Appendix 4D

Results for announcement to the market for the half-year ended 31 January 2021

ASX Listing Rule 4.2A.3.

Name of Entity:	**Funtastic Limited**
ABN:	**94 063 886 199**
Reporting Period:	**Financial Half Year ended 31 January 2021**
Previous Corresponding Period:	**Financial Half Year ended 31 January 2020**

Results for Announcement to the Market

	31 JAN 2021 $'000	31 JAN 2020 $'000	UP/DOWN	MOVEMENT
Revenue from ordinary activities from continuing operations	**16,248**	14,142	Up	14.9%
Net profit/(loss) from ordinary activities after tax from continuing operations	**520**	(4,277)	Up	Large
Net profit from ordinary activities after tax from discontinued operations	**497**	88	Up	464.8%
Net profit/(loss) from ordinary activities after tax attributable to members of Funtastic Limited	**1,017**	(4,189)	Up	Large

Dividends

Dividend Information	Amount per share (cents)	Tax rate for Franking Credit
Interim Dividend – Current reporting period	nil	n/a
Final Dividend – Current reporting period	nil	n/a

Net Tangible Assets (NTA) / Net Tangible Liabilities (NTL) per security

	31 JAN 2021 CENTS	31 JUL 2020 CENTS
NTA / (NTL) per security	**2.93**	(3.59)

Commentary on the results for the period

Refer to the Director's report attached below.

Consolidated Financial Statements

The Consolidated Financial Report for the half-year ended 31 January 2021, which contains the independent auditor's report, is attached below.

FUNTASTIC LIMITED

ABN: 94 063 886 199

FINANCIAL REPORT FOR THE HALF-YEAR

ENDED 31 JANUARY 2021

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The Directors present their Report together with the Consolidated Financial Statements of the Group, consisting of Funtastic Limited (the Company) and its controlled entities (Funtastic, FUN, or the Group) for the half-year ended 31 January 2021.

Directors

The names of the Directors of the Company at any time during or since the end of the financial period are set out below. Directors were in office for this entire period unless otherwise stated.

Kevin Moore *FAICD, MCIM*	Independent Non-Executive Director and Chair	(appointed 26 November 2020)
Bernie Brookes AM *BA, Dip Ed*	Independent Non-Executive Director and Chair	(resigned 26 November 2020)
Nicki Anderson *B Bus, EMBA, GAICD*	Independent Non-Executive Director	
John Tripodi *B Com, B Bus (Hons)*	Independent Non-Executive Director	
Louis Mittoni *B Sc (Hons), PhD*	Managing Director and CEO	(appointed 26 November 2020)

The office of Company Secretary is held by Patrick Raper who was appointed on 4 January 2021 following the resignation of Howard Abbey as Company Secretary on the same date. Howard Abbey continues with the Company in his role as Chief Financial Officer.

Principal activities

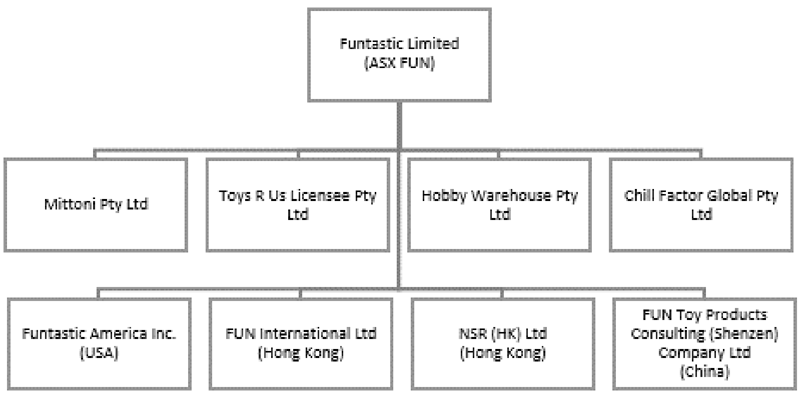
The Group's principal continuing activity during the period was as a brand builder and distributor of outdoor sporting, confectionery, lifestyle products and toys, operating nationally. During the period Funtastic Limited acquired 100% of the shares in Mittoni Pty Ltd, Hobby Warehouse Pty Ltd and Toys R Us Licensee Pty Ltd, together referred to as the Hobby Warehouse Group. Subsequent to these acquisitions the Group continued to be a national brand builder and distributor with an extended range of products and activities and the opportunity to distribute the Toys"R"Us, Babies"R"Us and Hobby Warehouse products into Australia and New Zealand.

