insider trading".

Certain "Designated Officers", including all directors and senior executives, are also prohibited from trading during certain "blackout" periods. These blackout periods are:

a. From the close of the accounts (on 31 January each year) to 2 business days after the publication to the ASX of the half-year financial results; i.e. the Appendix 4D (a 2-business day blackout period would apply from the publication to the ASX of the final half-year financial report in the event that they were materially different from the Appendix 4D results);

b. From the close of the accounts (on 31 July each year) to 2 business days after the publication to the ASX of the full-year financial results; i.e. the Appendix 4E (a 2-business day blackout period would apply from the publication to the ASX of the final full-year financial report in the event that they were materially different from the Appendix 4E results); and

c. Forty-eight hours after the public release of any market guidance update.

Exceptions to this prohibition can be approved by the Chairman (for other directors) or the Company Secretary (for all other employees) in circumstances of financial hardship. Prohibitions also apply to financial instruments related to Funtastic shares and to trading in the shares of other entities using information obtained through employment with Funtastic.

In accordance with provisions of the Corporations Act 2001 and the Listing Rules of the Australian Stock Exchange (ASX), directors or their related entities advise the ASX of any transaction conducted by them in buying or selling any shares in Funtastic.

Corporate Governance Statement

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PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

Audit & Risk Committee

Funtastic has noted the ASX Corporate Governance Council's best practice recommendation that listed companies have an independent director as Chairman of the Audit & Risk Committee. This Committee is comprised of three non-executive directors: Mr Bernie Brookes, Ms Nicki Anderson and Mr John Tripodi. The chairman of this Committee is non-executive independent director Mr John Tripodi. The charter of this Committee is set out on the Company's website.

The members of the Committee are each well credentialed with relevant qualifications and experience to enhance the Committee's purpose and fulfil its objectives.

Charter and Responsibilities

The Committee's key responsibilities and functions are to:

- monitor the company's relationship with the external auditor (including the rotation of external auditor personnel on a regular basis) and the external audit function generally;
- oversee the adequacy of internal control systems in relation to the preparation of financial statements and reports; and
- oversee the process of identification and management of business, financial and commercial risks.

Meetings

The Audit & Risk Committee may have in attendance or by invitation such members of management or others as it may deem necessary to provide appropriate information or explanations.

The Audit & Risk Committee meet at least twice per year and more frequently if required. The External Auditor attends the Audit & Risk Committee meetings when requested by the Audit & Risk Committee Chairman.

Reporting by the Audit & Risk Committee

The Chairman of the Audit & Risk Committee ordinarily reports to the full Board after committee meetings. The Audit & Risk Committee reports matters regarding its role and responsibilities, including:

- the system of internal control, which management has established to safeguard the company's assets;
- processes are in place such that accounting records are properly maintained in accordance with statutory requirements; and
- processes exist to reasonably guarantee that financial information provided to investors and the Board is reliable and free of material misstatement.

The following are intended to form part of the normal procedures for the Committee's audit responsibility:

- recommending to the Board the appointment and removal of the external auditors and reviewing the terms of engagement;
- approving the audit plan of the internal and external auditors;
- monitoring the effectiveness and independence of the external auditor; obtaining assurances that the audit is conducted in accordance with the Auditing Standards and all other relevant accounting policies and standards;
- providing recommendations to the Board as to the need for and the role of an internal audit function;
- reviewing and appraising the quality of audits conducted by the internal and external auditors and confirming their respective authority and responsibilities;
- monitoring the relationship between management and the external auditors;
- determining the adequacy, effectiveness, reliability, and appropriateness of administrative, operating and internal control systems and policies;
- evaluating compliance with approved policies, controls, and with applicable accounting standards and other requirements relating to the preparation and presentation of financial results;
- overseeing financial reporting and disclosure practice and the resultant information;
- reviewing (in consultation with management and external auditors) the appropriateness of the accounting principles adopted by management in the composition and presentation of financial reports and approving all significant accounting policy changes.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING *(CONTINUED)*

Reporting by the Audit & Risk Committee *(continued)*

- evaluating the structure and adequacy of business continuity plans;
- determining the appropriateness of insurances on an annual basis;
- reviewing and making recommendations on the strategic direction, objectives and effectiveness of financial and operational risk management policies;
- overseeing the establishment and maintenance of processes to ensure that there is:
  - an adequate system of internal control, management of business risks and safeguard of assets; and
  - a review of internal control systems and the operational effectiveness of the policies and procedures related to risk and control.
- evaluating exposure to fraud and monitoring investigations of allegations of fraud or malfeasance;
- reviewing corporate governance practices for completeness and accuracy;
- determining the adequacy and effectiveness of legal compliance systems; and
- providing recommendations as to the reporting of and propriety of related party transactions.

Management Certification

A management certification process operates across the business. The process serves the following purposes:

- provide assurance to the Board to support their approval of the annual financial reports;
- formalise the process by which the executive team sign-off on those areas of risk responsibility delegated to them by the Board; and
- ensure a true and fair view of Funtastic's financial statements.

The key steps in the certification process are as follows:

- completion of a questionnaire by key management covering information that is critical to the financial statements, risk management and internal controls; and
- review by the Audit & Risk Committee of all exceptions and management comments.

Certification by the Chief Executive Officer and Chief Financial Officer to the Board that:

- the financial statements provide a true and fair view, in all material respects of Funtastic's financial condition and operating results;
- the financial statements provide a sound system of risk management and internal compliance and control;
- there is compliance with relevant laws and regulations;
- Funtastic's risk management, internal compliance and control systems are operating efficiently and effectively in all material respects; and
- all material business risks have been identified and communicated to the Board.

The external auditor attends the AGM and is available to answer questions from security holders relevant to the audit.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Communication and disclosure

The company complies with all relevant disclosure laws and Listing Rules prescribed by the ASX and has policies and procedures designed to ensure accountability at a senior management level for that compliance.

The Company Secretary is accountable to the Board, through the Chairman, on compliance and governance matters.

Funtastic is committed to effective communication with its investors so as to give them ready access to balanced and understandable information.

A copy of Funtastic's Continuous Disclosure Policy and Communication Policy are set out on the Company's website.

Corporate Governance Statement

CONTINUED

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

The company maintains a corporate website which provides information freely and readily to current and potential security holders. Funtastic has actively designed and implemented an investor relations program to facilitate effective two-way communication with investors. A copy of Funtastic's Communication Policy is set out on the Company's website.

The company actively engages with security holders as well as meeting with security holders upon request and responds to enquiries from time to time.

The company provides the option for security holders to receive communications from, and send communications to, the entity and its security registry electronically.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Recognising and managing risk

The responsibility for risk management and oversight is coordinated through the Audit & Risk Committee, in conjunction with management. The committee's specific function with respect to risk management is to review and report to the Board that:

- the company's ongoing risk management program effectively identifies areas of potential risk;
- adequate policies and procedures are designed and implemented to manage identified risks; and
- appropriate remedial action is undertaken to redress areas of weakness.

The following are intended to form part of the normal procedures for the Committee's risk responsibility:

- determine the adequacy and effectiveness of the management reporting and systems used to monitor adherence to policies and guidelines and limits approved by the Board for management of financial risks;
- determine the adequacy and effectiveness of financial and operational risk management systems by reviewing risk registers and reports from management and external auditors;

The Board reviews the Company's risk management framework at least annually to satisfy itself that it continues to be sound and discloses in relation to each reporting period that such a review has taken place. An internal evaluation of the Company's risk management framework was undertaken during the year.

Internal Audit Function

The internal audit function is absorbed within the head office finance function. The finance function is able to conduct internal control reviews and assessments as and when required by the Audit & Risk Committee. The Board received and reviewed the minutes of the meetings of all Board committees including the Audit & Risk Committee.

Economic, Environmental and Social Sustainability risk

The Company is not subject to any particular or significant single economic, environmental and social sustainability risk. The Company is subject to a range of general economic risks, including macro-economic risks, government policy, general business conditions, changes in technology and many other factors.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration & Nomination Committee

The members of the Remuneration & Nomination Committee are all non-executive independent directors including Ms Nicki Anderson (Chair), Mr Bernie Brookes and Mr John Tripodi.

The charter of the Committee is set out on the Company's website.

The Remuneration & Nomination Committee is appointed by the Board primarily to monitor, review, assess, recommend and approve:

- remuneration policies and practices which will serve to attract and retain executives and directors who will create value for shareholders. These policies and practices should fairly and responsibly reward executives and directors, having regard to the performance of the Company, the performance of the individual, and the general remuneration environment;

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY *(CONTINUED)*

Remuneration & Nomination Committee *(continued)*

- succession planning for Senior Executives who report directly to the Chief Executive Officer;
- the remuneration, superannuation and incentive policies for Senior Executives who report directly to the Chief Executive Officer; and
- all equity (short-term and long-term incentive programs) and cash-based remuneration plans.

The Remuneration & Nomination Committee provides additional support for the human resources strategy of Funtastic. It assists the Board by ensuring that the appropriate people, people related strategies, policies and procedures are in place to support Funtastic's vision and values and its strategic and financial goals.

Remuneration & Nomination Committee Charter and Responsibilities

The committee is responsible for monitoring, reviewing, reporting and recommending to the Board with respect to each of the following:

- the company's policy for determining executive and non-executive directors' remuneration, superannuation, and incentives as well as any retention or other compensation payments, and any proposed amendments to the policy;
- remuneration includes base pay, incentive payments, equity awards, retirement rights and service contracts;
- the implementation of the remuneration policy;
- the proposed specific remuneration for each non-executive and executive director, including the Chief Executive Officer, having regard to independent advice and the remuneration policy. The committee will need to determine whether any shareholder approvals are required. The remuneration of individual non-executive directors will ultimately be determined by the Board and approved in aggregate by the shareholders in accordance with the Corporations Act 2001 and the ASX Listing Rules;
- the proposed specific remuneration and other benefits for the direct reports of the Chief Executive Officer and the design of all incentive plans, including performance hurdles; and
- the total proposed payments from any executive incentive plan.

The committee seeks advice and guidance, from external experts, as appropriate.

The review of the performance of the Chief Executive Officer is undertaken by the Remuneration & Nomination Committee, which recommends to the Board any remuneration adjustment or incentive payment.

The review of the performance of senior management is undertaken by the Chief Executive Officer who provides a recommendation to the Remuneration, & Nomination Committee on any remuneration adjustments or incentive payments. The committee provides its recommendation to the Board for approval.

Remuneration Policy

Funtastic's remuneration policies and practices in relation to directors and senior management are disclosed in the remuneration report contained in the Directors' Report.

Remuneration Disclosure

The Remuneration Report contained in the Directors' Report discloses the directors', non-executive directors' and key management personnel's remuneration, benefits, incentives and allowances where relevant.

Director's Report

Your Directors present their report on the Group consisting of Funtastic Limited and the entities it controlled at the end of, or during, the year ended 31 July 2019.

The following persons were Directors of Funtastic Limited during or since the end of the financial year:

BERNIE BROOKES AM

BA, Dip Ed

Chairman & Independent Non-Executive Director (Appointed 1st August 2019)

An experienced Board member and Chair of large and challenging companies in Private Equity, International corporates and small startups, Bernie's experience includes leading a multi-divisional organisation during significant periods of change and re-engineering. Having worked domestically, in three states, across all major divisions of Woolworths, he has substantial experience in Retail and Wholesale Operations, Buying, Information Technology Systems, Supply Chain and Human Resource management in a fast moving and dynamic environment. He led Myer during the Private Equity carve out from Coles Myer to a listing on the ASX. Bernie also has significant international experience, running the largest non-food retailer in sub-Sahara Africa.

Bernie's strengths include expertise in business management, displaying energy and self-confidence with the ability to find solutions to complex situations through analytical, conceptual and entrepreneurial skills. Ultimately, he is motivated by results.

Bernie is on the Advisory Board of the World Retail Congress as Australia's representative and is on the Grand Jury for the World Retail Awards. He was awarded an Order of Australia for his efforts in retail and Philanthropy and for over 30 years has been the Patron of Australia's largest retail industry award.

JOHN TRIPODI

B Com, B Bus (Hons)

Independent Non-Executive Director *(Appointed 25th October 2018)*

John is a business leader with extensive multinational FMCG experience in various strategic and operational roles with a track record of championing innovative brand strategies that deliver successful commercial outcomes.

John is currently the CEO of the diversified sport, entertainment and consumer lifestyle agency, Twenty3 Group. Prior to co-founding the Twenty3 Group, John held senior sales and marketing roles with Mars Inc. before moving into general management with the L'Oreal Group.

John is a graduate of the University of Melbourne in Commerce and holds an honours degree in Marketing from Monash University. John is also an Adjunct Professor of Business at RMIT University.

NICKI ANDERSON

B Bus, EMBA, GAICD

Independent Non-Executive Director *(Appointed 25th October 2018)*

Nicki is an accomplished leader and director with deep experience in strategy, sales, marketing, licensing and innovation within branded food, beverage and consumer goods businesses both in Australia and Internationally.

Nicki has held senior positions in marketing and innovation within world class FMCG companies and was most recently Managing Director within the Blueprint Group concentrating on sales, marketing and merchandising within the retail and pharmacy sales channels.

Nicki has an Executive MBA from AGSM, a Bachelor of Business and is a graduate of the Australian Institute of Company Directors.

SHANE TANNER

FCPA, ACIS
Chairman and Independent Non-Executive Director
Resigned 31st July 2019

Appointed to the Board in March 2009 as an Independent Non-Executive Director and appointed as Chairman of the Board effective from the AGM on 21 May 2010.

Shane was Chairman of the Nomination Committee and a member of the Remuneration & Nomination Committee and the Audit & Risk Committee.

Shane is Chairman of Rhythm Biosciences Limited and Paragon Care Limited. He is a former CEO of Mayne Nickless Diagnostic Services and Chairman of Sterihealth Limited.

STEPHEN HEATH

Independent Non-Executive Director
Resigned 6th February 2019

Appointed to the Board in October 2010 as an Independent Non-Executive Director. Stephen was Chairman of the Audit & Risk Committee, Chairman of the Remuneration & Nomination Committee and a member of the Nomination committee.

Stephen has extensive retail experience comprising 18 years across iconic Australian retail brands including Harvey Norman, Rebel Sport, Godfreys, International Cleaning Solutions Holdings and Fantastic Holdings Limited. Stephen was CEO of Rebel Sport during its public listing on the ASX. He also spent 5 years with Sharp Corporation managing the retail accounts of major retailers such as Harvey Norman, Myer, David Jones and Kmart.

