Toys“R”Us ANZ Limited

(Formerly Funtastic Limited)

ACN: 063 886 199

ASX Code: TOY

Appendix 4E & Financial Statements

For the Year ended 31 July 2021

Toys“R”Us ANZ Limited (formerly Funtastic Limited)

Appendix 4E

Preliminary Final Report for the year ended 31 July 2021

Name of Entity:	Toys“R”Us ANZ Limited
ABN:	94 063 886 199
Current Financial Period Ended:	Year ended 31 July 2021
Previous Corresponding Reporting Period:	Year ended 31 July 2020

Results for Announcement to the Market	**$ '000**	**Up/Down**	**Movement**
Revenue from ordinary activities from continuing operations	21,827	Up	100%*
Net Loss from ordinary activities before tax from continuing operations	(5,326)	Up	184%
Net Loss from ordinary activities after tax from continuing operations	(5,089)	Up	171%
Net Profit from ordinary activities after tax from discontinued operations	1,976	Up	127%
Net Loss from ordinary activities after tax from continuing and discontinued operations (all attributable to members of Toys“R”Us ANZ Limited)	(3,113)	Down	67%

*No comparative revenues from continuing operations for FY 2020

Dividends

No dividends were paid during the year ended 31 July 2021.

No dividend has been declared since the end of the financial year.

Net Tangible Assets / (liabilities)	**July 2021**	**July 2020**
Net tangible assets / (liabilities) per security	2.50 cents	(3.63) cents

Commentary on the results for the period

Further details regarding the results above can be found in the Financial Statements for 31 July 2021 below.

Control gained over entities		
	Name of entity	**Date of change of control**
	Mittoni Pty Ltd	26 November 2020
	Hobby Warehouse Pty Ltd	26 November 2020
	Toys R Us Licensee Pty Ltd	26 November 2020
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period ($000)		($577)

Control lost over entities		
	Name of entity	**Date of change of control**
	Chill Factor Global Pty Ltd	21 July 2021
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period		Nil

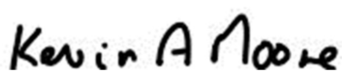
Status of audit

This report is based on the consolidated financial statements which have been audited by RSM Australia Partners. An unmodified opinion has been issued.

Attachments

The Annual Financial Report of Toys"R"Us ANZ Limited for the year ending 31 July 2021 is attached.

Signed



Kevin A Moore, FAICD, MCIM

Chair of the Board

29 September 2021

TOYS“R”US ANZ LIMITED
2021 FINANCIAL REPORT

Directors' Report

The directors present their report, together with the consolidated financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Toys"R"Us ANZ Limited (referred to hereafter as 'Toys"R"Us ANZ', 'TOY', the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 July 2021.

Directors
The following persons were directors of Toys"R"Us ANZ Limited during the whole of the financial year and up to the date of this report unless otherwise stated:

- Kevin Moore (appointed 26 November 2020)
- Louis Mittoni (appointed 26 November 2020)
- Nicki Anderson
- John Tripodi
- Bernie Brookes (resigned 26 November 2020)

Principal activities
Toys"R"Us ANZ Limited is an Australian based listed company with a mission to enrich the lives of people by encouraging exploration, creativity and living life more fully through the enjoyment of toys and hobbies. In addition to distributing leading products throughout Australia for key partners via its trading business Funtastic, the Company acquired 100% of the Hobby Warehouse Group in November 2020, including Australian e-commerce websites Toys"R"Us, Babies"R"Us and Hobby Warehouse and the distribution business Mittoni Pty Ltd. The Company changed its name from Funtastic Limited to Toys"R"Us ANZ Limited on the 24 June 2021.

Dividends
There were no dividends paid, recommended or declared during the current or previous financial year.