Significant changes in the state of affairs

On 23 October 2020 the Company announced a significant acquisition and refinancing of the Group. The transaction included the acquisition of all the issued capital in the Hobby Warehouse Pty Ltd, Toys R Us Licensee Pty Ltd and Mittoni Pty Ltd, which together comprise the Hobby Warehouse Group (HWG). HWG owns one of Australia's largest baby, toy and hobby databases, with more than 1 million subscribers and generated unaudited revenue of $28.6 million for FY20. Toys"R"Us re-entered the Australian market in June 2019 following HWG's execution of a license agreement (TRUK License) with TRU Kids Inc., the US-based owners of the Toys"R"Us and Babies"R"Us brands for the exclusive rights to use the Toys"R"Us and Babies"R"Us brands in Australia and New Zealand.

Consideration for the acquisition was the issue of 291.2 million fully paid ordinary shares issued at a market price $0.11 per share ($32.0 million), representing approximately 1.1x HWG FY20 unaudited revenue. In addition, 1,223,092 shares were issued to TRU Kids Inc. as consideration for the extension of the TRUK License by 12 years to 31 May 2041. The transaction completed on 26 November 2020 and since that date the HWG entities have been wholly owned subsidiaries of Funtastic Limited.

The following diagram sets out the legal structure of the Funtastic Limited Group at the completion of the transaction and as at the date of this report.



Concurrent with the above transaction, the Company completed a fully underwritten institutional placement of 258.9 million shares at an issue price of $0.112 per share to raise $29 million. Canaccord Genuity (Australia) Limited was the underwriter and lead manager of the placement. The Company also converted $6 million of its debt facility with major shareholder Jaszac Investments Pty Ltd (Jaszac) to shares issued at the placement price of $0.112 and further agreed with Jaszac that the balance of approximately $3 million of Jaszac debt was to be repaid from the proceeds of the placement.

The following table sets out the shares on issue before and at the conclusion of the above transactions.

Item Description	Number of Fully Paid Ordinary Shares
Shares on issue at 31 July 2020	240,404,075
HWG Consideration shares	291,205,818
Underwritten placement	258,928,571
$6m Debt conversion	53,571,429
TRUK License extension by 12 years to 31 May 2041	1,223,092
Other shares issued during the period not related to the transaction	645,021
Total Shares on issue at 31 January 2021	**845,978,006**

On 22 January 2021 the Company announced the sale of its confectionery business. Revenue of the confectionery business for the year ended 31 July 2020 was approximately $4.2m which represents 17% of the Group audited total revenue for the year ended 31 July 2020 and approximately 8% of the pro forma full year revenue of the new Group post acquisition of HWG (based on unaudited HWG financial statement as at 30 June 2020). Loss for the period for the confectionery business for the year ended 31 July 2020 was approximately $0.8m which represents 8% of the Group audited total loss for the year. The confectionery business was sold for $0.7m and the consideration was settled in cash.

Other than the above matters, no other significant changes in the state of affairs of the Group occurred during the half year ended 31 January 2021.

Review of Operations

The first half of Financial Year 2021 was a period of restructuring to establish a sound financial footing from which the restructured Group can pursue ambitious growth plans for Financial Year 2022 and beyond. Details of the financial restructuring are set out above in the section headed "Significant changes in state of affairs". The Board is pleased that shareholders approved the restructuring and recapitalisation of the Company at the annual general meeting held on 23 November 2020.

The approved transactions were undertaken by the Board to effect strategic initiatives to expand the Group's customer base, build upon its existing e-commerce platform, strengthen its online selling capability and secure access to a broader portfolio of desirable children's brands that offer growth potential. Through the acquisition (as a result of the amended TRUK license agreement), the Company acquired exclusive rights to the Toys R Us, Babies R Us and Hobby Warehouse brands in Australia and New Zealand and the Company expects to gain access to further new products and propel growth in the online direct to consumer sales channels.