STEVEN LEIGHTON

Managing Director & Chief Executive Officer
Resigned 31st March 2019

Appointed to the Board in May 2018 as an Executive Director, Steven has extensive experience with major Fast Moving Consumer Goods companies including major licensing entities, working internationally across Australasia, Europe, Asia Pacific, USA and Latin America. He has held senior roles including CEO and EVP with companies including Twentieth Century Fox, Dulux, Heinz Wattie's and Hawthorn Football Club.

DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial period are as follows:

Director	Company	Period
Shane Tanner	Paragon Care Limited	2005 to current
	Rhythm Biosciences Limited	2017 to current
	Victory Offices Limited	2018 to current
Stephen Heath	Fantastic Holdings Limited	2013 to January 2016
	Temple and Webster Group Limited	2016 to current
Nicki Anderson	Select Harvests Limited	2016 to current

CHIEF EXECUTIVE OFFICER

Mr David Jackson was appointed to the position of Chief Executive Officer on 2nd May 2019.

COMPANY SECRETARY

Mr Howard Abbey was appointed to the position of Company Secretary on 31st May 2018.

PRINCIPAL ACTIVITIES

The Group's principal continuing activity during the period was as a brand builder and distributor of toys, sporting, confectionery and lifestyle products, operating globally.

DIVIDENDS

In respect of the financial year ended 31 July 2019, no dividends have been declared or paid.

Director's Report

CONTINUED

REVIEW OF RESULTS

Financial results

Key Financials AUD 'm	FY19[4]	FY18[3]	% Change
Revenue	30.0	41.7	(28.1%)
EBITDA	8.7	31.5	(72.4%)
Profit/(Loss) before Tax	7.6	28.0	(72.9%)
Net profit/(loss) after tax	7.5	28.2	(73.4%)
Basic EPS (cents)	3.6	32.5	(88.9%)
Dividend per share (cents)	N/A	N/A	
ROE[1]	3.40%	13.24%	(9.8%)
Net Debt ($m)	4.9	19.6	(75.0%)
Gearing[2]	(15.21)	(1.37)	1010.2%

1. NPAT/average shareholder equity;
2. Net debt/shareholder equity;
3. FY18 results include a one-off gain of $35.0m related to debt write off
4. FY19 results include a one-off gain of $15.7m related to debt write off

The Group's statutory profit after income tax for the year ended 31 July 2019 was $7.5 million (2018: $28.2 million). The Group realised debt forgiveness net of costs of $15.7 million (2018: $35.0 million) which positively impacted the profit after income tax.

The Group's underlying loss after income tax for the year ended 31 July 2019 was $(3.2) million (2018: profit after income tax of $2.5 million). A reconciliation of underlying profit to statutory profit is shown below.

Reconciliation of Statutory EBITDA to Operating EBITDA	FY19 $'000	FY18 $'000
Statutory EBITDA of continuing operations	**8,704**	31,490
Bank Debt Forgiveness net of costs	**(15,710)**	(35,003)
Impairment of intangible assets	**702**	1,951
Redundancy and restructuring costs	**-**	1,941
Impairment of contingent assets	**2,364**	1,312
Non-recurring significant legal costs	**283**	596
Provision for inventory to be returned to supplier	**493**	225
Operating EBITDA	**(3,164)**	2,512

OPERATING REVIEW

Highlights for the year ended 31 July 2019 include:

- A refreshed Board and Management team
  - New Board developing effective new strategies with management
  - New Management focused on cost containment, process improvement and efficiency
- Success of Toy Story 4
  - The fastest growing Toy property for the year to July 2019
  - The number one property in mid-year retailer Toy catalogues
  - Strong demand anticipated to continue into Christmas

OPERATING REVIEW *(CONTINUED)*

- Expansion of retail footprint into specialty channels
  - Reduced concentration in DDS
  - Growth of independent toy channels
  - Introduction of STEM ranges
  - Growth of sales via online channels
- Strengthening of the balance sheet
  - Debt forgiveness of $15.7m eliminating all non-core debt
  - Capital raising of $8.2m

The Board's key strategic initiatives to improve performance include:

- Driving organic growth through portfolio overhaul
  - Exit unprofitable products
  - Grow confectionery and treats business through range extensions
  - Focus Razor towards the growing electric mobility market
  - Concentrate Toys to unique ranges and global licensed properties
- Introducing new products
  - Grow presence in learning and educational (STEM) Toys
  - Tap opportunities in nursery (0-3yrs) products
  - Expand into the fast-growing kids' wearable tech product sector
- Seeking to own wanted brands or popular franchises emerging growth sectors of Families with Kids
  - Learning in a fun, engaging and educational way
  - Keeping fit and staying healthy
  - Staying safe

THE YEAR AHEAD

The Group will continue to pursue strategies aimed at improving profitability and growth with a goal of returning the business to profitability in FY20.

CHANGES IN STATE OF AFFAIRS

Other than matters mentioned in this report, no other significant changes in state of affairs of the group occurred during the year ended 31 July 2019.

SUBSEQUENT EVENTS

There have been no matters or circumstances that have arisen since 31 July 2019 that have affected the Group's not otherwise disclosed in this report.

ENVIRONMENTAL REGULATIONS

The Group is not required to hold any Environmental Protection Authority Licences.

Director's Report

CONTINUED

MEETINGS OF DIRECTORS

The number of meetings of the Company's directors held during the year ended 31 July 2019 and the number of meetings attended by each director were:

	Remuneration & Nomination Committee		Board of Directors		Audit & Risk Committee	
	A	B	A	B	A	B
N Anderson	2	2	11	11	2	2
S Heath *(Resigned 6 February 2019)*	1	1	9	9	1	1
S Leighton *(Resigned 31 March 2019)*	-	-	5	5	-	-
S Tanner *(Resigned 31 July 2019)*	2	2	15	15	2	2
J Tripodi	2	2	11	11	2	2

Note:

A. Number of meetings attended during the year the Director was a member of the Board and/or Committee(s).
B. Number of meetings eligible to attend during the year the Director was a member of the Board and/or Committee(s).

NB: Bernie Brookes commenced 1st August 2019

DIRECTORS' SHAREHOLDINGS

Securities in the Company or in a related body corporate in which directors have a relevant interest as at the date of this report were:

Director	Issuing entity	Ordinary Shares	Share Rights
S Tanner *(Resigned 31 July 2019)*	Funtastic Limited	2,000,000	-
S Heath *(Resigned 6 February 2019)*	Funtastic Limited	3,260,706	-
S Leighton *(Resigned 31 March 2019)*	Funtastic Limited	1,600,000	1,643,836
J Tripodi	Funtastic Limited	-	-
N Anderson	Funtastic Limited	1,075,467	-
B Brookes	Funtastic Limited	900,000	-

OPTION AND RIGHT HOLDINGS

The number of options and rights over ordinary shares in the Company held during and after the end of the financial year by each director of Funtastic Limited and each of the key management personnel (KMP) of the Group, including their related entities, are set out in the Remuneration Report.

The Board has discretion to waive any vesting conditions or other restrictions to the Employee Incentive Plan (EIP) in accordance with the Employee Incentive Plan rules provided such amendments do not widely prejudice the rights of existing participants.

Remuneration Report (Audited)

The Directors are pleased to present the 2019 remuneration report, prepared in accordance with section 300A of the Corporations Act 2001, for the period ended 31 July 2019. The information provided in the Remuneration report has been audited by the company auditors as required by section 308(3C) of the Corporations Act 2001. The Remuneration report forms a part of the Directors report.

The Remuneration report outlines the remuneration policies and arrangements for the Company's Key Management Personnel (KMP) who have authority and responsibility for planning, directing and controlling the activities of the Company.

DETAILS OF KEY MANAGEMENT PERSONNEL

The directors and key management personnel of the Group during or since the end of the financial year were:

Name	Position	Period in position during the year
Shane Tanner	Chairman and Independent Non-Executive Director	Resigned 31 July 2019
Stephen Heath	Independent Non-Executive Director	Resigned 6 February 2019
Steven Leighton	Chief Executive Officer & Executive Director	Resigned 31 March 2019
Bernie Brookes	Chairman and Independent Non-Executive Director	Appointed 1 August 2019
John Tripodi	Independent Non-Executive Director	Appointed 25 October 2018
Nicki Anderson	Independent Non-Executive Director	Appointed 25 October 2018
Howard Abbey	Chief Financial Officer	Appointed 2 May 2018
	Company Secretary	Appointed 31 May 2018

REMUNERATION POLICY FOR DIRECTORS AND EXECUTIVES

The objective of the Funtastic remuneration policy is to attract, retain and motivate the people required to sustainably manage and grow the business. Executive remuneration packages include a balance of fixed remuneration, short term cash incentives and long-term equity incentives. The framework endeavours to align executive reward with market conditions and shareholders' interests.

Principles of Compensation

The Remuneration & Nomination Committee makes specific recommendations to the Board on compensation packages and other terms of employment for directors and other senior executives. The Board then considers these recommendations and makes appropriate determinations, with compensation packages set at a level that is intended to attract and retain executives capable of managing the consolidated entity's diverse operations.

Compensation of the senior executives is reviewed on an annual basis by the Remuneration & Nomination Committee having regard to personal and corporate performance and relevant comparative information. Compensation for senior executives comprises both fixed compensation and an "at risk" component. The "at risk" component comprises a short-term incentive payment based on a combination of the company's results and individual performance levels, and a long-term incentive component pursuant to the Employee Incentive Plan.

The payment of short-term incentives is dependent on the achievement of operating and financial targets set at the beginning of each year and assessed on an annual basis by the Board.

Compensation and other terms of employment for senior executives are formalised in service agreements.

The Group's executive remuneration is directly related to the performance of the Group through the linking of short and long-term incentives to certain financial performance measures. These performance measures, as described below, are selected by the Board of Directors and considered relevant to the management of the diverse operations of the Group and to effectively align the long-term interests of the Directors, executives and shareholders. The performance conditions are assessed periodically by the Remuneration & Nomination Committee to ensure they remain relevant.

Compensation and company performance

Funtastic Limited's Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) has been the key performance measure for the Company's incentive plan for executives, linked to individual key performance objectives.

Remuneration Report (Audited)

CONTINUED

COMPONENTS OF COMPENSATION

Fixed Compensation

The terms of employment for all executive management contain a fixed compensation component, which is expressed in local currency. This fixed component is set in accordance with the market rate for a comparable role by reference to appropriate external benchmark information and having regard to an individual's responsibilities, performance, qualifications, experience and location. An executive's compensation is also reviewed on promotion.

Fixed compensation includes contributions to superannuation and pension plans in accordance with relevant legislation or as contractually required. Fixed compensation is structured as a total employment cost package which may be delivered to the executive as a mix of cash and prescribed non-financial benefits at the executive's discretion. There are no guaranteed pay increases in any senior executive's contract.

Benefits for termination of employment may be payable subject to the circumstances of the termination and within the terms of the employment contract.

At risk Compensation

Annual Bonus

- The Short-Term Incentive (STI) plan is linked to specific targets (predominantly financial) with the opportunity to earn incentives based on a percentage of fixed compensation.
- Performance measurements have been applied to each component of STI and accordingly, entitlements were determined with regard to the executive's level and area of responsibility. Performance against the objectives was determined and incentives and entitlements assessed against the audited financial results.

The table below shows the Group's earnings in the reporting period and the previous four financial periods/years as well as an indication of the Group's value over the corresponding period:

	Year ended 31-Jul-19	Year ended 31-Jul-18	Year ended 31-Jul-17	Year ended 31-Jul-16	Year ended 31-Jul-15
Post Share Consolidation					
NPAT ($'000) (i)	7,596	28,258	(33,466)	(23,854)	(56,479)
EPS Basic (Cents) (ii)	3.64	32.60	(115.75)	(88.00)	(210.50)
Diluted EPS (Cents) (ii)	3.61	31.64	(115.75)	(88.00)	(210.50)
Total Dividends ($'000)	Nil	Nil	Nil	Nil	Nil
Year End Share Price ($)	0.065	0.080	0.150	0.550	0.725
Shares on Issue (No.) (iii)	233,176,894	96,025,827	28,931,456	28,931,456	26,686,789
Market Capitalisation ($'000)	15,156	7,682	4,557	16,052	19,348
Pre Share Consolidation					
EPS Basic (Cents) (ii)	0.15	1.30	(4.63)	(3.52)	(8.42)
Diluted EPS (Cents) (ii)	0.14	1.27	(4.63)	(3.52)	(8.42)
Year End Share Price ($)	0.003	0.003	0.006	0.022	0.029
Shares on Issue (No.) (iii)	5,829,422,350	2,400,645,675	729,619,723	729,619,723	667,169,723
Market Capitalisation ($'000)	15,156	7,682	4,557	16,052	19,348

(i) NPAT from group operations
(ii) Basic & Diluted EPS from group operations
(iii) Shares on Issue does not include shares held by the Group issued under the Employee Share Loan Scheme.

REMUNERATION OF KEY MANAGEMENT PERSONNEL COMPENSATION

The aggregate compensation of the key management personnel of the Group is set out below:

	Short-term employee benefits			Post employment benefits	Other long-term employee benefits		Share-based payments		
Year ended 31 July 2019	**Salary and fees $**	**Cash Bonus $**	**Non-monetary benefits $**	**Superannuation $**	**Long service leave $**	**Termination Benefits $**	**Performance and service rights[(i)] $**	**Options Under Employee Share loan scheme $**	**Total $**
Directors									
Shane Tanner *(Resigned 31 July 2019)*	123,600	-	-	-	-	-	-	-	123,600
Stephen Heath *(Resigned 6 February 2019)*	33,073	-	-	5,386	-	-	-	-	38,459
Steven Leighton *(Resigned 31 March 2019)*	328,880	-	-	26,694	-	-	(119,125)	-	236,449
John Tripodi *(Appointed 25 October 2018)*	46,087	-	-	4,378	-	-	-	-	50,465
Nicki Anderson *(Appointed 25 October 2018)*	46,087	-	-	4,378	-	-	-	-	50,465
Sub-Totals	**577,727**	**-**	**-**	**40,836**	**-**	**-**	**(119,125)**	**-**	**499,438**
Executives									
David Jackson *(Appointed CEO 2 May 2019)*	110,869	-	-	-	-	-	-	-	110,869
Howard Abbey	258,311	-	-	22,639	-	-	-	-	280,950
Sub-Totals	**369,180**	**-**	**-**	**22,639**	**-**	**-**	**-**	**-**	**391,819**
Totals	**946,907**	**-**	**-**	**63,475**	**-**	**-**	**(119,125)**	**-**	**891,257**

(i) There is a negative expense for share-based payments as vesting criteria of rights issued has not been met.