Financial and operational review

Financial results

Key Financials AUD 'm	FY21	FY20[3]	% Change
Revenue	21.8	0.0	100.0%
EBITDA	(4.4)	(1.8)	(148.0%)
Profit/(Loss) before Tax	(5.3)	(1.9)	(183.6%)
Net profit/(loss) after tax	(5.1)	(1.9)	(171.0%)
Basic EPS (cents) from continuing operations	(0.8)	(0.8)	(1.6%)
Dividend per share (cents)	N/A	N/A	
ROE[1]	(1.16%)	(4.13%)	3.2%
Cash balance / (Net Debt) ($m)	17.3	(8.1)	n/a
Gearing[2]	0.0	(0.93)	n/a

[1] - NPAT/average shareholder equity;
[2] - Net debt/shareholder equity;
[3] – FY20 has been restated to reflect operations discontinued in FY21.

The Group's statutory loss after income tax for the year ended 31 July 2021 was $5.1 million (2020: restated loss after income tax of $1.9 million).

The statutory results above are based on continuing operations only. During the period the Company acquired the Hobby Warehouse Group (HWG) which includes e-commerce businesses Hobby Warehouse, Toys"R"Us and Babies"R"Us and IT distributor Mittoni.
The following results are based on unaudited management account proforma figures for the consolidated businesses for the 2021 financial year ending on 31 July 2021:

- Consolidated Proforma Annual Revenue of $48.2m.
- Consolidated Proforma Annual Gross Profit of $11.1m.
- Consolidated Proforma Annual EBITDA of $0.0m.
- Year End Cash at bank $17.3m.
- Year End Net Assets $55.8m.

The above figures include contributions from the Hobby Warehouse Group on a proforma basis from the 1st August 2020, in addition to significant items such as the operation and sale of discontinued businesses.

Operating review

Acquisition of the Hobby Warehouse Group
At the 2020 Annual General Meeting, held on 26 November 2020, shareholders approved a number of resolutions relating to the acquisition of the Hobby Warehouse Group (HWG) which includes e-commerce businesses Hobby Warehouse, Toys“R”Us and Babies“R”Us and IT distributor Mittoni. The acquisition was accompanied by a capital raising of $35.0m, the repayment of all debt in the Company and the commencement of a mission to gain significant market share in the toys and hobbies industries through enriching the lives of people by encouraging exploration, creativity and living life more fully through the enjoyment of hobbies and toys.

Change of Company Name
Following the acquisition of HWG, the Group held an Extraordinary General Meeting of shareholders on 23 June 2021 to consider (amongst other things) the change of the name of the holding company of the Group from Funtastic Limited to Toys"R"Us ANZ Limited. Shareholders overwhelmingly approved this change and the ASX code was changed from FUN to TOY shortly thereafter. The name change, accompanied by a change of logo, has signalled a new culture and a new more vibrant image for the Company and has enhanced the marketing base from which to pursue the Company's significant growth targets.

Product Line rationalisation
In the period following the acquisition of HWG, the Company reviewed the suitability of its portfolio of brands. Following the review, the Group embarked upon the sale of non-core businesses. Sale of the Confectionery business was finalised in February 2021 for $1.3m and sale of the Chill Factor business was finalised in July 2021 for $1.75m. The Group also wound down the distribution relationships of Moochies and Razor products.

Relaunch of Babies"R"Us
Babies“R”Us re-entered the Australian market on 11 August 2021 with the deliberate soft launch of a newly created web site. The relaunch focused on “ease of shopping” through intelligent product categorisation and an expert understanding of the needs of parents and carers. The new website initially features more than 3,000 products and 62 market leading brands such as Bugaboo, Bonds, Baby Jogger, Philips Avent, Tommee Tippee and many more. The range is on track to grow strongly over coming weeks to a customer offering of more than 5,000 products including exclusive and limited release items. The forthcoming strategically planned marketing and awareness campaign, through social platforms, direct marketing and media, is set to generate a high degree of interest and traffic to the site as Babies“R”Us looks to gain presence in the market. This online market growth will provide a solid platform to merge into a physical experiential environment, focused on expert advice, in 2022.

Warehouse Facilities Relocation
The acquisition and integration of HWG combined with the achieved and planned growth of the Company has provided both the opportunity and requirement to secure larger and more efficient distribution capabilities. The Company moved to larger temporary premises in Dandenong South and simultaneously implemented both a state-of-the-art warehouse management system and Autonomous Mobile Robots (AMRs) that have increased the capacity and efficiency of logistics processes. These facilities have the capabilities to service the growth ambitions of the Company for the next 6- 12 months, including the upcoming peak toy trading season.