Since the date of acquisition, the Group has started to realise synergies in the combined businesses that are aimed at reducing the cost of doing business including centralisation of operational divisions, merging staff/teams and reducing fixed operating costs by investing in modern warehouse logistics. The Group has started to expand its logistics capabilities that will enable it to meet peak demand capacity requirements and reduce warehousing costs as a proportion of revenue. The Group has also commenced the closure of dormant overseas operations and companies which were responsible for generating ongoing unrealised foreign exchange gain/losses in the P&L. Once this process is completed the Group will have a significantly more streamlined and efficient corporate structure.

During the half year the Company repaid its prior existing debt of approximately $9 million owing to Jaszac by converting $6 million of debt to fully paid ordinary shares at a price of $0.112 and repaying the balance of debt (approximately $3 million) out of the proceeds of the placement. At the end of the reporting period the Group had a cash position of $20.5 million.

Going forward during Financial Year 2021 and beyond, the key objective for the Group is driving growth in direct-to-consumer revenues (ecommerce). The strength of the three shopper facing ecommerce pillars, Toys R Us, Babies R Us and Hobby Warehouse will be enhanced with increased spend on awareness and logistics improvements, both of which will deliver accelerated growth.

Revenue for the half year consisted of sales of existing Funtastic products for the period from 1 August 2020 to 31 January 2021, supplemented by revenue from the acquired Hobby Warehouse Group for the period from 26 November 2020 to 31 January 2021.

AUD 000's	Financial Half Year Ended 31 January 2021	Financial Half Year Ended 31 January 2020	Change AUD	Change %
Revenue – Business to Business	14,313	16,014	(1,701)	(10.6)%
Revenue – Business to Consumer	4,455	412	4,043	981.3%
Total Revenue	18,768	16,426	2,342	14.3%

Note: Revenue in the above table includes revenue from discontinued operations. Refer to note 3 of the financial statements for further details.

The Directors are pleased to report the Groups return to profitability for the half year with a statutory profit of $1.0m which includes $0.7m of acquisition costs and $0.9m of cost for employee options and rights.

Impact of Covid-19

During the half year, Victoria experienced a second wave of the COVID-19 pandemic. The Group continued operating within government guidelines and continued to manage costs in line with business activity. The Group qualified and received $470,000 in government assistance to ensure that eligible staff received JobKeeper support.

Environmental regulation

The Group is not required to hold any Environmental Protection Authority or other licences.

Events subsequent to reporting date

On 10 March 2021, the Company announced that it has been informed by Razor USA LLC (Razor) that the current wholesale distribution contract with Funtastic will be discontinued, effective 1 May 2021. The two companies have had a mutually successful 18-year partnership and discussions are ongoing for the partnership to continue with Razor supplying its products to Funtastic for the Group's retail channels. During the past two years, Razor have moved to a direct sales model in EMEA and parts of Asia and are considering adopting a similar approach within the Australian market. Revenue of the Razor business for the year ended 31 July 2020 was approximately $6.4m which represents 26% of the Group audited total revenue for the year ended 31 July 2020 and approximately 12% of the pro forma full year revenue of the new Group post acquisition of HWG.

No other matter or circumstance has arisen since 31 January 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs.

Rounding of amounts to nearest thousand dollars

Funtastic Limited is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the director's report and financial statements are rounded off to the nearest thousand dollars or, in certain cases, to the nearest dollar.

Auditor's Independence Declaration

The lead auditor's independence declaration in accordance with section 307C of the Corporations Act 2001, for the half year ended 31 January 2021 has been received and can be found on page 7 of the financial report.