Remuneration Report (Audited)

CONTINUED

Year ended 31 July 2018	Short-term employee benefits			Post employment benefits	Other long-term employee benefits		Share-based payments		
	Salary and fees $	Cash Bonus $	Non-monetary benefits $	Superan-nuation $	Long service leave $	Termination Benefits $	Performance and service rights $	Options Under Employee Share loan scheme (i) $	Total $
Directors									
Shane Tanner	123,600	-	-	-	-	-	-	-	123,600
Stephen Heath	56,697	-	-	5,386	-	-	-	-	62,083
Steven Leighton *(Appointed CEO 24 July 2017, appointed managing director 31 May 2018)*	215,582	144,000	-	34,760	-	-	324,605	-	718,947
Grant Mackenzie *(Resigned as CFO/ COO 31 May 2018)*	357,605	-	-	22,395	(3,240)	168,763	-	(41,233)	504,290
Sub-Totals	**753,484**	**144,000**	**-**	**62,541**	**(3,240)**	**168,763**	**324,605**	**(41,233)**	**1,408,920**
Executives									
Howard Abbey *(Appointed CFO 2 May 2018)*	65,593	-	-	5,281	-	-	-	-	70,874
Sub-Totals	**65,593**	**-**	**-**	**5,281**	**-**	**-**	**-**	**-**	**70,874**
Totals	**819,077**	**144,000**	**-**	**67,822**	**(3,240)**	**168,763**	**324,605**	**(41,233)**	**1,479,794**

(i) There is a negative expense for share-based payments as vesting criteria of options issued has not been met.

REMUNERATION REPORT (AUDITED) *(CONTINUED)*

	Fixed remuneration		Remuneration linked to performance	
	2019	2018	2019	2018
Directors				
Shane Tanner *(resigned 31 July 2019)*	100%	100%	-	-
Stephen Heath *(resigned 6 February 2019)*	100%	100%	-	-
Steven Leighton *(resigned 31 March 2019)*	100%	35%	-	65%
John Tripodi *(appointed 25 October 2018)*	100%	N/A	-	N/A
Nicki Anderson *(appointed 25 October 2018)*	100%	N/A	-	N/A
Executive Officers				
David Jackson *(appointed CEO 2 May 2019)*	100%	N/A	-	N/A
Howard Abbey *(appointed CFO 31 May 2018)*	100%	100%	-	-
Grant Mackenzie *(resigned 31 May 2018)*	N/A	100%	N/A	-

SHORT TERM INCENTIVES

In 2019 no STI payments were made. In 2018, Mr Steven Leighton was eligible for a Short-Term Incentive ("STI") based on performance targets based on EBITDA and a service condition. The performance target and service condition was met and Mr Leighton received an STI payment of $144,000 based on performance achievements.

LONG TERM INCENTIVES

In 2019 no LTI payments were made. In 2018, Mr Steven Leighton was eligible for a Long-Term Incentive ("LTI") based on performance targets based on Earnings Per Share. The performance targets were not met and Mr Leighton did not receive any LTI payment.

SERVICE AGREEMENTS

Remuneration and other terms of employment for the Chairman, Managing Director, Non-Executive Directors, Chief Executive Officer and the other executives are formalised in service agreements/employment letters. In the case of the Chief Executive Officer and other Executives, these allow for the provision of performance-related cash bonuses, and where eligible, participation in the Funtastic Limited Employee Incentive Plan (excludes Chairman, Managing Director and Non-Executive Directors). Additionally, other benefits including car allowances can be provided to all Key Management Personnel.

Other major provisions of the service agreements relating to the remuneration of Directors and Executives are set out below:

Bernie Brookes – Chairman & Independent Non-Executive Director

- Term of the agreement - Full-Time permanent and no specific term.
- Payment of a termination benefit on early termination by the employer is not applicable.

John Tripodi – Non-executive Director

- Term of the agreement - full-time permanent and no specific term.
- Payment of a termination benefit on early termination by the employer is not applicable.

Nicki Anderson – Non-executive Director

- Term of the agreement - full-time permanent and no specific term.
- Payment of a termination benefit on early termination by the employer is not applicable.

David Jackson – Chief Executive Officer

- Term of the agreement - full-time permanent and no specific term.
- Payment of a termination benefit on early termination by the employer, other than for gross misconduct equal to six months base salary.
- Notice period six months.

Remuneration Report (Audited)

CONTINUED

SERVICE AGREEMENTS *(CONTINUED)*

Howard Abbey – Chief Financial Officer and Company Secretary

- Term of the agreement - full-time permanent and no specific term.
- Payment of a termination benefit on early termination by the employer, other than for gross misconduct equal to three months base salary.
- Notice period three months.

KEY MANAGEMENT PERSONNEL EQUITY HOLDINGS

The number of ordinary shares and options over ordinary shares in the company held during the financial year by each director of Funtastic Limited and each of the key management personnel of the consolidated entity, including their related entities, are set out below.

Share options and rights

The tables below include balances for both options granted under the Employee Share Loan Scheme, unlisted options, service rights and performance rights.

Year ended 31 July 2019	Balance at the start of the year	Granted during the year	Options/ Rights expired during the year	Options/ Rights forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year (ii)
Executive Directors						
Steven Leighton	3,443,836	-	-	(1,800,000)	1,643,836	1,643,836
Totals	**3,443,836**	**-**	**-**	**(1,800,000)**	**1,643,836**	**1,643,836**

Year ended 31 July 2018	Balance at the start of the year	Granted during the year	Options/ Rights expired during the year	Options/ Rights forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year (i)
Executive Directors						
Steven Leighton	-	3,443,836	-	-	3,443,836	-
Grant Mackenzie	3,600,000	-	-	(3,600,000)	-	-
Totals	**3,600,000**	**3,443,836**	**-**	**(3,600,000)**	**3,443,836**	**-**

(i) No options/rights were vested, exercised or exercisable during FY18.
(ii) 1,634,836 service rights vested and were exercisable during FY19. At the date of this report these rights have not been exercised.

SHARE BASED COMPENSATION

Options granted to directors and executives of the Company

During or since the end of the financial year, no options were granted under the Employee Share Loan scheme (ESLS) over unissued ordinary shares in the Company to Directors or Executives as part of their remuneration.

Unissued shares under option

The ESLS is treated in substance as an option for accounting purposes and is therefore disclosed as share options in the Directors' Report, Remuneration Report and in the Notes to the financial statements. Further details on the ESLS are set out in Note 27 of the financial statements. At 31st July 2019 and at the date of this report, there are no unissued shares of the Company under option.

Share Right Plans

Under the terms of his employment contract Mr Steven Leighton received a one-off grant on 26 October 2017 of 1,643,836 service rights as a sacrifice of $205,479.45 of Mr Leighton's cash salary (fair value at the grant date of $0.125 (12.5 cents) per share).

The service rights vested on 31 October 2018 as Mr Leighton met the service condition of being in continuous employment with Funtastic from the commencement of his employment until the vesting date (the Service Condition). The service rights expire on 31 December 2021.

SHARE BASED COMPENSATION *(CONTINUED)*

Share Right Plans *(continued)*

Mr Leighton was also granted on 26 October 2017 1,800,000 performance rights with a total fair value at the grant date of $225,000 (fair value at the grant date of $0.125 (12.5 cents) per share) on 26 October 2017, each of which can be exercised for one fully paid ordinary share for nil consideration. The vesting date of the performance rights was 31 October 2018 and the performance rights expire on 31 December 2021. These performance rights have been forfeited as Mr Leighton did not meet the performance criteria associated with the performance rights.

Ordinary shares

The numbers of shares in the company held during the financial year by each key management personnel of the Group, including their related entities, are set out below.

Year ended 31 July 2019	Balance at the start of the year	Shares purchased during the year	Received on exercise of options	Shares sold during the year	Balance at the end of the period	Balance held nominally(i)
Directors						
Shane Tanner *(resigned 31 July 2019)*	2,000,000	-	-	-	2,000,000	2,000,000
Stephen Heath *(resigned 6 February 2019)*	1,769,863	1,599,000	-	-	3,368,863	3,368,863
Steven Leighton *(resigned 31 March 2019)*	1,600,000	-	-	-	1,600,000	1,600,000
Nicki Anderson *(appointed 25 October 2018)*	1,075,467	-	-	-	1,075,467	1,075,467
Sub-Total	**6,445,330**	**1,599,000**	**-**	**-**	**8,044,330**	**8,044,330**
Executives						
David Jackson *(appointed 2 May 2019)*	1,353	-	-	-	1,353	1,353
Sub-Total	**1,353**	**-**	**-**	**-**	**1,353**	**1,353**
Grand Total	**6,446,683**	**1,599,000**	**-**	**-**	**8,045,683**	**8,045,683**

(i) Excludes share options issued under the ESLS.

Year ended 31 July 2018	Balance at the start of the year	Shares purchased during the year	Received on exercise of options	Shares sold during the year	Balance at the end of the period	Balance held nominally(i)
Directors						
Shane Tanner *(resigned)*	40,000	1,960,000	-	-	2,000,000	2,000,000
Nir Pizmony *(resigned 28 September 2017)*	2,199,544	-	-	(1,529,343)	670,201	670,201
Stephen Heath *(resigned)*	198,112	1,571,751	-	-	1,769,863	1,769,863
Steven Leighton *(appointed CEO 24 July 2017, appointed Managing Director 31 May 2018)*	-	1,600,000	-	-	1,600,000	1,600,000
Nicki Anderson *(appointed 25 October 2018)*	-	1,075,467	-	-	1,075,467	1,075,467
Grant Mackenzie *(resigned 31 May 2018)*	475,879	2,749,954	-	-	3,225,833	3,225,833
Totals	**2,913,535**	**8,337,172**	**-**	**(1,529,343)**	**9,721,364**	**9,721,364**

(i) Excludes share options issued under the ESLS.

Remuneration Report (Audited)

CONTINUED

a) Equity interests in related parties

Equity interests in subsidiaries.

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 24 to the financial statements.

b) Transactions with Key Management Personnel

Key management personnel compensation

Details of key management personnel compensation are disclosed in Note 28 to the financial statements.

Loans from key management personnel

During the financial year, the Group did not recognise any loan transactions with key management personnel.

There are no outstanding loans from key management personnel as at 31 July 2019.

Profit for the year includes the following items of revenue and expense that resulted from transactions, other than compensation or equity holdings, with key management personnel or their related parties:

	Year ended 31-Jul-19 $	Year ended 31-Jul-18 $
Consolidated profit includes the following amounts arising from transactions with key management personnel of the Group or their related parties:		
Other expenses	102,714	3,339
	102,714	3,339

The above transactions were performed at arm's length.

During the financial year, the Group recognised the following transactions with key management personnel:

- Purchases of $0 (2018: $3,339) for provision of employment services from Sherelle Pizmony, a party related to Mr Nir Pizmony; and
- Purchases of $102,714 (2018: $0) to Mr Stephen Heath for external consulting services.

c) Transactions with other related parties

Transactions between Funtastic Limited and other entities in the wholly-owned Group during the financial years ended 31 July 2018 and 31 July 2019, which were eliminated on consolidation, consist of:

- loans advanced and interest charged by Funtastic Limited;
- management services provided by Funtastic Limited;
- management services provided to Funtastic Limited; and
- payment to/from Funtastic Limited for the above services.

END OF REMUNERATION REPORT (AUDITED)

Director's Report

INDEMNITY OF OFFICERS AND AUDITORS

During the financial year the Company paid a premium in respect of a contract insuring the directors of Funtastic Limited and all executive officers of the Company and of any related body corporate against a liability incurred as such director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 30 to the financial statements. The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in Note 30 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit & Risk Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 34 of this annual report.

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors,

Bernie Brookes

BERNIE BROOKES

Chairman of the Board

15th October 2019

Auditor's Independence Declaration

Grant Thornton

Collins Square, Tower 5
727 Collins Street
Melbourne Victoria 3008

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration

To the Directors of Funtastic Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Funtastic Limited for the year ended 31 July 2019, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton Audit Pty Ltd
Chartered Accountants

B L Taylor
Partner – Audit & Assurance

Melbourne, 15 October 2019

Independent Auditor's Report

Collins Square, Tower 5
727 Collins Street
Melbourne Victoria 3008

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report

To the Members of Funtastic Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Funtastic Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 July 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Group's financial position as at 31 July 2019 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Independent Auditor's Report

CONTINUED

GrantThornton

Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements, which indicates that the Group generated a net profit from continuing operations of $7,506,000 during the year ended 31 July 2019, and as of that date, the Group's current assets exceed its current liabilities by $3,074,000 and there is a net liabilities balance of $321,000. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Provision for inventory obsolescence – refer to Note 3 and 10	
Inventory is a material item within the statement of financial position and is valued using the weighted average cost methodology and is stated at the lower of cost and net realisable value in accordance with AASB 102 Inventories. Inventory primarily comprises discretionary consumer products, including toys and confectionary, which are susceptible to obsolescence. The determination of the recoverable value and the related provision for obsolescence involves a high level of management judgement. This area is a key audit matter due to the management judgment required in determining the provision.	Our procedures included, amongst others: • Documenting our understanding of internal processes and controls associated with the determination of the provision for obsolescence; • Documenting and understanding the underlying methodology upon which management's provision is based and considering for any changes from the previous year; • Testing the provision calculation for mathematical accuracy; • Analysing management's assessment of the provision required for particular products identified which are deemed to be of higher risk of obsolescence including consideration of sales and aged inventory reports prepared by management; • Performing analytical procedures and ratio analysis on the provision of obsolete inventory compared to previous periods to identify unusual trends; and • Considering the adequacy of the provision through selecting a sample of inventory items and tracing to the most recent sales invoice to determine whether items are sold less than cost and thus indicative of requiring a provision for stock obsolescence.

GrantThornton

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 July 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in the Directors' report for the year ended 31 July 2019.

In our opinion, the Remuneration Report of Funtastic Limited, for the year ended 31 July 2019 complies with section 300A of the *Corporations Act 2001*.

Independent Auditor's Report

CONTINUED

Responsibilities

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.

Grant Thornton Audit Pty Ltd
Chartered Accountants

B L Taylor
Partner – Audit & Assurance

Melbourne, 15 October 2019

Director’s Declaration

The directors declare that:

a) in the directors’ opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

b) in the directors’ opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1 to the financial statements;

c) in the directors’ opinion, the attached financial statements and Notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group; and

d) the directors have been given the declarations required by section 295A of the Corporations Act 2001.