In July 2021 the Company secured a lease in relation to a purpose built, state-of-the-art warehouse distribution and adjoining head office facility located in the suburb of Clayton, within the Victorian City of Monash. The new premises have been specifically designed and configured to house the Toys“R”Us ANZ headquarters and to accommodate the Company's medium-term requirements for warehousing, office space and an ancillary experience centre.
Key aspects of the new facility are:

- Total facility building size: ~ 19,650 m^2.
- Location: Clayton, Victoria.
- Target date for completion and lease commencement: ~ June 2022.
- Developer and Lessor: ESR Australia.

The initial lease is for a 10-year period and includes two further 5-year extension periods at the option of the Company. Development of the facility, including installation of state-of-the-art logistics technology and fit out of all offices, is expected to be completed in time for occupancy and lease commencement in approximately June 2022.

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.

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 at the beginning and at the conclusion of the period.

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	3,025,873
Total Shares on issue at 31 July 2021	**848,358,858**

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. Loss for the period for the confectionery business for the year ended 31 July 2020 was approximately $0.7m 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.

On 5 July 2021 the Company announced the sale of its chill factor business. Revenue of the chill factor business for the year ended 31 July 2020 was approximately $1.5m which represents 6% of the Group audited total revenue for the year ended 31 July 2020. Loss for the period for the chill factor business for the year ended 31 July 2020 was approximately $0.1m which represents 1% of the Group audited total loss for the year. The chill factor business was sold for $1.75m 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 year ended 31 July 2021.

Matters subsequent to the end of the financial year

On 13 August 2021, the Company paid $2.549 million to Westpac Banking Corporation as security for a bank guarantee related to the new warehousing and head office facility currently being developed in Clayton, Victoria.

No other matters or circumstance has arisen since 31 July 2021 that has significantly affected, or may significantly affect, the Group's operations, the results of these operations, or the Group's state of affairs in future years.

Environmental regulations

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on Directors

Name:	**Kevin Moore**
Title:	Independent Non-Executive Director and Chair of the Board
Qualifications:	FAICD, MCIM
Experience and expertise:	Kevin has multinational board and governance experience, specialising in digital marketing, and is a growth director with a focus on $10 to $100 million businesses. He has a corporate career with director level marketing and general management experience across 30 countries, with success in launching and growing Australian and Global brands. His private company career saw him build a small technology based retail marketing business into the sector leader with 2,500 team members in ANZ, and clients that include Apple, Amazon, Bunnings, Coles and Woolworths.
Other current directorships:	Chair of the Board of Raiz Invest Limited
Former directorships (last three years):	None
Special responsibilities:	Chair of the Board
Interests in shares:	2,759,352
Interest in options over shares:	1,691,575
Name:	**Louis Mittoni**
Title:	Executive Director
Qualifications:	PhD – Chemical Engineering, BSc – Physics, MAICD, MAIP
Experience and expertise:	Louis is the founder of the Mittoni and Hobby Warehouse businesses. He has over 20 years' experience in operating and managing Australian retail businesses in both distributor and online channels. As a qualified physicist and engineer, Louis has intimate knowledge of process optimisation, programming and artificial intelligence.
Other current directorships:	None
Former directorships (last three years):	None
Special responsibilities:	Chief Executive Officer
Interests in shares:	291,205,818
Interest in options over shares:	8,457,875
Name:	**Nicki Anderson**
Title:	Independent Non-Executive director
Qualifications:	B Bus, EMBA, GAICD
Experience and expertise:	Nicki is an accomplished leader and director with broad experience in strategy, sales, marketing, licensing and innovation within branded food, beverage and consumer goods businesses both in Australia and internationally. Nicki is a true global citizen having lived in Denmark, Canada and the United States, where she was Vice President Innovation for Cadbury Schweppes Americas Beverages based in New York. Nicki has strong links to Australia's e-commerce, manufacturing and agricultural sectors.
Other current directorships:	Select Harvests Limited
Former directorships (last three years):	Health and Plant Protein Group Limited
Special responsibilities:	Chair of the Remuneration and Nomination Committee
Interests in shares:	1,075,467
Interest in share appreciation rights:	240,000

Name:	**John Tripodi**
Title:	Independent Non-Executive Director
Qualifications:	B Com, B Bus (Hons)
Experience and expertise:	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. He 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.
Other current directorships:	None
Former directorships (last three years):	None
Special responsibilities:	Chair of the Audit and Risk Committee
Interests in shares:	110,803
Interest in share appreciation rights:	240,000

'Other current directorships' quoted above are current directorships for listed entities only and exclude directorships of all other types of entities unless otherwise stated.