On behalf of the Directors:

Kevin A Moore FAICD, MCIM
Chair of the Board

Gold Coast, 31st March 2021

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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 review of Funtastic Limited for the half-year ended 31 January 2021 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 review; and

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

A. J. Pititto
Partner – Audit & Assurance

Melbourne, 31 March 2021

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half-Year Ended 31 January 2021

	Note	For the half-year ended 31 January 2021 $'000	31 January 2020 $'000
Continuing Operations			
Revenue	3	**16,248**	14,142
Cost of sales of goods		**(10,678)**	(13,291)
Gross profit		**5,570**	851
Other Income	4	**482**	-
Acquisition Costs		**(691)**	-
Warehouse and distribution		**(965)**	(1,069)
Marketing and selling		**(550)**	(809)
Administration and finance		**(501)**	(545)
Staff Expenses		**(2,350)**	(2,088)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	3	**995**	(3,660)
Depreciation and amortisation expenses		**(98)**	(145)
Finance costs		**(377)**	(472)
Profit/(loss) before income tax		**520**	(4,277)
Income tax (expense)	5	**-**	-
Profit/(loss) for the period from continuing operations		**520**	(4,277)
Discontinued operations			
(Loss)/Profit for the period from discontinued operations	6	**(203)**	88
Profit on sale of business	6	**700**	-
Profit for the period relating to discontinued operations		**497**	88
Profit/(loss) for the period		**1,017**	(4,189)
Other comprehensive income (net of tax)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**1,331**	(435)
Exchange differences arising on translation of Intercompany loans		**(1,330)**	-
		1	(435)
Total comprehensive income/(loss) attributable to members of Funtastic Limited		**1,018**	(4,624)

Earnings per share		**Cents**	**Cents**
From continuing and discontinued operations			
Basic (cents per share)		**0.22**	(1.78)
Diluted (cents per share)		**0.22**	(1.78)
From continuing operations			
Basic (cents per share)		**0.11**	(1.78)
Diluted (cents per share)		**0.11**	(1.78)

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

Condensed Consolidated Statement of Financial Position as at 31 January 2021

	Note	As at 31 January 2021 $'000	As at 31 July 2020 $'000
Current Assets			
Cash		**20,471**	367
Trade and other receivables		**6,485**	1,809
Assets held for sale	6	**472**	295
Inventories		**5,719**	1,078
Tax Receivable		**9**	-
Other Assets		**1,520**	590
Total Current Assets		**34,676**	4,139
Non-Current Assets			
Property, plant and equipment		**263**	25
Intangibles Assets	7	**687**	102
Goodwill	7,11	**32,915**	-
Right-of-use assets		**574**	691
Other Assets		**68**	50
Total Non-Current Assets		**34,507**	868
Total Assets		**69,183**	5,007
Current Liabilities			
Trade payables		**2,706**	1,154
Other payables		**-**	171
Borrowings		**3,272**	478
Provisions		**462**	241
Lease Liabilities		**222**	211
Other Liabilities		**3,687**	2,411
Total Current Liabilities		**10,349**	4,666
Non-Current Liabilities			
Provisions		**13**	13
Borrowings		**-**	8,428
Lease Liabilities		**421**	535
Total Non-Current Liabilities		**434**	8,976
Total Liabilities		**10,783**	13,642
Net (Liabilities)/Assets	3	**58,400**	(8,635)
Equity			
Issued capital	8	**290,314**	225,166
Accumulated losses		**(232,069)**	(233,086)
Reserves		**155**	(715)
Total Equity/(Deficiency)		**58,400**	(8,635)

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

Condensed Consolidated Statement of Cash Flows the Half-Year Ended 31 January 2021

	For the half-year ended	
	31 January 2021	31 January 2020
	$'000	$'000
Cash flows from operating activities		
Receipts from customers	**18,233**	18,168
Payments to suppliers	**(19,014)**	(17,871)
Payments to employees	**(2,015)**	(2,531)
Income tax refund	**15**	-
Interest and other costs of finance paid	**(340)**	(288)
Net cash provided by / (used in) operating activities	**(3,121)**	(2,522)
Cash flows from investing activities		
Cash and cash equivalents from acquisition	**290**	-
Net cash provided by / (used in) investing activities	**290**	-
Cash flows from financing activities		
Proceeds from borrowings	**-**	3,041
Repayments to borrowing	**(3,427)**	(756)
Repayment of leases	**(144)**	(134)
Proceeds from issue of shares	**28,450**	134
Costs associated from issue of shares	**(1,944)**	(19)
Net cash provided by financing activities	**22,935**	2,266
Net increase/(decrease) in cash held	**20,104**	(256)
Cash and cash equivalents at the beginning of the half-year	**367**	465
Cash and cash equivalents at the end of the half-year	**20,471**	209

The above condensed consolidated cash flow statement should be read in conjunction with the accompanying notes.