At the date of this declaration, the Company is within the class of companies affected by ASIC Legislative Instrument 2016/785 and has entered into a deed of cross guarantee as contemplated in that order. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the directors’ opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in Note 24 to the financial statements will, as a Group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors,

BERNIE BROOKES

Chairman of the Board
Melbourne
15th October 2019

Consolidated Statement of Profit or Loss and other Comprehensive Income

FOR THE YEAR ENDED 31 JULY 2019

	Note	31-Jul-19 $'000	31-Jul-18 $'000
Revenue	6	29,959	41,748
Cost of Goods Sold		(25,054)	(26,717)
Gross profit		**4,905**	**15,031**
Investment Income	7	1	2
Warehouse and Distribution Expenses		(2,310)	(3,272)
Marketing and Selling Expenses		(599)	(1,150)
Administration Expenses		(2,361)	(4,430)
Staff Expenses		(5,940)	(7,869)
Loan Forgiveness	15	15,710	35,003
Profit on sale of subsidiary		-	126
Impairment of Goodwill and Intangible Assets	7	(702)	(1,951)
Earnings before interest, taxation, amortisation and depreciation (EBITDA)		**8,704**	**31,490**
Finance Costs		(703)	(1,917)
Depreciation Expenses	7	(88)	(215)
Amortisation Expenses	7	(311)	(1,356)
Profit/(Loss) before income tax		**7,602**	**28,002**
Income tax (expense)/benefit	8	(96)	165
Profit/(Loss) for the period from continuing operations		**7,506**	**28,167**
Discontinued operations			
Profit/(Loss) from Discontinued Operations	5	90	91
Profit/(Loss) for the year		**7,596**	**28,258**
Other comprehensive income (net of tax)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(980)	(122)
Gain on cash flow hedges taken to equity		-	88
Other comprehensive income/(loss) for the year (net of tax)		**(980)**	(34)
Total comprehensive income/(loss) for the year attributable to the members of Funtastic		**6,615**	**28,224**
Earnings per share			
Basic earnings/(loss) per share (cents per share)	20	3.64	32.60
Diluted earnings/(loss) per share (cents per share)	20	3.61	31.64
Earnings per share - continuing operations			
Basic earnings/(loss) per share (cents per share)	20	3.60	32.49
Diluted earnings/(loss) per share (cents per share)	20	3.57	31.54

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

FOR THE YEAR ENDED 31 JULY 2019

	Note	31-Jul-19 $'000	31-Jul-18 $'000
Current Assets			
Cash	25	465	718
Receivables	9	3,460	2,956
Inventories	10	5,037	5,305
Tax Receivable	8	19	133
Other Assets	11	1,554	1,414
Total Current Assets		**10,535**	**10,526**
Non-Current Assets			
Property, Plant and Equipment	12	40	156
Other Intangibles	13	212	976
Other Assets	11	50	241
Total Non-Current Assets		**302**	**1,373**
Total Assets		**10,837**	**11,899**
Current Liabilities			
Trade Payables		3,730	3,748
Other Payables		511	26
Interest Bearing Liabilities (excluding Bill Finance)	15	1,657	18,189
Bill Finance	15	-	2,000
Provisions	16	469	457
Other Liabilities	17	1,094	1,649
Total Current Liabilities		**7,461**	**26,069**
Non-Current Liabilities			
Interest Bearing Liabilities	15	3,676	-
Provisions	16	21	21
Other Liabilities	17	-	75
Total Non-Current Liabilities		**3,697**	**96**
Total Liabilities		**11,158**	**26,165**
Net Liabilities		**(321)**	**(14,266)**
Equity			
Issued capital	19	224,848	217,400
Accumulated Losses		(223,773)	(231,369)
Reserves	19	(1,396)	(297)
Total Deficiency		**(321)**	**(14,266)**

The above statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes In Equity

FOR THE YEAR ENDED 31 JULY 2019

	Issued Capital $'000	Accum-ulated Losses $'000	Foreign Currency Translation Reserve $'000	Equity settled Employee Benefits Reserve $'000	Cash Flow Hedging Reserve $'000	Total $'000
Balance at 1 August 2017	**209,483**	**(259,727)**	**(499)**	**117**	**(88)**	**(50,714)**
Profit for the year	-	28,258	-	-	-	28,258
Other comprehensive income	-	-	(122)	-	88	(34)
Total comprehensive profit	-	28,258	(122)	-	88	28,224
Issue of ordinary shares	7,917	-	-	-	-	7,917
Recognition of share-based payments	-	-	-	307	-	307
Transfer of share-based payments/ expenses	-	100	-	(100)	-	-
Balance at 31 July 2018	**217,400**	**(231,369)**	**(621)**	**324**	**-**	**(14,266)**
Profit for the year	-	7,596	-	-	-	7,596
Other comprehensive income	-	-	(980)	-	-	(980)
Total comprehensive profit	-	7,596	(980)		-	6,615
Issue of ordinary shares	7,448	-	-	-	-	7,448
Forfeit of share rights	-	-	-	(119)	-	(119)
Balance at 31 July 2019	**224,848**	**(223,773)**	**(1,601)**	**205**	**-**	**(321)**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flow

FOR THE YEAR ENDED 31 JULY 2019

	Note	Year ended 31-Jul-19 $'000	Year ended 31-Jul-18 $'000
Cash Flows from Operating Activities			
Receipts from customers		31,119	46,463
Payments to suppliers and employees		(38,616)	(54,777)
Cash (utilised)/generated from operations		(7,497)	(8,314)
Income taxes refunded/(paid)		29	49
Interest and other costs of finance paid		(562)	(1,917)
Net cash outflow from operating activities	**25(c)**	**(8,030)**	**(10,182)**
Cash Flows from Investing Activities			
Interest and other investment income received		1	2
Payments for plant and equipment		(5)	(145)
Payments for other intangible assets		(147)	(281)
Proceeds from sale of plant and equipment		-	-
Proceeds from sale of International		-	126
Net cash outflow from investing activities		**(151)**	**(298)**
Cash Flows from Financing Activities			
Proceeds from borrowings		5,666	2,630
Repayment of commercial bills		(5,136)	-
Security deposit paid		(50)	-
Proceeds from share issue		8,232	8,355
Costs from share issue		(784)	(438)
Net cash inflow from financing activities		**7,928**	**10,547**
Net increase/(decrease) in Cash Held		**(253)**	**67**
Cash and cash equivalents at the beginning of the year		718	664
Effects of exchange rate changes on the balance of cash held in foreign currencies		-	(13)
Cash and cash equivalents at the end of the year	**25(a)**	**465**	**718**

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

31 JULY 2019

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements comprise the consolidated financial statements of the Group.

For the purpose of preparing the consolidated financial statements the Company is a for profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the directors on 15th October 2019.

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for derivative financial instruments that have been measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise stated.

Going concern basis

The financial report has been prepared on the going concern basis which contemplates the continuity of business activities and the realisation of assets and the payment of liabilities in the normal course of business.

The profit for the period from continuing operations is $7.5 million.

As at 31 July 2019 the current net asset position is $3.1 million. Non-current liabilities of $3.7 million are a long-term loan with no covenants and a due date of 31 December 2023.

The Group has entered into a secured loan agreement with Jaszac Investments Pty Ltd (Jaszac), for Jaszac to provide funding to the company of an amount up to AUD$6 million over 4 years for the purpose of general working capital. As at 31 July 2019 the balance of loan drawn was $3.7 million. Additionally, the Group has a working capital facility of $10.0 million with Scottish Pacific Business Finance secured by the debtor assets of the business.

The ability for the Group to continue as a going concern is dependent upon the following factors:

- Sustaining improved financial results through normal trading
- Implementation of strategic initiatives to drive profitable growth
- Securing additional funding either through debt, equity or a combination of both
- Continued support of creditors and customers through appropriate trading terms

The directors believe that the Group will be able to achieve the improved results and deliver the strategic initiatives and are satisfied that the Group will continue as a going concern. Accordingly, the financial report has been prepared on a going concern basis.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as "the Group" in these financial statements). Control is achieved when the Company:

- Has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses 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 listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company losses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date the Company ceases to control the subsidiary.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interest 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 and expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(b) Income tax

(i) Current tax

The income tax expense or revenue for the year is the tax payable or receivable on the current year's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and to unused tax losses.

(ii) Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted, or substantively enacted, for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(iii) Current and deferred tax for the period

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(iv) Tax Losses

A deferred tax asset in respect to tax losses is only recognised where there is a reasonable certainty that future taxable profits will be guaranteed. Management assesses continuity of ownership test and same business test hurdles bi-annually.

(v) Tax Consolidation

The company and its wholly-owned Australian resident entities are part of a tax-consolidated Group under Australian taxation law. Funtastic Limited is the head entity in the tax-consolidated Group. Tax expense/revenue, deferred tax liabilities and deferred tax assets 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 in the separate financial statements of each entity and the tax values applying under tax consolidation.

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated Group, amounts are recognised as payable to or receivable by the company and each member of the Group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated Group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in Note 8 to the financial statements.

Notes to the Financial Statements

CONTINUED

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

For personal use only

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates. Financial statements are presented in Australian dollars, which is Funtastic Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

(iii) Group companies

The results and financial position of all the Group entities, (none of which has the currency of a hyperinflationary economy), that have a functional currency different from the presentation currency, are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each profit or loss presented are translated at the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold or borrowings repaid a proportionate share of such exchange differences are recognised in the profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(e) Revenue

Revenue arises mainly from the sale of goods to customers.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

Sale of Goods

The Group generates the majority of its revenue from the sales of goods. Sale of goods is recognised when the Group has transferred the control of goods to the customer. Revenue from the sale of goods is recognised on delivery to the customer.

(f) Rental Income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(g) Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over the shorter of its expected useful life and the lease term. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The cost of improvements to or on leasehold properties is amortised over the estimated useful life of the improvement to the Group. The expected useful lives are as follows:

Plant and equipment:	2.5 - 10 years
Leasehold improvements:	3 - 5 Years

(h) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of stock on the basis of weighted average costs. Net realisable value represents the estimated selling price less the carrying value of inventory and costs necessary to make the sale.

Stock write downs occur where the estimated selling price of stock, in the ordinary course of business, is less than the estimated costs of completion and costs necessary to make the sale. Excess stock levels are reviewed on a regular basis, where discussions with the sales teams are undertaken.

(j) Trade payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year for which an invoice has been processed through the Group's payables system and the amount remains unpaid.

The amounts are unsecured and usually paid within 30 to 90 days of recognition. The average credit period on purchases of certain goods from international supplier's ranges from 4 weeks to 4 months. There is no interest charged on trade payables. The Group has financial risk management policies in place to ensure that, as often as possible, all payables are paid within a reasonable timeframe.

(k) 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 taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the tax authority is included as a current asset or liability in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the tax authority are classified as operating cash flows.

Notes to the Financial Statements

CONTINUED

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(l) Leased Non-Current Assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets (finance leases), and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised (Note 20). A leased asset and a liability are established at the lower of fair value and the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense, so as to achieve a constant rate of interest on the remaining balance of the liability.

The leased assets are amortised on a straight-line basis over the term of the lease, or where it is likely that the economic entity will obtain ownership of the asset, the life of the asset. Leased assets held at the reporting date are being amortised over five years.

Lease payments are allocated between interest (calculated by applying the interest rate implicit in the lease to the outstanding amount of the liability) and reduction of the liability.

Operating lease payments are charged to the profit or loss account on a straight-line basis over the period of the lease. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(m) Share-based payments

Share-based compensation benefits are provided to employees via the Funtastic Executive Share Option Plan, Employee Performance Share Rights Plan and the Employee Share Loan Scheme. The fair value of options and performance and service share rights granted under the Funtastic Executive Share Option Plan, Funtastic Employee Performance Share Rights Plan and Employee Share Loan Scheme is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options (vesting period).

The fair value at grant date is independently determined using an appropriate option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, total shareholder performance hurdles and the risk-free interest rate for the term of the option.

The fair value of the options, performance and service share rights and schemes granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options or performance and service share rights, the balance of the share-based payments reserve relating to those options is transferred within equity.

The market value of shares issued to employees for no cash consideration under the employee share scheme is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

(n) Borrowings

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(o) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include:

- interest on bank overdrafts and short-term and long-term borrowings;
- finance lease charges; and
- certain exchange differences arising from foreign currency borrowings.

(p) Employee benefits

(i) Wages and salaries and annual leave

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave where it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

(ii) Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

(iii) Profit sharing and bonus plans

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iv) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs, when the employee benefits to which they relate are recognised as liabilities.

(q) Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred. Amortisation of the Group's intangible assets is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets are amortised, based on the useful live assessed by management, as follows:

Software	3 years
Patents	20 years
Trademarks	3-5 years
Licensed distribution agreements	1-3 years
Brand names	3-5 years

Notes to the Financial Statements

CONTINUED

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(r) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward contracts comprising foreign exchange forward contracts and options and interest rate swaps. Further details of derivative financial instruments are disclosed in Note 28 to the financial statements.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), or hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

The fair value of hedging derivatives is classified as a current asset or current liability if the remaining maturity of the hedge relationship is less than 12 months and as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months.

(s) Financial assets

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- financial assets at amortised cost
- financial assets at fair value through profit or loss (FVPL)

Classifications are determined by both:

- The entity's business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of financial assets

AASB 9's new impairment model uses more forward-looking information to recognize expected credit losses - the 'expected credit losses (ECL) model'. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(t) Financial instruments issued by the Group

(i) Equity instruments
Equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. Transaction costs arising on the issue of equity instruments are recognised directly in contributed equity.

(ii) Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(u) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is a best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligations, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(v) Onerous contracts

The Group enters into royalty contracts. The terms of the royalty agreements require minimum levels of royalty payments to be offset against the minimum guarantees received at the start of the contract. An onerous contract is deemed to exist for the Group if, after calculating the net contribution relating to the products sold under the specific contract, there is a shortfall between the minimum guarantee and the actual royalty derived (or forecast to be derived in future periods) from the reported sales. Net contribution is calculated after taking into account net sales revenue, cost of goods sold, applicable royalties and direct selling costs. If the royalty shortfall cannot be recovered from the resulting net contribution a provision for onerous contracts is made through profit or loss.

Notes to the Financial Statements

CONTINUED

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(w) Impairment of tangible and intangible assets (other than goodwill)

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

An impairment loss is recognised immediately in the profit and loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior years.

(x) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sell.

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 statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

The assets or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group, is first allocated to goodwill, and then to remaining assets and liabilities on a pro-rata basis, except that no loss is allocated to inventories, financial assets and deferred tax assets which continue to be measured in accordance with the Group's other accounting policies. Gains or losses on disposal are recognised in profit or loss.

(y) Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes, based on the methods as stated below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

In estimating the fair value of an asset or liability, the Group uses market observable data to the extent it is available. Where it is not available, the Group engages third party qualified valuers to perform the valuation.

The fair value of the asset or liability is the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at measurement date.