'Former directorships (last three years)' quoted above are directorships held in the last three years for listed entities only and exclude directorships of all other types of entities unless otherwise stated.

Company Secretary
Patrick Raper is Company Secretary the Group. He has substantial experience in governance and finance roles and is currently Company Secretary of Star Combo Pharma Limited and CFO and Company Secretary of DataDot Technology Limited. Patrick was appointed to the position of Company Secretary on 4 January 2021.

Meetings of Directors
The number of meetings of the Group's Board of Directors held during the year ended 31 July 2021 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**
Kevin Moore	3	3	9	9	1	1
Louis Mittoni	-	-	9	9	-	-
Nicki Anderson	3	3	17	17	2	2
John Tripodi	3	3	17	17	2	2
Bernie Brookes	-	-	8	8	1	1

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).

Remuneration report (audited)

The Directors present the Remuneration report for the Group and its controlled entities for the year ended 31 July 2021. The Remuneration report forms a part of the Directors report and has been prepared in accordance with section 300A of the Corporations Act 2001. 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 outlines the remuneration policies and arrangements for the Company's Key Management Personnel (KMP) including Directors and Executives who have authority and responsibility for planning, directing and controlling the activities of the Group.

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
Kevin Moore	Chair and Independent Non-Executive Director	Appointed 26 November 2020
Louis Mittoni	Managing Director	Appointed 26 November 2020
John Tripodi	Independent Non-Executive Director	Appointed 25 October 2018
Nicki Anderson	Independent Non-Executive Director	Appointed 25 October 2018
Bernie Brookes	Chair and Independent Non-Executive Director	Appointed 1 August 2019 – Resigned 26 November 2020
David Jackson	Chief Executive Officer	Appointed 2 May 2019 – Resigned 4 September 2020
Howard Abbey	Acting Chief Executive Officer	Appointed 4 September 2020 – Resigned 26 November 2020
	Company Secretary	Appointed 31 May 2018 – Resigned 4 January 2021
	Chief Financial Officer	Appointed 2 May 2018
Lian Yu	Chief Operating Officer	Appointed 1 May 2021

Remuneration policy for directors and executives

The objective of the Toys"R"Us ANZ 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 directors and 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 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.

Remuneration Report (Audited) continued

Compensation and company performance

Toys"R"Us ANZ 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.

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

Short-Term Incentives

- 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 consideration 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:

Post Share Consolidation	**Year Ended 31-Jul-21**	**Year ended 31-Jul-20**	**Year ended 31-Jul-19**	**Year ended 31-Jul-18**	**Year ended 31-Jul-17**
NPAT ($'000)	(3,113)	(9,313)	7,596	28,258	(33,466)
EPS Basic (Cents)	(0.48)	(3.94)	3.64	32.60	(115.75)
Diluted EPS (Cents)	(0.48)	(3.94)	3.61	31.64	(115.75)
Total Dividends ($'000)	Nil	Nil	Nil	Nil	Nil
Year End Share Price ($)	0.160	0.022	0.065	0.080	0.150
Shares on Issue (No.) [i]	848,358,858	240,404,075	233,176,894	96,025,827	28,931,456
Market Capitalisation ($'000)	135,737	5,289	15,156	7,682	4,557

[i] In December 2017 the Company completed a 1:25 share consolidation. Shares on Issue (No.) shown in the above table for the year ended 31 July 2017 is the actual shares on issue divided by 25 to provide a valid comparative.