	Note	Share Capital $'000	Accumulated Losses $'000	Foreign Currency Translation Reserve $'000	Other Comprehensive Income Reserve $'000	Equity- settled Employee Benefits Reserve $'000	Total $'000
Balance at 1 August 2019		**224,848**	**(223,773)**	**(1,601)**	**-**	**205**	**(321)**
Profit/(Loss) for the period		-	(4,189)	-	-	-	**(4,189)**
Other comprehensive income		-	-	(435)	-	-	**(435)**
Total comprehensive income / (loss)		**224,848**	**(227,962)**	**(2,036)**	**-**	**205**	**(4,945)**
Issue of ordinary shares		115	-	-	-	-	115
Balance at 31 January 2020		**224,963**	**(227,962)**	**(2,036)**	**-**	**205**	**(4,830)**
Balance at 1 August 2020		**225,166**	**(233,086)**	**(715)**	**-**	**-**	**(8,635)**
Profit/(Loss) for the period		**-**	**1,017**	**-**	**-**	**-**	**1,017**
Other comprehensive income		**-**	**-**	**1,331**	**(1,330)**	**-**	**1**
Total comprehensive income / (loss)		**225,166**	**(232,069)**	**616**	**(1,330)**	**-**	**(7,617)**
Issue of ordinary shares	**8**	**67,092**	**-**	**-**	**-**	**-**	**67,092**
Share issue costs		**(1,944)**	**-**	**-**	**-**	**-**	**(1,944)**
Issue of share appreciation rights		**-**	**-**	**-**	**-**	**8**	**8**
Issue of employee options		**-**	**-**	**-**	**-**	**861**	**861**
Balance at 31 January 2021	**8**	**290,314**	**(232,069)**	**616**	**(1,330)**	**869**	**58,400**

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

NOTE 1: Significant accounting policies

Statement of compliance

The half-year financial report is a general-purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report and any public announcements made during the half-year in accordance with the continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a Company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2020 annual financial report for the financial year ended 31 July 2020, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Any new or amended Accounting Standard or Interpretations that are not yet mandatory have not been early adopted.

NOTE 2: Critical Accounting Judgements and key sources of estimation uncertainty

Critical Accounting Judgements

- ***Net Investments in foreign subsidiaries***

The Group has commenced the closure of dormant overseas operations and companies. Consequently, any unrealised foreign exchange gains or losses resulting on translation of the foreign currency intercompany loans has been recognised as a net investment in equity. Previously, these unrealised foreign currency exchange gains or losses were included under other comprehensive income in the profit and loss statement.

- ***Identification of acquirer in business combination***

Under AASB 3, the Group is required to identify the acquirer in business combination between Funtastic Limited and the Hobby Warehouse Group. Management identified that Funtastic Limited was the acquirer under the accounting standards and further engaged a third party expert to review their findings which the independent expert concurred with.

- ***Classification of the confectionary business as a discontinued operation***

On 22 January 2021 the Group announced the sale of its confectionery business. The confectionery business was sold for a profit of $0.7m and the consideration was settled on the 29 January 2021 in cash. Consequently, the confectionery business has been recognised as a discontinued operation.

- ***Fair value of equity instrument used to settle debt***

On 26 November 2020, pre-opening of the Australian Stock Exchange, the Group converted $6 million of its debt facility with major shareholder Jaszac Investments Pty Ltd (Jaszac) to shares issued at a nominal price of $0.112. The closing market price of the Funtastic shares pre-settlement was $0.110. Consequently, this price has been used to determine the fair value consideration of the settlement.

Key sources of estimation uncertainty

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.

➢ ***Impairment of goodwill and intangible assets***

The Group tests annually, or when impairment indicators are identified, whether goodwill and other intangible assets have suffered any impairment in accordance with the accounting policy. The recoverable amount of the cash generating units has been determined based on either relief from royalty models or the present value of the expected cash flows. These calculations require the use of assumptions. A significant change to these assumptions as reflected in note 6 may affect the recoverable amount of the cash generating units.