The Group shall use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

To increase consistency and comparability in fair value measurements and related disclosures, the Group has adopted the fair value hierarchy established in AASB 13 'Fair Value Measurement' that categorises fair value measurement into three levels:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Valuation techniques used to measure fair value shall be applied consistently. However, a change in a valuation technique or its application (e.g. a change in its weighting when multiple valuation techniques are used or a change in an adjustment applied to a valuation technique) is appropriate if the change results in a measurement that is equally or more representative of fair value in the circumstances.

(z) Cash flow hedges

The Group designates certain hedging instruments, derivatives in respect of foreign currency, as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 26 contains details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in the statement of changes in equity.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in other comprehensive income.

Amounts accumulated in equity are recycled in the statement of profit or loss in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability. When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of profit or loss.

NOTE 2: APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

2.1 Amendments to AASBs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Group has applied all amendments to AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 August 2018.

AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments (2014) became effective for periods beginning on or after 1 January 2018 Accordingly, the Group applied AASB 15 and AASB 9 for the period ended 31 July 2019.

Revenue

Revenue arises mainly from the sale of goods to customers.

Notes to the Financial Statements

NOTE 2: APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS *(CONTINUED)*

2.1 Amendments to AASBs and the new Interpretation that are mandatorily effective for the current year *(continued)*

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due. There has been no material impact to the Group in adopting this revised Accounting Standards.

Financial Instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- financial assets at amortised cost
- financial assets at fair value through profit or loss (FVPL)

Classifications are determined by both:

- The entity's business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

NOTE 2: APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS *(CONTINUED)*

Financial Instruments *(continued)*

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Impairment of financial assets

AASB 9's new impairment model uses more forward-looking information to recognize expected credit losses - the 'expected credit losses (ECL) model'. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables

The Group has applied the standard's simplified approach and has calculated expected credit loss (ECL) based on the lifetime expected credit losses. From the Group's historical credit losses, a provision matrix based on the debtors aging profile has been established.

The adoption of AASB 9 did not have a material impact on the financial instruments of the Group.

2.2 Accounting Standards issued but not yet effective and not early adopted

At the date of authorisation of the financial statements, the Standards and Interpretations that were issued which are deemed applicable but not yet effective are listed below, which are deemed applicable to the Group.

The nature of the change

AASB 16

- Replaces AASB 117 Leases and some lease-related interpretation
- Requires all lease to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases.
- Now provides guidance on the application of the definition of a lease and on the sale and lease back accounting
- Largely retains the existing lessor accounting requirements in AASB 117
- Requires new and different disclosures about leases

Likely impact on initial application

Based on the Groups assessment it is expected that the first-time adoption of AASB 16 for the year ending 31 July 2020 will have a material impact on the transaction and balances recognised on the financial statement, in particular:

- Leases assets and financial liabilities on the balance sheet will increase by $1.023million
- There will be a reduction in the reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities
- EBIT in the statement of profit and loss and other comprehensive income will be higher, as the implicit interest in lease payments of former off-balance sheet leases will be present as part of finance costs rather than being included in operating expenses

Notes to the Financial Statements

CONTINUED

NOTE 2: APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS *(CONTINUED)*

2.2 Accounting Standards issued but not yet effective and not early adopted *(continued)*

- Operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayment on all lease liabilities will now be included in financing activities rather than operating activities. Interest will also be included within financing activities

Applying the modified retrospective transition approach, whereby all lease liabilities are measured using an incremental borrowing rate on the date of transition.

NOTE 3: CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

In addition to the key sources of estimation uncertainty on the going concern basis as disclosed in note 1, the following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

i) Useful life and impairment of intangible assets

Management has assessed the useful life of intangibles on the following basis:

- Software – based on the licence or expected
- Patents and Trademarks – based on the contractual life of the patent
- Licensed distribution agreements – based on the term of the agreement or the expected Brand product life cycle
- Brand names – up to indefinite useful life based on the nature of the brand

Whilst the current useful lives are management's best estimate, a periodic review is undertaken to ensure that these remain appropriate.

The Group tests annually for intangibles assets with indefinite useful lives or when impairment indicators are identified, whether intangible assets have suffered any impairment, in accordance with the accounting policy. The recoverable amounts of the other intangible assets have been determined on a relief from royalty basis. These calculations require the use of assumptions. A significant change to the assumptions affects the recoverable amount of the other intangible assets.

ii) Recoverability of inventory

The Group periodically assesses whether the net realisable value (NRV) of its inventories is reasonable in light of changing market conditions within the retail sector and the Group's reassessment of brand portfolio. Whilst the Group has provided to recognise the best estimate for the amount for which its inventory will be realised, the final amounts will be subject to the prevailing market conditions and may differ from the amounts provided for.

iii) Recoverability of debtors

The Group has created a provision matrix based on the Groups historical credit loss. This matrix is applied to the debtors aging profile to estimate the Groups provision for impairment of debtors. The Group has provided against its best estimate of the recoverable amount, final amounts recovered may differ to that provided against.

iv) Taxation timing differences recognised as asset and deferral of tax liability

The amount of deferred tax asset in respect of revenue tax losses is determined based upon expected future taxable income, and judgement as to the loss availability under the "continuity of ownership test", and where applicable the "same business test". Based on the current assessment, determined using budget forecasts for FY2019, the Group has continued to not recognise an amount within the deferred tax asset or provision for deferred tax liability for temporary differences. Refer to Note 8 for details.

NOTE 4: SEGMENT INFORMATION

Based on the reports reviewed by the Chief Executive Officer to make strategic and operating decisions, management has determined that the Group has one operating segment.

Geographical Information

The Group operates in one principal geographical area – Australia/NZ. The Group's revenue from external customers and information by geographical location is as follows:

	Revenue from External Customers		Non-Current Assets	
	Year ended 31-Jul-19 $'000	Year ended 31-Jul-18 $'000	Year ended 31-Jul-19 $'000	Year ended 31-Jul-18 $'000
Australia/NZ	29,959	41,748	302	1,373
	29,959	**41,748**	**302**	**1,373**

Information about major customers

Included in revenues of Australia/NZ of $29,959,000 are revenues of approximately $19,137,856 (2018: $25,816,079), which arose from sales to the three largest customers. Individually the three largest customers contributed revenues of $9,116,698, $7,926,250 and $2,094,908.

Information about products and services

The Group generates all their revenue from the sale of consumer products (toys, sporting, confectionery, apparel and lifestyle products).

NOTE 5: DISCONTINUED OPERATIONS

Results of discontinued operations	Year ended 31 July 2019 $'000	Year ended 31 July 2018 $'000
Revenue	-	279
Expenses	90	(188)
Profit/(Loss) before tax	**90**	**91**
Attributable income tax expense	-	-
Result from operating activities, net of tax	**90**	**91**
Comprising:		
Discontinued operation – USA	90	(80)
Discontinued operation – Madman & Wellington Rd	-	171
Profit/(Loss) for the year from discontinued operations	**90**	**91**
Basic Profit/(Loss) per share (cents per share)	0.04	0.11
Diluted Profit/(Loss) per share (cents per share)	0.04	0.10

Cashflow used in discontinued operations	Year ended 31 July 2019 $'000	Year ended 31 July 2018 $'000
Net cash produced/(used) in operating activities	(14)	(228)

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NOTE 6: REVENUE

	Year ended 31-Jul-19 $'000	Year ended 31-Jul-18 $'000
Gross revenue from the sale of goods	33,538	45,689
Less settlement discounts and rebates	(3,666)	(3,941)
	29,872	**41,748**
Other Revenue	87	-
	29,959	**41,748**

NOTE 7: PROFIT / (LOSS) FOR THE YEAR

	Note	Year ended 31-Jul-19 $'000	Year ended 31-Jul-18 $'000
Investment income			
Interest from bank deposits		1	2
Total investment income		**1**	**2**
Impairment of Intangible assets	13	702	1,951
Depreciation and amortisation expense			
Depreciation of property, plant & equipment	12	83	213
Depreciation of leasehold improvements	12	5	2
Amortisation of other intangible assets	13	311	1,356
Total depreciation and amortisation expense		**399**	**1,571**
Research expensed as incurred		**82**	**225**
Employee benefits expense			
Post-employment benefits:			
Defined contribution plans (superannuation)		418	498
Share-based payments:			
Equity-settled share-based payments expense/(credit)		(119)	307
Termination benefits		30	439
Other employee benefits		4,825	5,838
Total employee benefits expense		**5,154**	**7,082**

NOTE 8: INCOME TAX

	Year ended 31-Jul-19 $'000	Year ended 31-Jul-18 $'000
(a) Income tax expense/(benefit) relating to continuing operations		
Tax expense comprises:		
Current tax expense in respect of the current year	(2,080)	(187)
Adjustments recognised in the current year in relation to the current tax expense of prior years	96	(165)
	(1,984)	**(352)**
Deferred tax expense comprises:		
Deferred tax (benefit)/expense relating to the origination and reversal of temporary differences	2,080	187
Total tax expense/(benefit) relating to continuing operations	**96**	**(165)**

	Year ended 31-Jul-19 $'000	Year ended 31-Jul-18 $'000
(b) Income tax recognised in profit or loss		
The expense for the year can be reconciled to the accounting profit as follows:		
Profit/(Loss) from continuing operations	7,602	28,002
Tax expense/(benefit) at the Australian tax rate of 27.5% (FY18 30%)	2,091	8,401
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Expenses that are not deductible in determining taxable loss	247	1,633
Effect of current year's unrecognised and unused tax losses	2,165	187
Effect of reversal of Deferred Tax balances	-	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	-	404
Non-Assessable Commercial Debt Forgiveness	(4,407)	(10,790)
Income tax expense recognised in profit or loss	**96**	**(165)**

	Year ended 31-Jul-19 $'000	Year ended 31-Jul-18 $'000
(c) Income tax recognised directly in equity		
Deferred Tax:	-	-
Relating to share issue expenses deductible over 5 years	**-**	**-**

	Year ended 31-Jul-19 $'000	Year ended 31-Jul-18 $'000
(d) Current tax balances		
Current tax liabilities and assets		
Income tax (payable)/receivable	-	-
Other – overseas subsidiaries	19	133

Notes to the Financial Statements

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NOTE 8: INCOME TAX *(CONTINUED)*

(e) Deferred tax balances

No movements in deferred tax balances were recognised in the financial year 2019 (2018: $0).

The following deferred tax assets relating to tax losses have not been brought to account as assets:	Year ended 31-Jul-19 $'000	Year ended 31-Jul-18 $'000
Tax losses – Revenue	54,841	61,301
Tax losses - Capital	7,004	53,267
	61,845	**114,568**

Unrecognised taxable temporary differences associated with investments and interests in subsidiaries

Under the tax law, the taxable profit made by a tax-consolidated group in relation to an entity leaving the group depends on a range of factors, including the tax values and/or carrying values of the assets and liabilities of the leaving entities, which vary in line with the transactions and events recognised in each entity. The taxable profit or loss ultimately made on any disposal of the investments within the tax-consolidated group will therefore depend upon when each entity leaves the tax-consolidated group and the assets and liabilities that the leaving entity holds at that time.

The Group considers the effects of entities entering or leaving the tax-consolidated group to be a change of tax status that is only recognised when those events occur. As a result, temporary differences and deferred tax liabilities have not been measured or recognised in relation to investments remaining within the tax-consolidated group.

Tax consolidation

(i) Relevance of tax consolidation to the Group

The Company and its wholly owned Australian resident entities formed a tax-consolidated Group with effect from 1 January 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated Group is Funtastic Limited. The members of the tax-consolidated Group are identified in Note 24.

(ii) Nature of tax funding arrangement and tax sharing agreement

Entities within the tax-consolidated Group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, Funtastic Limited and each of the entities in the tax-consolidated Group have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to the other entities in the tax consolidated Group.

The tax sharing agreement entered into between members of the tax-consolidated Group provide for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax consolidated Group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax consolidated Group is limited to the amount payable to the head entity under the tax funding arrangement.

Tax Losses and temporary differences

As at 31 July 2019 the Group has carried forward revenue tax losses of approximately $54,840,827 (2018: 61,300,989). As at 31 July 2019 a deferred tax asset of $nil (2018: $nil) has been booked relating to revenue tax losses and deferred assets relating to temporary differences of $nil (2018: $nil). The Company has made losses in previous reporting periods. Following the assessment of the probability of recovery, having considered forecast future taxable income and current tax legislation with respect to carrying forward tax losses and temporary differences, the full balance of tax losses available at 31 July 2019 of $61,845,080 has not been booked as a deferred tax asset in these financial statements.

NOTE 9: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

Current Receivables	Year ended 31-Jul-19 $'000	Year ended 31-Jul-18 $'000
Trade receivables	6,189	4,893
Allowance for impairment	(1,863)	(1,898)
Allowance for credit notes, rebates & settlement discounts	(866)	(543)
	3,460	**2,452**
Other receivables	-	504
Total Current Receivables	**3,460**	**2,956**

Age of receivables that are past due but not impaired	Year ended 31-Jul-19 $'000	Year ended 31-Jul-18 $'000
0-60 days	206	146
61-90 days	26	-
91-120 days	-	-
Total	**232**	**146**
Average days past due	34	7

The Group does not hold any collateral over these balances.

The Group reviews trade debtors on an ongoing basis and makes a provision against specific debtors based on management's assessment of the debtors' ability to settle the debt.

The Group reviews the provision for credit notes, rebates and settlement discounts on an ongoing basis and makes allowances for individual customers based on historical sales, trading terms and expected returns, settlement discounts and rebates.

Movement in Provision for Impairment

	Provision for Impairment $'000	Rebates, credit notes & settlement discount $'000	Total $'000
12 months ended 31 July 2019			
Balance at beginning of period	**(1,898)**	**(543)**	**(2,441)**
Provisions raised	(17)	(3,666)	(3,683)
Utilised	52	3,343	3,395
Balance at end of the period	**(1,863)**	**(866)**	**(2,729)**
12 months ended 31 July 2018			
Balance at beginning of period	**(23)**	**(1,265)**	**(1,288)**
Provisions raised	(1,898)	(3,240)	(5,138)
Utilised	23	3,962	3,985
Balance at end of the period	**(1,898)**	**(543)**	**(2,441)**

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for impairment.