Remuneration Report (Audited) (continued)

Remuneration of Key Management Personnel

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 2021	**Salary and fees $**	**Short Term Incentive $**	**Non-monetary benefits $**	**Superannuation $**	**Long service leave $**	**Termination Benefits $**	**Shares $**	**Share Appreciation Rights $**	**Share Options $**	**Total $**
Directors										
Kevin Moore	61,071	-	-	5,839	-	-	20,000	-	235,903	322,813
Louis Mittoni	219,255	12,426	-	16,050	-	-	-	-	1,179,513	1,427,244
Nicki Anderson	60,000	-	-	5,725	-	-	-	13,790	-	79,515
John Tripodi	60,000	-	-	5,725	-	-	-	13,790	-	79,515
Bernie Brookes[1]	53,272	-	-	5,061	-	-	-	-	-	58,333
Sub-Totals	**453,598**	**12,426**	**-**	**38,400**	**-**	**-**	**20,000**	**27,580**	**1,415,416**	**1,967,420**
Executives							-			
David Jackson[2]	36,555	-	-	24,150	-	43,712	-	-	-	104,417
Howard Abbey	235,535	-	-	24,932	994	-	-	-	-	261,461
Lian Yu[3]	134,937	46,500	-	15,897	10,212	-	-	-	10,802	218,348
Sub-Totals	**407,027**	**46,500**	**-**	**64,979**	**11,206**	**43,712**	**-**	**-**	**10,802**	**584,226**
TOTALS	**860,625**	**58,926**	**-**	**103,379**	**11,206**	**43,712**	**20,000**	**27,580**	**1,426,218**	**2,551,646**

	Short-term employee benefits			Post-employment benefits	Other long-term employee benefits		Share-based payments		
Year ended 31 July 2020	**Salary and fees $**	**Short Term Incentive $**	**Non-monetary benefits $**	**Superannuation $**	**Long service leave $**	**Termination Benefits $**	**Share Appreciation Rights $**	**Share Options $**	**Total $**
Directors									
Bernie Brookes[1]	157,733	-	-	14,985	-	-	-	-	172,718
John Tripodi	59,000	-	-	5,605	-	-	-	-	64,605
Nicki Anderson	59,000	-	-	5,605	-	-	-	-	64,605
Sub-Totals	**275,733**	**-**	**-**	**26,195**	**-**	**-**	**-**	**-**	**301,928**
Executives									
David Jackson[2]	407,599	-	-	42,424	569	-	-	-	450,592
Howard Abbey	265,000	-	-	25,000	787	-	-	-	290,787
Sub-Totals	**672,599**	**-**	**-**	**67,424**	**1,356**	**-**	**-**	**-**	**741,379**
TOTALS	**948,332**	**-**	**-**	**93,619**	**1,356**	**-**	**-**	**-**	**1,043,307**

[1] Appointed 1 August 2019, resigned 26 November 2020
[2] Appointed 2 May 2019, resigned 4 September 2020
[3] Employed 26 November 2020, appointed Chief Operating Officer 1 May 2021

Remuneration Report (Audited) (continued)

	Fixed remuneration		Remuneration linked to performance*	
	2021	2020	2021	2020
Directors				
Kevin Moore *(appointed 26 November 2020)*	100%	n/a	-	n/a
Louis Mittoni *(appointed 26 November 2020)*	99.1%	n/a	0.9%	n/a
John Tripodi	100%	100%	-	-
Nicki Anderson	100%	100%	-	-
Bernie Brookes *(appointed 1 August 2019, resigned 26 November 2020)*	100%	100%	-	-
Executive Officers				
David Jackson *(appointed CEO 2 May 2019, resigned 4 September 2020)*	100%	100%	-	-
Howard Abbey *(appointed CFO 2 May 2018 and was Acting CEO from 4 September 2020 until 26 November 2020)*	100%	100%	-	-
Lian Yu *(appointed 26 November 2020)*	78.7%	n/a	21.3%	n/a

**Represents short-term incentives.*

Short term incentives
In 2021 STI payments made were $58,926 (2020 nil).

Long term incentives
In 2021 LTI payments of $1,426,218 were made in the form of share options (2020 nil).