The Group defines its cash generating units (CGU) as the smallest identifiable group of assets that generates cash inflows. Under this interpretation, for the purpose of impairment of goodwill, the Group has identified two CGUs within the Hobby Warehouse Group. This goodwill was assessed for indicators of impairment and no indicators were present.

➢ ***Recoverability of prepaid and committed royalty and license agreements***

In order to secure product distribution rights, the Group is required to prepay royalties relating to licensed products. The Group reviews license agreements and the recoverability of prepaid royalties on an annual basis. The Group takes into account current and projected market sell through in assessing the recoverability of royalty commitments.

➢ ***Settlement of license audits***

Product license agreements contain audit rights for licensors. The Group has provided for the best estimate of amounts payable in respect of licensor audits. The final amounts payable will be subject to negotiation with the licensor and may differ to the amounts provided.

➢ ***Recoverability of inventory***

The Group regularly assesses whether the net realisable value (NRV) of its inventories is reasonable in light of changing market conditions. 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.

➢ ***Intangible assets and goodwill***

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

• Software	3 years
• Trademarks	10-20 years
• Licensed distribution agreements	1-3 years
• Brand names	3-5 years
• Goodwill	infinite

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

NOTE 3: Segment information

Determination and presentation of operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components, and for which discrete financial information is available. An operating segment's operating results are reviewed regularly by the Senior Management to make decisions about resources to be allocated to the segment and assess its performance.

The Group has two reportable segments under AASB 8.

Segment Information

	Revenue from External Customers		EBITDA		Net Assets	
	For the half-year ended		For the half-year ended		As at	
	31-Jan-21	31-Jan-20	31-Jan-21	31-Jan-20	31-Jan-21	31-Jul-20
	$'000	$'000	$'000	$'000	$'000	$'000
Funtastic	9,161	14,142	228	(3,660)	57,580	(8,930)
Hobby Warehouse Group*	7,087	-	767	-	348	-
Continuing Operations	16,248	14,142	995	(3,660)	57,928	(8,930)
Discontinued Operations	2,520	2,284	639	198	472	295
	18,768	16,426	1,634	(3,462)	58,400	(8,635)

*Hobby Warehouse Group's revenue and EBITDA is based on the period 26 November 2020 until the 31 January 2021.

NOTE 4: Other Income

	Period ended 31 January 2021 $'000	Period ended 31 January 2020 $'000
Continuing Operations		
Government subsidies related to COVID-19	375	-
Gain on fair value of equity instrument used to settle debt*	107	-
	482	-
Discontinued Operations		
Total Government subsidies related to COVID-19	96	-

*Reference Note 8 (ii)

NOTE 5: Income Tax

As at 31 July 2020 the Australian Group had carried forward revenue tax losses of approximately $62,309,000 which is available for utilisation against future profits of the business. The Group also had capital tax losses of approximately $7,004,000 which is available for utilisation against future capital gains.

NOTE 6: Discontinued Operations

The Group has discontinued operations in Australia, USA and Hong Kong. The USA and Hong Kong subsidiaries are in the process of being shut down and the losses are due to bank fees and the shut down costs. In Australia, the Group has sold its confectionery business effective 29 January 2021.

	Period ended 31 January 2021 $'000	Period ended 31 January 2020 $'000
Profit for the period from Discontinued Operations		
Revenue	**2,520**	2,284
Other Income	**96**	-
Expenses	**(2,819)**	(2,196)
(Loss)/Profit before tax	**(203)**	88
Attributable income tax expense	**-**	-
(Loss)/Profit for the period from discontinued operations	**(203)**	88
Profit on sale of business	**700**	-
Profit for the period relating to discontinued operations	**497**	88
Assets held relating to discontinued operations		
Inventory	**472**	295
Cash flows used in discontinued operations		
Net cash inflows/(outflows) relating to discontinued operations	**(197)**	112

NOTE 7: Intangibles Assets

	31 January 2021 $'000	31 July 2020 $'000
Software	**27**	1
Chill Factor Trademarks and patents (Brand)	**88**	101
Distribution agreements and supplier relationships	**137**	-
E-commerce database	**435**	-
Intangibles Assets	**687**	102
Goodwill on acquisition	**32,915**	-

Impairment testing – Intangible Assets

The software recoverability has been assessed at the time of creation based on its useful life and is then amortised accordingly. All software is reviewed for its usefulness annually and impaired if required.