Notes to the Financial Statements

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NOTE 10: CURRENT ASSETS – INVENTORIES

	Year ended 31-Jul-19 $'000	Year ended 31-Jul-18 $'000
Stock at cost	6,346	6,327
Obsolescence provision	(1,309)	(1,022)
Stock at Net Realisable Value	**5,037**	**5,305**

NOTE 11: OTHER ASSETS

	Year ended 31-Jul-19 $'000	Year ended 31-Jul-18 $'000
Current other assets		
Prepaid royalties	213	665
Prepayments	456	169
Prepaid inventory	747	580
Currency hedge at fair value	138	-
	1,554	**1,414**
Other non-current assets		
Product development costs	-	241
Bonds and deposits	50	-
	50	**241**

NOTE 12: NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	Year ended 31-Jul-19 $'000	Year ended 31-Jul-18 $'000
Plant and equipment – at cost	1,185	1,252
Less: accumulated depreciation	(1,145)	(1,110)
	40	**142**
Leasehold improvements – at cost	-	16
Less: accumulated amortisation	-	(2)
	-	14
	40	**156**

NOTE 12: NON-CURRENT ASSETS – PLANT AND EQUIPMENT *(CONTINUED)*

Reconciliations

Reconciliations of the carrying amounts of each class of plant and equipment at the beginning and end of the current financial year are set out below:

	2019			2018		
	P&E $'000	**Leasehold $'000**	**Total $'000**	**P&E $'000**	**Leasehold $'000**	**Total $'000**
12 months ended						
Cost						
Opening Balance	142	14	156	457	-	457
Additions	5	-	5	129	16	145
Disposals	(24)	(9)	(33)	(231)	-	(231)
Depreciation / Amortisation	(83)	(5)	(88)	(213)	(2)	(215)
Closing Balance	**40**	**-**	**40**	**142**	**14**	**156**

NOTE 13: NON-CURRENT ASSETS – OTHER INTANGIBLES

	Year ended 31-Jul-19 $'000	**Year ended 31-Jul-18 $'000**
Brand names	1,015	1,015
Accumulated amortisation and impairment	(1,015)	(1,015)
	-	**-**
Software costs	2,935	3,320
Accumulated amortisation and impairment	(2,849)	(3,042)
	86	**278**
Chill Factor – Trademarks and patents	10,495	10,423
Accumulated amortisation and impairment	(10,369)	(10,249)
	126	**174**
Licenses, trademarks, distribution agreements & supplier relationships	11,164	10,924
Accumulated amortisation and impairment	(11,164)	(10,400)
	-	**524**
	212	**976**

Notes to the Financial Statements

CONTINUED

NOTE 13: NON-CURRENT ASSETS – OTHER INTANGIBLES *(CONTINUED)*

Reconciliations

Reconciliations of the carrying amounts of each class of intangibles at the beginning and end of the current financial year are set out below:

2019	Brand Names $'000	Software $'000	Chill Factor Trademarks and Patents $'000	Other Licences and Trademarks $'000	Total $'000
Opening Balance	-	278	174	524	**976**
Additions	-	69	72	240	**381**
Disposals	-	(132)	-	-	**(132)**
Depreciation / Amortisation	-	(130)	(45)	(136)	**(311)**
Impairment	-	-	(74)	(628)	**(702)**
Closing Balance	**-**	**85**	**127**	**-**	**212**

2018	Brand Names $'000	Software $'000	Chill Factor Trademarks and Patents $'000	Other Licences and Trademarks $'000	Total $'000
Opening Balance	681	519	757	2,330	**4,287**
Additions	-	180	101	-	**281**
Disposals	-	(150)	-	(135)	**(285)**
Depreciation / Amortisation	-	(177)	-	(1,179)	**(1,356)**
Impairment	(681)	(94)	(684)	(492)	**(1,951)**
Closing Balance	**-**	**278**	**174**	**524**	**976**

As the carrying value of the intangible assets could not be supported by the after-tax royalty stream of the brand, AASB136 required performance of an impairment assessment of the intangible assets. This has been performed, based on the royalty relief method by applying a market related royalty rate to the expected future sales and terminal growth rate, which is a level three valuation in the fair value hierarchy.

Projected sales were calculated based on the approved FY2020 budget and management's view of longer-term performance expectations. The estimated product life cycle was included in the calculation.

Outcome of assessment

A re-assessment of future performance expectations resulted in an impairment charge of $702,000 to the intangibles. (2018: $1,951,000).

NOTE 14: ASSETS PLEDGED AS SECURITY

In accordance with the security arrangements of liabilities as disclosed in Note 15 to the financial statements, all assets of the Group have been pledged as security. The Group does not have the right to sell or re-pledge the assets.

NOTE 15: BORROWINGS

Secured – at amortised cost	Year ended 31-Jul-19 $'000	Year ended 31-Jul-18 $'000
Current		
Trade finance	-	7,617
Overdraft	-	10,512
Finance Lease	-	60
Debtor finance	1,657	-
Interest bearing liabilities (excluding Bill finance) (i)	**1,657**	**18,189**
Bill finance	-	2,000
Total Current	**1,657**	**20,189**
Non-current		
Interest bearing liabilities (ii)	3,676	-
Total Non-current	**3,676**	**-**

The Group completed a major restructuring of its debt facility with the National Australia Bank effective 12 October 2018. The impact of this was a reduction of debt by $15.710 million by way of a debt forgiveness.

(i) A new debtor factoring facility has been established with Scottish Pacific Business Finance (Scottish Pacific). The Group also obtained a bank guarantee to the value of $155,863 from Scottish Pacific for the purposes of securing its office lease.

(ii) On the 15 March 2019, the Group entered into a secured loan agreement with Jaszac to provide funding to the company of an amount up to AUD $6 million for the purpose of general working capital to assist with the purchase of Toy Story 4 inventory. Interest in the amount of 12% per annum is payable on the final repayment date and security comprises a general security deed between Funtastic and Jaszac entitling Jaszac to a secured interest over Funtastic. The loan is repayable in full on 31 December 2023.

NOTE 16: PROVISIONS

Secured – at amortised cost	Year ended 31-Jul-19 $'000	Year ended 31-Jul-18 $'000
Current		
Employee benefits (i)	469	457
Total Current	**469**	**457**
Non-current		
Employee benefits (i)	21	21
Total Non-Current	**21**	**21**
Total	**490**	**478**

(i) The provision for employee benefits represents annual leave and long service leave entitlements accrued

Notes to the Financial Statements

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NOTE 17: OTHER LIABILITIES

	Note	Year ended 31-Jul-19 $'000	Year ended 31-Jul-18 $'000
Current			
Accrued royalties		358	244
GST payable		8	-
Lease incentives	23	-	26
Payroll accruals		53	51
Other creditors		-	60
Other accrued expenses		675	1,268
Total Current		**1,094**	**1,649**
Non-current			
Lease incentives	23	-	75
Total Non-current		**-**	**75**

NOTE 18: LEASING ARRANGEMENTS

Finance lease liabilities	Minimum Lease payments		Present value of minimum lease payments	
	Year ended 31-Jul-19 $'000	Year ended 31-Jul-18 $'000	Year ended 31-Jul-19 $'000	Year ended 31-Jul-18 $'000
Not later than one year	-	63	-	63
Later than one year and not later than five years	-	-	-	-
	-	**63**	**-**	**63**
Less: Future finance charges	-	(3)	-	(3)
Present value of minimum lease payments	**-**	**60**	**-**	**60**

	Note	Year ended 31-Jul-19 $'000	Year ended 31-Jul-18 $'000
Included in the consolidated financial statements:			
Current borrowings	17	-	60
	17	**-**	**60**

NOTE 19: EQUITY

Share Capital	Year ended 31-Jul-19 $'000	Year ended 31-Jul-18 $'000
233,176,894 fully paid ordinary shares (2018: 96,025,827)	224,848	217,400

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of members' shares held. At members' meetings, each fully paid ordinary share is entitled to vote when ta poll is called, otherwise each shareholder has one vote on a show of hands.

	31-Jul-2019		31-Jul-18	
	Number of Shares	Share Capital $'000	Number of Shares	Share Capital $'000
Movements in Ordinary Share Capital				
Opening balance	96,025,827	217,400	29,484,124	209,483
ESLS 1 cancellations	-	-	-	-
ESLS 2 cancellations	-	-	-	-
ESLS 3 cancellations	-	-	-	-
ESLS 4 cancellations	-	-	(16,000)	-
ESLS 5 cancellations	-	-	(283,000)	-
Capital Raise 19 September 2017	-	-	66,840,703	7,917
Placement offer 13 September 2018	20,562,620	1,116		
Entitlement offer 9 October 2018	116,588,447	6,332		
Closing balance	**233,176,894**	**224,848**	**96,025,827**	**217,400**

Foreign currency translation reserve

The foreign translation reserve account accumulates exchange differences arising on translation of foreign controlled entities which are recognised in other comprehensive income. The carrying amount is reclassified to profit or loss when the net investment is disposed of.

Equity settled employee benefits reserve

Movements in the reserve are detailed in the statement of changes in equity. The reserve records amount for the fair value of options granted and recognised as an employee benefits expense but not exercised.

Cash flow hedging reserve

The hedging reserve is used to record gains and losses on interest rate swaps that are designed and qualify as cash flow hedges and that are recognised in other comprehensive income.

Notes to the Financial Statements

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NOTE 20: EARNINGS PER SHARE

	31-Jul-19 Cents per share	31-Jul-18 Cents per share
Basic profit/(loss) per share		
From continuing operations	3.60	32.49
From discontinued operations	0.04	0.11
Total Earnings per share	**3.64**	**32.60**
Diluted profit/(loss) per share		
From continuing operations	3.57	31.54
From discontinued operations	0.04	0.10
Total profit/(loss) per share	**3.61**	**31.64**

Basic earnings per share calculation:	$'000	$'000
Net profit/(loss) after tax for the year – continuing operations	7,506	28,167
Net profit/(loss) after tax for the year – discontinued operations	90	91
Profit/(Loss) used in the calculation of total basic EPS	**7,596**	**28,258**

	No. '000	No. '000
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic profit/(loss) per share	208,339	86,686
Diluted earnings per share calculation:		
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic profit/(loss) per share	208,339	86,686
Add: Shares deemed to be issued for no consideration in respect of:		
Performance and service rights	1,644	2,623
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**209,983**	**89,309**

NOTE 21: DIVIDENDS ON EQUITY INSTRUMENTS

There were no dividends declared or paid during the financial year (2018: nil). The franking account balance at 31 July 2019 is $19,302 (2018: $19,302).

NOTE 22: LICENSE GUARANTEE COMMITMENTS

Under the terms of various License Agreements, the company guarantees the minimum level of license payments. The commitment in relation to these guarantees not already recognised is as follows:

	Year ended 31-Jul-19 $'000	Year ended 31-Jul-18 $'000
Not later than one year	1,911	2,308
Later than one year but not later than two years	1,309	2,288
	3,220	**4,596**

NOTE 22: LICENSE GUARANTEE COMMITMENTS *(CONTINUED)*

Commitment for marketing Toy Story 4

Under the license agreement for Toy Story 4 the Group are committed to spend a percentage of purchased goods value on marketing to support the license. If this commitment spend is not met, the shortfall is due to the supplier by way of a penalty payment.

NOTE 23: OPERATING LEASES

The operating leases are non-cancellable leases with respect to office premises with lease terms of five years, some with options to extend. All operating leases with options to extend contain market review clauses in the event that the company group exercises its option to renew. The group and the company do not have an option to purchase the leased asset at the expiry of the leased period.

Minimum lease payments recognised as an expense:

	Year ended 31-Jul-19 $'000	Year ended 31-Jul-18 $'000
Minimum lease payments	1,412	182
Sub-lease payments received	-	-
	1,412	**182**
Commitments in relation to non-cancellable operating leases contracted for but not capitalised in the accounts are payable as follows:		
Not later than 1 year	283	182
Later than 1 but not later than 5 years	1,129	796
	1,412	**978**

Liabilities recognised in respect of non-cancellable operating leases	Note	Year ended 31-Jul-19 $'000	Year ended 31-Jul-18 $'000
Lease incentives:			
Current	17	-	26
Non-current	17	-	75
		-	**101**

Notes to the Financial Statements

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NOTE 24: SUBSIDIARIES

Name of Entity	Country of Incorporation	Equity Holding Year ended 31-Jul-19 %	Equity Holding Year ended 31-Jul-18 %
Company			
Funtastic Limited (i), (iii)	Australia	100	100
Subsidiaries			
JNH Australia Pty Limited (ii), (iii), (v)	Australia	-	100
Fun International Limited	Hong Kong	100	100
Funtastic (NZ) Pty Limited (ii), (iii), (v)	Australia	-	100
Dorcy Irwin Pacific Pty Limited (iii), (v)	Australia	-	100
Funtastic Employee Share Loan Scheme Trust (iv)	Australia	-	100
Dorcy Investments Pty Limited (iii), (v)	Australia	-	100
Irwin Pacific Pty Limited (ii), (v)	Australia	-	100
Dorcy NZ Pty Limited (v)	New Zealand	-	50
Funtastic USA Pty Limited (formerly Judius Pty Limited) (ii), (iii)	Australia	-	100
Funtastic America Inc. (formerly My Paint Box Inc.)	USA	100	100
NSR (HK) Limited (iii)	Hong Kong	100	100
Safety Products International Pty Limited (ii)	Australia	100	100
Chill Factor Global Pty Limited (ii), (iii)	Australia	100	100
Hydro-Turbine Developments Pty Limited (ii), (iii), (v)	Australia	-	100
Fun Toy Products Consulting (Shenzhen) Company Limited	China	100	100

(i) Funtastic Limited is the head entity within the tax consolidated Group
(ii) These companies are members of the tax consolidated Group
(iii) These wholly owned subsidiaries have entered into a deed of cross guarantee with Funtastic Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report. The subsidiaries became a party to the deed of cross guarantee on 23 July 2008.
(iv) During 2013 the Board established the Funtastic Employee Share Loan Scheme Trust for the purpose of purchasing and holding shares on behalf of participants in accordance with ESLS Rules. The assets of the scheme are held separately from those of the Company and are administered by trustees appointed by the Company. The Trust is consolidated into the Group financial statements at 31 July 2018 and was wound up during the reporting period.
(v) Companies are in the process of a voluntary deregistration

NOTE 24: SUBSIDIARIES *(CONTINUED)*

The consolidated Statements of Profit or Loss and Other Comprehensive Income and Statements of Financial Position of the entities party to the deed cross guarantee are:

	Year ended 31-Jul-19 $'000	Year ended 31-Jul-18 $'000
Revenue	29,959	41,748
Cost of Goods Sold	(25,054)	(26,677)
Gross profit	**4,905**	**15,071**
Investment Income	1	2
Warehouse and Distribution Expenses	(2,310)	(3,272)
Marketing and Selling Expenses	(599)	(1,150)
Administration Expenses	(7,570)	(11,909)
Bank Forgiveness	15,710	35,003
Profit on sale of subsidiary	-	126
Impairment of Goodwill and Intangible Assets	(702)	(1,951)
Earnings before interest, taxation, amortisation and depreciation (EBITDA)	**9,435**	**31,920**
Finance Costs	(703)	(1,910)
Depreciation and Amortisation Expenses	(399)	(1,561)
Profit/(Loss) before income tax	**8,333**	**28,449**
Income tax (expense)/benefit	-	-
Profit/(Loss) for the period from continuing operations	**8,333**	**28,449**
Discontinued operations		
Profit/(Loss) from Discontinued Operations	-	171
Profit/(Loss) for the year	**8,333**	**28,620**
Other comprehensive income (net of tax)		
Items that may be reclassified subsequently to profit or loss:		
Gain on cash flow hedges taken to equity	-	88
Other comprehensive income/(loss) for the year (net of tax)	**-**	**88**
Total comprehensive income/(loss) for the year attributable to the members of Funtastic	**8,333**	**28,708**

Notes to the Financial Statements

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NOTE 24: SUBSIDIARIES (CONTINUED)

The consolidated Statements of Financial Position of the entities party to the deed of cross guarantee are:

	Year ended 31-Jul-19 $'000	Year ended 31-Jul-18 $'000
Current Assets		
Cash	396	606
Receivables	3,476	2,972
Inventories	5,037	5,305
Other Assets	1,604	1,414
Total Current Assets	**10,513**	**10,297**
Non-Current Assets		
Property, Plant and Equipment	40	157
Other Intangibles	212	976
Other Assets	-	241
Total Non-Current Assets	**252**	**1,374**
Total Assets	**10,765**	**11,671**
Current Liabilities		
Payables	4,229	3,685
Interest Bearing Liabilities (excluding Bill Finance)	1,657	20,189
Provisions	483	451
Other Liabilities	1,064	1,575
Total Current Liabilities	**7,433**	**25,900**
Non-Current Liabilities		
Interest bearing liabilities	3,676	-
Provisions	-	21
Other Liabilities	-	75
Total Non-Current Liabilities	**3,676**	**96**
Total Liabilities	**11,109**	**25,996**
Net Liabilities	**(344)**	**(14,325)**
Equity		
Issued capital	224,842	217,359
Accumulated Losses	(225,387)	(231,399)
Reserves	201	(285)
Total Deficiency	**(344)**	**(14,325)**

NOTE 25: NOTES TO THE CASH FLOW STATEMENTS

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the Statement of Financial Position as follows:

	Year ended 31-Jul-19 $'000	Year ended 31-Jul-18 $'000
Cash	-	1
Cash equivalents	465	717
	465	**718**

(b) Financing facilities

	Year ended 31-Jul-19 $'000	Year ended 31-Jul-18 $'000
Total Financing Facilities		
Overdraft	-	9,880
Combined Trade Refinance & Letter of Credit	-	8,135
Commercial Bill Facility	-	2,646
Bank Guarantees	156	1,200
Other facilities	-	250
Debtor finance	9,844	-
Loan	6,000	-
	16,000	**22,111**
Reconciliation of Finance facilities		
Used at Balance Date		
Overdraft	-	9,873
Combined Trade Refinance & Letter of Credit	-	7,617
Commercial Bill Facility	-	2,646
Bank Guarantees	156	610
Other facilities	-	-
Debtor finance	1,657	-
Loan	3,676	-
	5,489	**20,746**

Notes to the Financial Statements

CONTINUED

NOTE 25: NOTES TO THE CASH FLOW STATEMENTS (CONTINUED)

	Year ended 31-Jul-19 $'000	Year ended 31-Jul-18 $'000
Unused at Balance Date		
Overdraft	-	7
Combined Trade Refinance & Letter of Credit	-	518
Bank Guarantees	-	590
Other facilities	-	250
Debtor finance	8,187	-
Loan	2,324	-
	10,511	**1,365**

(c) Reconciliation of Profit after Income Tax to Net Cash Inflow from Operating Activities

	Year ended 31-Jul-19 $'000	Year ended 31-Jul-18 $'000
Operating Profit/(Loss) after income tax	7,596	28,258
Income tax expense/(benefit) recognised in profit or loss	96	(165)
Impairment	702	1,951
Amortisation	311	1,356
Depreciation	88	215
Loss on assets disposed	173	-
Share options (benefit)/expense	(119)	307
Other revenue	590	-
Unrealised FX loss on revaluation of intercompany loan	(1,018)	-
Finance costs	141	-
Bank Forgiveness	(15,710)	(35,003)
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
(Increase)/Decrease in trade and other receivables	(873)	(424)
(Increase) Decrease in inventories	(18)	1,705
(Increase)/Decrease in prepayments and other assets	(111)	1,330
(Increase)/Decrease in assets held for sale	-	1,653
Increase (Decrease) in trade creditors	467	(6,999)
(Decrease) in provisions	-	(214)
(Decrease)/increase in other liabilities	(374)	(2,306)
(Increase) in liabilities held for sale	-	(1,895)
Cash (utilised) generated from operations	**(8,059)**	**(10,231)**
Income tax received/(paid)	**29**	**49**
Net cash outflow from operating activities	**(8,030)**	**(10,182)**

NOTE 26: FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which comprises the borrowings detailed in Note 15, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, accumulated losses and reserves as disclosed in the Statement of Changes in Equity.

The Board reviews the capital structure on a regular basis. As part of this review the cost of capital and the risks associated with each class of capital is considered. The Group balances its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt and the repayment of debt.

Significant accounting policies

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements. These policies were consistent throughout the current year and the previous year.

Categories of financial instruments	Year ended 31-Jul-19 $'000	Year ended 31-Jul-18 $'000
Financial assets		
Cash and cash equivalents	465	718
Trade and other receivables	3,478	3,089
Financial liabilities		
Derivative instruments in designated hedge accounting relationships	-	-
Non-derivative financial liability	9,573	20,189

Financial risk management objectives

The Group's finance function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risk. These risks include market risk (including currency risk, interest rate risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of these risks, by using various financial instruments to hedge these exposures. The use of financial instruments is governed by the Group's policies approved by the Board of Directors, who provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments and the investment of excess liquidity.

Compliance with policies and exposure limits is reviewed on a continual basis. The Group does not enter into any trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate risk and foreign currency risk, including:

- Foreign exchange forward contracts to hedge the exchange rate risk arising on the import of goods denominated in US dollars; and
- Interest rate swaps to mitigate the risk of rising interest rates.

At a Group level, market risk exposures are measured through sensitivity analysis and stress scenario analysis.

In 2019, while there has been a recent stabilisation of low variable interest rates there has been no material change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

Notes to the Financial Statements

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NOTE 26: FINANCIAL INSTRUMENTS *(CONTINUED)*

Foreign currency risk management

Foreign currency risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to foreign exchange risk arises from the net investment in the United States operations and the undertaking of certain transactions denominated in foreign currencies.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Liabilities		Assets	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
US Dollars	1,702	1,386	1,835	1,765
Euro	-	-	-	-
Hong Kong Dollars	16	-	-	-

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rates fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the Group's functional currency. This is measured using sensitivity and cash flow forecasting.

In order to protect against exchange rate movements, the Group has entered into forward foreign exchange contracts. Management hedges between 50% and 100% of anticipated foreign currency transaction for the subsequent six months.

Foreign currency sensitivity

The Group is mainly exposed to the US dollar, Euro and the HK dollar. The following table details the Group's sensitivity to a 5% increase and 5% decrease in the Australian dollar against the relevant foreign currencies. 5% is the sensitivity rate which represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. A positive number indicates an increase in profit or loss where the Australian dollar strengthens against the respective currency. For a weakening of the Australian dollar against the respective currency there would be an equal and opposite impact on profit or loss and the balances below would be equal and opposite. A positive number indicates an increase in other equity where the Australian dollar weakens against the respective currency. For a strengthening of the Australian dollar against the respective currency there would be an equal and opposite impact on other equity and the balances below would be negative.

	USD Impact	
	2019 $'000	2018 $'000
5% increase in AUD against foreign currency		
Profit or Loss (i)	(7)	(19)
5% decrease in AUD against foreign currency		
Profit or Loss (i)	7	19

(i) This is mainly attributable to the exposure outstanding in USD receivables and payables at year end.

Forward foreign exchange contracts

At balance date, there were foreign exchange contracts outstanding with an equivalent AUD value of $3,439,577 (2018: asset of $nil).

During the year ended 31 July 2019 a gain on hedging instruments for the Group of $30,000 (31 July 2018: gain $88,000) has been brought to account.

NOTE 26: FINANCIAL INSTRUMENTS *(CONTINUED)*

Interest rate risk management

Interest rate risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring optimal hedging strategies are applied, by either positioning the statement of financial position or protecting interest expense through different interest rate cycles.

The Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section below.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates to the Group at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. The Group considers the likelihood of a 25-basis point increase or a 25-basis point decrease to be reasonable when reporting interest rate risk internally to key management personnel, as this represents management's best estimate of the possible change in interest rates.

	Interest Impact	
	2019 $'000	2018 $'000
25-basis point increase in Interest rates		
Profit or Loss (i)	(4)	(50)
25-basis point decrease in Interest rates		
Profit or Loss (i)	4	50

(i) This is mainly due to the Group's exposure to interest rates on its variable rate borrowings

Loans of the Groups

Loans of the Group currently bear an average variable interest rate of 7.35% (2018: 7.45%) and a fixed interest rate of 12.0%. It is the Group's policy to protect part of the loans from exposure to increasing interest rates. However due to the current low risk to interest rate increases, the Group has not currently purchased any swaps.

Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in a financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group's exposure and the credit ratings of its counterparties are monitored continuously and the aggregate value of transactions concluded is spread amongst approved counterparties.

Trade receivables consist of a large number of customers spread across diverse industries. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance is purchased.

The Group has a credit risk exposure to a small number of major ASX listed corporations for which credit guarantee insurance is not purchased. Ongoing credit evaluation is performed on the financial condition of these accounts receivable.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Notes to the Financial Statements

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Liquidity and interest tables - financial liabilities

The following table detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes only principal cash flows.

	Weighted average effective interest rate %	Less than 1 month $'000	1 – 3 months $'000	3 months to 1 year $'000	1 – 5 years $'000	5+ years $'000	Total $'000
2019							
Non-interest bearing	-	2,123	2,118	-	-	-	4,241
Variable interest rate instruments	7.35%	-	1,677	-	-	-	1,677
Fixed interest rate instruments	12.00%	-	-	-	6,250	-	6,250
		2,123	**3,795**	**-**	**6,250**	**-**	**12,168**
2018							
Non-interest bearing	-	1,849	1,925	-	-	-	3,774
Variable interest rate instruments	7.45%	5,085	15,104	-	-	-	20,189
		6,934	**17,030**	**-**	**-**	**-**	**23,964**

Liquidity and interest tables - financial assets

The following table details the Group's expected maturity for its non-derivative financial assets. The table below has been drawn up based on the understood contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

	Weighted average effective interest rate %	Less than 1 month $'000	1 – 3 months $'000	3 months to 1 year $'000	1 – 5 years $'000	5+ years $'000	Total $'000
2019							
Cash	0.00%	465	-	-	-	-	465
Non-interest bearing	-	1,485	1,975	-	-	-	3,460
		1,950	**1,975**	**-**	**-**	**-**	**3,925**
2018							
Cash	0.25%	718	-	-	-	-	718
Non-interest bearing	-	1,282	1,674	-	-	-	2,956
		2,000	**1,674**	**-**	**-**	**-**	**3,675**

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- The fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives and option pricing models for optional derivatives is used.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximates their fair values.

Fair value measurements recognised in the consolidated statement of financial position

Fair value measurements are discussed in Note 1 and in the notes specific to that asset or liability.

NOTE 27: SHARE-BASED PAYMENTS

Executive Share Option Plan (ESOP)

No options were granted under the ESOP plan during the current financial year or preceding financial year. The Executive Share Option Plan (ESOP) was replaced by the Employee Share Loan Scheme (ESLS) established during the 2013 financial year.

Unlisted Share Options

As at 31 July 2019, there were no unlisted share option balances outstanding. No options were granted under the plan during the current financial year or preceding financial year.

Employee Share Loan Scheme (ESLS)

During the 2013 financial year (as part of the Company's LTI arrangements), the Company established the Funtastic Employee Share Loan Scheme (ESLS). At the Board's discretion, eligible employees were invited to participate in the scheme.

The Funtastic Employee Share Loan Scheme Trust (Trust) was established for the purpose of purchasing and holding shares on behalf of participants to satisfy exercises made under the ESLS operated by Funtastic. Under the ESLS, an interest free limited recourse loan (a loan where the participant's risk will be limited to the shares issued to the participant under or in connection with the plan) to the value of the grant date issue price per share was granted to each participant. Each participant directs Funtastic to pay the loan amount to the trustee of the Trust and the trustee to use the loan amount to acquire shares on behalf of the Participant, which are held until the exercise date of the option under which they were purchased.

The loan is repayable by the participant when the options become exercisable, being after the vesting date and subject to the satisfaction of the vesting conditions. When the options are exercisable, in the event that the balance of the loan is less than the estimated market value of shares that secure the loan less estimated transaction costs, a participant may request Funtastic to sell the shares on the ASX and that the funds received from the sale of those shares, less any costs incurred in connection with the sale and less the loan balance be remitted to the participant.

The shares are eligible to participate in dividends declared by the Company. Any dividends paid will be utilised to reduce the carrying value of each scheme participant's individual loan balance on the dividend payment date. In the event that the loan balance is greater than the sale proceeds, a participant may request Funtastic to transfer the shares which secure the loan to the participant provided that the participant remits any outstanding balance of the loan to Funtastic as repayment of the loan.

In the event that an employee ceases employment with Funtastic, is entitled to vested shares and does not direct Funtastic to sell or transfer such Shares to the participant and the balance of the loan is greater than the estimated proceeds amount, Funtastic must buy back and cancel such shares with the consideration from the buyback being the full satisfaction of the then outstanding balance of the loan. The participant will have no further entitlements to or in respect of the shares.

No performance conditions are attached to the ESLS and the only vesting condition is a service condition which requires participants to remain in employment until 1 January 2016 for Tranche 1, 27 January 2017 for Tranche 2, 31 July 2018 for Tranche 3, 19 October 2018 for Tranche 4 and 23 December 2018 for Tranche 5. Although there are no performance conditions attached to the ESLS, eligible employees benefit from the scheme through improvements in the share price of the company, which results from improved performance. The options become exercisable only when the vesting conditions are met. The expiry date of the ESLS options is on the date the employee ceases employment with Funtastic.

Notes to the Financial Statements

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NOTE 27: SHARE-BASED PAYMENTS *(CONTINUED)*

Employee Share Loan Scheme (ESLS) *(continued)*

The board has discretion to waive any vesting conditions or other restrictions attached to the ESLS in accordance with the ESLS plan rules provided that such amendments do not unduly prejudice the rights of existing participants.