The brand recoverability has been assessed 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 current forecasts and management's view of longer-term performance expectations. The estimated product life cycle was also included in the calculation.

The remaining intangible assets have arisen on the acquisition of the Hobby Warehouse Group (HWG). The fair values are currently provisionally accounted as the acquisition is still within the measurement period under AASB 3. These values are based on the book carrying value of the acquiree's balance sheets and the consideration for the acquisition. These intangibles were assessed for indicators of impairment and no indicators were present.

NOTE 8: Issued capital

Movements in Ordinary Share Capital included in the Company and consolidated financial statements:

	Number of shares	Share capital $'000
Opening balance 1 August 2020	**240,404,075**	**225,166**
Share Placement 26 November 2020	**258,928,571**	**27,055**
Share Consideration for acquisition 26 November 2020 (i)	**291,205,818**	**32,033**
Share Conversion from Borrowings 26 November 2020 (ii)	**53,571,429**	**5,893**
Share Issue as payment 26 November 2020 (iii)	**1,223,092**	**137**
Share Issue as bonus 26 November 2020	**454,545**	**10**
Share Issue as wages 30 November 2020	**190,476**	**20**
Closing balance 31 January 2021	**845,978,006**	**290,314**

Notes:
(i) Issue of 291,205,818 fully paid ordinary shares at a nominal value of $0.112 per share as consideration for the acquisition of Hobby Warehouse Group. On acquisition date the market price of the Funtastic shares was $0.110. Consequently, this price has been used to determine the fair value of the acquisition consideration.

(ii) Issue of 53,571,429 fully paid ordinary shares at a nominal value of $0.112 per share as settlement of $6 million of debt with related party Jaszac Investments Pty Ltd (Jaszac). On settlement date the market price of the Funtastic shares was $0.110. Consequently, this price has been used to determine the fair value consideration of the settlement. This resulted in a gain on fair value of equity instrument used to settle debt, refer Note 4.

(iii) Issue of 1,223,092 fully paid ordinary shares at a nominal value of $0.112 per share as consideration to TRU Kids Inc. for a 12 year extension of the Toy R Us licence agreement.

NOTE 9: Employee Options and Rights

The grant of options forms a part of the Company's long term incentive objectives to encourage Directors to have a greater involvement in the achievement of the Company's objectives. Options provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through Share ownership. Accordingly, on 26 November 2020 Mr Mittoni was granted 8,457,875 options and Mr Moore was granted 1,691,575 options as a long term incentive under the employee incentive plan. The options were issued for nil consideration and are only subject to a vesting condition relating to the participant's continued employment with the Company. The options must be exercised before their expiry date, or they will lapse. On the exercise of an option, the holder must pay to the Company the relevant exercise price multiplied by the number of options being exercised by the holder. The Company will issue the holder with a share for each option that the participant validly exercises.

	Date of grant	Last exercise date	First vesting date	Exercise price	Number of shares
Employee Options	23 November 2020	1 November 2023	Immediately	$0.138	10,149,450
Employee Options	23 November 2020	1 November 2024	1 November 2021	$0.166	10,271,244
Employee Options	23 November 2020	1 November 2025	1 November 2022	$0.199	10,394,498
Appreciation Rights	23 November 2020	1 November 2021	1 November 2021	$0.125	480,000
Appreciation Rights	23 November 2020	1 November 2022	1 November 2022	*	**
Appreciation Rights	23 November 2020	1 November 2023	1 November 2023	*	**

* the 5 day VWAP of FUN shares on the latter of first vesting date or the date of the annual general meeting
** $60,000 divided by the 5 day VWAP of FUN shares on the latter of first vesting date or the date of the annual general meeting

NOTE 10: Commitments

The Groups license AUD guarantee commitments are as follows:

	31 January 2021 $'000	31 July 2020 $'000
Not later than one year	**25**	75
Later than one year but not later than two years	**25**	10
	50	85

The Groups USD license guarantee commitments are as follows:

	31 January 2021 USD $'000	31 July 2020 USD $'000
Not later than one year	**1,200**	-
Later than one year but not later than two years	**1,200**	-
Later than two years but not later than five years	**3,600**	
Later than five years	**20,500**	-
	26,500	-

The Groups AUD lease commitments are as follows:

	31 January 2021 $'000	31 July 2020 $'000
Not later than one year*	**372**	-
Later than one year but not later than two years*	**74**	-
	446	-

* New rental lease to begin 1 April 2021 but committed during the half year.

NOTE 11: Business combinations

On 26 November 2020, the Group acquired a 100% interest in Hobby Warehouse Pty Ltd, Toys R Us Licensee Pty Ltd and Mittoni Pty Ltd, together referred to as the Hobby Warehouse Group (HWG). Details of the business combination are provided below, provisionally accounted for as at 31 January 2021 as the fair value of the identifiable assets and liabilities had not been finalised as at the date of this report.

The provisional fair values of the identifiable assets and liabilities of the business combination at the date of acquisition were:

	As at 26-Nov-20 $'000
Assets	
Cash	**289**
Trade and other receivables	**2,074**
Inventories	**3,752**
Tax Receivable	**24**
Other Assets	**626**
Property, plant and equipment	**261**
Intangible assets (excluding existing goodwill)	**461**
Total Assets	**7,487**
Liabilities	
Trade payables	**2,812**
Borrowings	**3,792**
Provisions	**262**
Other liabilities	**1,503**
Total Liabilities	**8,369**
Total identifiable net assets/(liabilities) at provisional fair value	**(882)**
Goodwill arising on acquisition	**32,915**
Purchase consideration	**32,033**

The identification of the intangible assets acquired as part of the acquisition, which may include, distribution agreements, supplier relationships and e-commerce consumer database has not yet been completed.

The consideration transferred to purchase the Hobby Warehouse Group was 291,205,818 fully paid ordinary shares in Funtastic Limited at a value of $0.11, being the closing price on 25 November 2020, indicating a fair value consideration for the transaction of $32.033m. Transaction costs of the acquisition (included in cash flows from operating activities) were $0.691m.

From the date of acquisition to 31 January 2021, the HWG acquisition contributed $7.1m of revenue and $0.7m of profit to profit before tax to the Group. The period between the beginning of the reporting period and the date of the acquisition was not business as usual due to the acquisition, making it impracticable to determine revenue and profit or loss generated in that period.

NOTE 12: Contingent assets and liabilities

As of the 31 January 2021, the Group had a contingent liability of $2.20 million related to a potential claim against unpaid royalties associated with a terminated contract. The Group has sought legal advice in respect to this claim and based on this advice considers there to be a low probability that this claim will be successful in the future.

There are no contingent assets as at 31 January 2021.

NOTE 13: Subsequent events

On 10 March 2021, the Company announced that it has been informed by Razor USA LLC (Razor) that the current wholesale distribution contract with Funtastic will be discontinued, effective 1st May 2021. The two companies have had a mutually successful 18-year partnership and discussions are ongoing for the partnership to continue with Razor supplying its products to Funtastic for the Group's retail channels. During the past two years, Razor have moved to a direct sales model in EMEA and parts of Asia and are considering adopting a similar approach within the Australian market. Revenue of the Razor business for the year ended 31 July 2020 was approximately $6.4m which represents 26% of the Group audited total revenue for the year ended 31 July 2020 and approximately 12% of the pro forma full year revenue of the new Group post acquisition of HWG.

No other matter or circumstance has arisen since 31 January 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs.

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; and

(b) 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 complying with accounting standard AASB 134 *Interim Financial Reporting*.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

Kevin A Moore FAICD, MCIM
Chair of the Board

Gold Coast, 31 March 2021

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Independent Auditor's Review Report

To the Members of Funtastic Limited

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Funtastic Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 January 2021, and 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 half year ended on that date, a description of accounting policies, other selected explanatory notes, and the Directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Funtastic Limited does not comply with the *Corporations Act 2001* including:

(a) giving a true and fair view of Funtastic Limited's financial position as at 31 January 2021 and of its performance for the half year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 January 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

A. J. Pititto
Partner – Audit & Assurance

Melbourne, 31 March 2021