The ESLS is treated in substance as an option for accounting purposes and is therefore disclosed as share options in the Remuneration Report.

The Employee Share Loan Scheme was wound up during the reporting period. As at 31 July 2019 there were no unlisted share option balances outstanding.

Performance rights and service rights

Performance rights

On 22 March 2018, Mr Leighton was granted 1,800,000 performance rights each of which can be exercised for one fully paid ordinary share in the Company. Subject to the vesting conditions being achieved, each performance right is exercisable for nil cash consideration.

The vesting date of the performance rights was 31 October 2018 and the performance rights expire on 31 December 2021. These performance rights have been forfeited as Mr Leighton did not meet the performance criteria associated with the performance rights.

As at 31 July 2019, there were no unlisted performance right balances outstanding. No performance rights were granted under the plan during the current financial year.

Service rights

Mr Leighton was granted 1,643,836 service rights on 22 March 2018. The 1,643,836 service rights were granted to Mr Leighton in lieu of $205,479.45 of Mr Leighton's cash salary which he agreed to sacrifice. In this light, each service right has a deemed price of $0.125. Each service right is exercisable into one fully paid ordinary share in the Company for no cash consideration subject to the Service Condition (which requires Mr Leighton to have been in continuous employment with the Company from the commencement of his employment until the vesting date) being satisfied.

The service rights vested on 31 October 2018 as Mr Leighton met the service condition of being in continuous employment with the Company from the commencement of his employment until the vesting date (the Service Condition). The service rights expire on 31 December 2021.

Rights outstanding at the end of the financial year

	Grant date	Vesting Date	Expiry date	Exercise price	Fair value at grant date	Balance at end of Financial year
2019						
Service Rights	26/10/2017	31/10/2018	31/12/2021	$0.0000	$0.1250	1,643,836
Performance Rights	26/10/2017	31/10/2018	31/12/2021	$0.0000	$0.1250	-
2018						
Service Rights	26/10/2017	31/10/2018	31/12/2021	$0.0000	$0.1250	1,643,836
Performance Rights	26/10/2017	31/10/2018	31/12/2021	$0.0000	$0.1250	1,800,000

NOTE 27: SHARE-BASED PAYMENTS *(CONTINUED)*

Fair value of the rights granted

	Service Rights	Performance Rights
Grant date	26/10/2017	26/10/2017
Vesting date	31/10/2018	31/10/2018
Expiry date	31/12/2021	31/12/2021
Exercise price	$0.0000	$0.0000
Stock price at issue	$0.0500	$0.0500
Expected life (years)	N/A	N/A
Volatility	150.00%	150.00%
Risk free rate	1.75%	1.75%
Dividend yield	N/A	N/A
Vesting period (years)	1.0	1.0
Average fair value at Grant date	$0.1250	$0.1250

Reconciliation of the outstanding performance and service rights:

	2019		2018	
	Number of rights	Weighted average exercise price $	Number of rights	Weighted average exercise price $
Balance at the beginning of the financial year	3,443,836	$0.1250	-	-
Granted during the financial year	-	-	3,443,836	$0.1250
Forfeited/cancelled during the financial year	(1,800,000)	$0.1250	-	-
Exercised during the financial year	-	-	-	-
Expired during the financial year	-	-	-	-
Balance at the end of the financial year	1,643,836	$0.1250	3,443,836	$0.1250
Exercisable at the end of the financial year	1,643,836	$0.1250	-	-

NOTE 28: KEY MANAGEMENT PERSONNEL COMPENSATION

Details of key management compensation

The aggregate compensation made to key management personnel of the Group is set out below:

	Year ended 31-Jul-19 $	Year ended 31-Jul-18 $
Short-term employee benefits	946,907	963,077
Post-employment benefits	63,475	67,822
Other long-term benefits	-	(3,240)
Termination benefits	-	168,763
Share-based payments	(119,125)	283,372
	891,257	**1,479,794**

Notes to the Financial Statements

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NOTE 29: RELATED PARTY TRANSACTIONS

a) Equity interests in related parties

Equity interests in subsidiaries.

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 24 to the financial statements.

b) Transactions with Key Management Personnel

Key management personnel compensation

Details of key management personnel compensation are disclosed in Note 28 to the financial statements.

Loans from key management personnel

During the financial year, the Group did not recognise any loan transactions with key management personnel.

There are no outstanding loans from key management personnel as at 31 July 2019.

Profit for the year includes the following items of revenue and expense that resulted from transactions, other than compensation or equity holdings, with key management personnel or their related parties:

	Year ended 31-Jul-19 $	Year ended 31-Jul-18 $
Consolidated profit includes the following amounts arising from transactions with key management personnel of the Group or their related parties:		
Other expenses	**102,714**	**3,339**
	102,714	**3,339**

The above transactions were performed at arm's length.

During the financial year, the Group recognised the following transactions with key management personnel:

- Purchases of $0 (2018: $3,339) for provision of employment services from Sherelle Pizmony, a party related to Mr Nir Pizmony; and
- Purchases of $102,714 (2018: $0) to Mr Stephen Heath for external consulting services.

c) Transactions with other related parties

Transactions between Funtastic Limited and other entities in the wholly owned Group during the financial years ended 31 July 2018 and 31 July 2019, which were eliminated on consolidation, consist of:

- loans advanced and interest charged by Funtastic Limited;
- management services provided by Funtastic Limited;
- management services provided to Funtastic Limited; and
- payment to/from Funtastic Limited for the above services.

NOTE 30: REMUNERATION OF AUDITORS

	Year ended 31-Jul-19 $	Year ended 31-Jul-18 $
Auditor of the parent entity		
Audit and review of the financial reports of the entity	165,000	165,000
Audit of the financial report of overseas subsidiary (i)	22,000	28,000
Preparation of tax return and general taxation services	38,500	33,500
	225,500	**226,500**

(i) Related practice of parent entity auditor.

NOTE 31: PARENT ENTITY DISCLOSURES

Financial Position	Year ended 31-Jul-19 $'000	Year ended 31-Jul-18 $'000
Assets		
Current assets	10,512	7,145
Non-current assets	253	1,328
	10,765	**8,473**
Liabilities		
Current liabilities	(7,412)	(24,237)
Non-current liabilities	(3,697)	(96)
	(11,109)	**(24,333)**
Net Assets / (Deficiency)	**(344)**	**(15,860)**
Issued capital	224,842	217,400
Accumulated losses	(225,391)	(233,584)
Reserves:		
Equity-settled benefits	205	324
Cash flow hedging	-	-
Total Equity	**(344)**	**(15,860)**
Profit/(Loss) for the year – continuing operations	8,333	25,699
Total comprehensive profit	**8,333**	**25,699**

NOTE 32: SUBSEQUENT EVENTS

There have been no matters or circumstances that have arisen since 31 July 2019 that have affected the Group's operations not otherwise disclosed in this report.

NOTE 33: CONTINGENT ASSETS AND LIABILITIES

As of the 31 July 2019, the group does not have any contingent assets or liabilities.

NOTE 34: GENERAL INFORMATION

Funtastic Limited (the Company) is a limited company incorporated in Australia. The addresses of its registered office and principal place of business are disclosed in the introduction to the Annual Report. The principal activities of the Company and its subsidiaries (the Group) are described in Note 4.

Additional stock exchange information

Distribution of equity securities as at 25th September 2019.

Analysis of numbers of equity security holders by size of holdings:

Range	Ordinary Shares		
	Holders	Options	Share rights
1-1,000	2,541	-	-
1,001-5,000	371	-	-
5,001-10,000	129	-	-
10,001-100,000	254	-	-
100,001-9,999,999,999	170	-	1
Totals	**3,465**	**-**	**1**

The number of shareholders holding less than a marketable parcel of shares was 3,059 holding 2,497,808 shares (based on the closing market price on 25 September 2019).

	Substantial shareholders report	Shares	%
1	JASZAC INVESTMENTS PTY LTD <JASON SOURASIS INVESTMNT A/C>	43,400,575	18.61%
2	G HARVEY NOMINEES PTY LTD <HARVEY 1995 DISCRETIONARY AC>	22,113,602	9.48%
3	BOND STREET CUSTODIANS LIMITED <SFPAPL - V38983 A/C>	18,900,000	8.11%

Twenty largest quoted equity security holders		Shares	%
1	JASZAC INVESTMENTS PTY LTD <JASON SOURASIS INVESTMNT A/C>	43,400,575	18.61%
2	G HARVEY NOMINEES PTY LTD <HARVEY 1995 DISCRETIONARY AC>	22,113,602	9.48%
3	BOND STREET CUSTODIANS LIMITED <SFPAPL - V38983 A/C>	18,900,000	8.11%
4	PHILRENE PTY LTD <PHILRENE SUPER FUND A/C>	11,555,178	4.96%
5	APES WITH WINGS PTY LTD <SALOM FAMILY 3 A/C>	9,200,000	3.95%
6	BT PORTFOLIO SERVICES LIMITED <MR MICHAEL FIRRITO BTML A/C>	8,990,000	3.86%
7	UBS NOMINEES PTY LTD	5,350,000	2.29%
8	ANGIE TARAS	5,000,000	2.14%
9	TIGA TRADING PTY LTD	4,404,668	1.89%
10	CITICORP NOMINEES PTY LIMITED	4,236,020	1.82%
11	BOND STREET CUSTODIANS LIMITED <SFPAPL - V38986 A/C>	3,578,400	1.53%
12	VAWDREY NOMINEES PTY LTD <THE VAWDREY FAMILY ACCOUNT>	3,296,324	1.41%
13	MRS ANNABEL JANE MACKENZIE	3,225,833	1.38%
14	BODIE INVESTMENTS PTY LTD	3,000,000	1.29%
15	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	2,824,000	1.21%
16	BT PORTFOLIO SERVICES LIMITED <LPS INVESTMENT CO UNIT A/C>	2,773,000	1.19%
17	HEATH NOMINEES (AUST) PTY LTD <THE HEATH FAMILY A/C>	2,640,706	1.13%
18	GRACELITE PTY LTD <SIGSTON FAMILY A/C>	2,476,538	1.06%
19	BELL POTTER NOMINEES LTD <BB NOMINEES A/C>	2,007,617	0.86%
20	MR SHANE FRANCIS TANNER & MS LISA JANE WHEELER <TANNER SUPER FUND A/C>	2,000,000	0.86%

Unquoted equity securities	Number on Issue	Number of holders
Options issued under the Employee Share Loan Plan	-	-
Service Share Rights	1,643,836	1

Voting Rights

The voting rights attaching to each class of equity securities are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

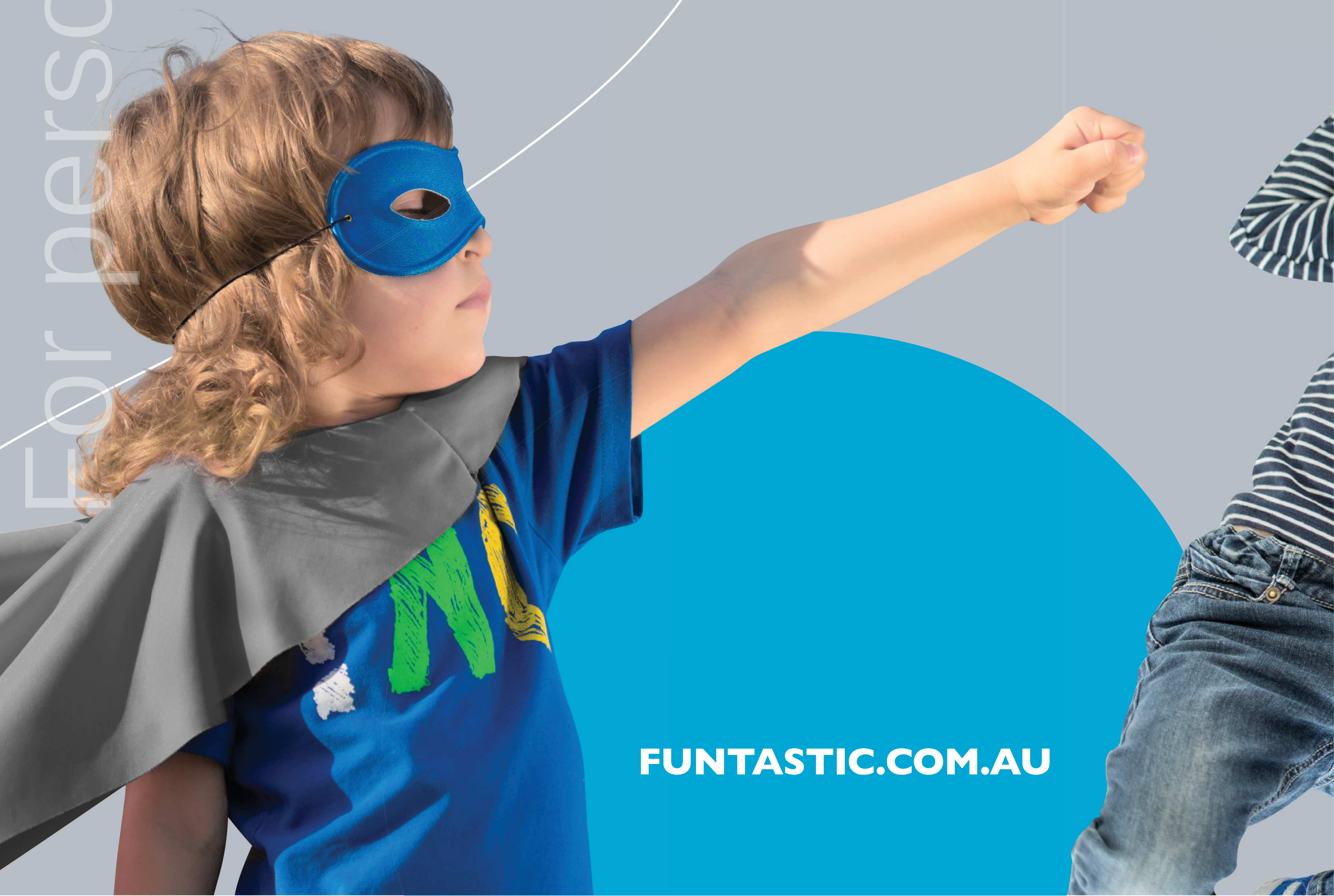
Options, Service Share Rights and Performance Share Rights

No voting rights.

funtastic LIMITED

LEVEL 2, 315 FERNTREE GULLY ROAD
MOUNT WAVERLEY VIC 3149

T: +61 (0)3 9081 9100
E: INFO@FUNTASTIC.COM.AU



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