Service Agreements
Remuneration and other terms of employment for the Chair, Executive Director, Non-Executive Directors and the other executives are formalised in service agreements/employment letters. In the case of the Executive Director and other executives, these allow for the provision of performance-related short-term incentives and, where eligible, participation in the Toys“R”Us ANZ Limited Employee Incentive Plan. 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:

Kevin Moore – Chair & 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.

Louis Mittoni – Executive Director and 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.

Howard Abbey – Chief Financial 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 three months base salary.
- Notice period three months.

Lian Yu – Chief Operating 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 three months base salary.
- Notice period six months.

Remuneration Report (Audited) (continued)

Key management personnel equity holdings

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

Ordinary shares

Year ended 31 July 2021	Balance at the start of the year	Shares purchased on market	Received under the placement or as acquisition consideration	Shares Issued as Remuner-ation	Other[5]	Balance at the end of the period	Balance held nominally
Directors							
Kevin Moore[1]	-	336,733	2,232,143	190,476	-	2,759,352	2,759,352
Louis Mittoni[2]	-	-	291,205,818	-	-	291,205,818	291,205,818
John Tripodi	-	110,803	-	-	-	110,803	110,803
Nicki Anderson	1,075,467	-	-	-	-	1,075,467	1,075,467
Bernie Brookes[3]	900,000	-	-	-	(900,000)	-	-
Sub-Total	**1,975,467**	**447,536**	**293,437,961**	**190,476**	**(900,000)**	**295,151,440**	**295,151,440**
Executives							
Howard Abbey	-	-	-	454,545	-	454,545	454,545
David Jackson[4]	1,353	-	-	-	(1,353)	-	-
Sub-Total	**1,353**	**-**	**-**	**454,545**	**(1,353)**	**454,545**	**454,545**
Grand Total	**1,976,820**	**447,536**	**293,437,961**	**645,021**	**(901,353)**	**295,605,985**	**295,605,985**

[1] Placement Shares were issued under the same terms as shares issued to the investors under the November 2020 placement including the issue price of $0.112 per share. Remuneration shares were issued under the Employee Incentive Plan 2020.

[2] Shares issued as consideration for the acquisition of the Hobby Warehouse Group as approved by shareholders at the 2020 Annual General Meeting of the Company.

[3] Appointed 1 August 2019, resigned 26 November 2020

[4] Appointed 2 May 2019, resigned 4 September 2020

[5] Resigned during the period

Year ended 31 July 2020	Balance at the start of the year	Shares purchased during the year	Received under the placement or as acquisition consideration	Shares Issued as Remuner-ation	Shares sold	Balance at the end of the period	Balance held nominally
Directors							
Bernie Brookes[3]	300,000	600,000	-	-	-	900,000	900,000
Nicki Anderson	1,075,467	-	-	-	-	1,075,467	1,075,467
Sub-Total	**1,375,467**	**600,000**	**-**	**-**	**-**	**1,975,467**	**1,975,467**
Executives							
Howard Abbey	-	-	-	-	-	-	-
David Jackson[4]	1,353	-	-	-	-	1,353	1,353
Sub-Total	**1,353**	**-**	**-**	**-**	**-**	**1,353**	**1,353**
Grand Total	**1,376,820**	**600,000**	**-**	**-**	**-**	**1,976,820**	**1,976,820**

Remuneration Report (Audited) (continued)

Share options

The tables below include balances for unlisted options.

Year ended 31 July 2021	Balance at the start of the year	Granted during the year	Expired during the year	Forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors						
Kevin Moore[1]	-	1,691,575	-	-	1,691,575	1,691,575
Louis Mittoni[1]	-	8,457,875	-	-	8,457,875	8,457,875
Nicki Anderson	-	-	-	-	-	-
John Tripodi	-	-	-	-	-	-
Executives						
Lian Yu[2]	-	1,691,956	-	-	1,691,956	-
Totals	**-**	**11,841,406**	**-**	**-**	**11,841,406**	**10,149,450**

Options Issue Details:

[1] Issue Date 23 November 2020, Vesting Date 23 November 2020, Issue Price $0.138, Expiry Date 1 November 2023

[2] Issue Date 1 May 2021, Vesting Date 1 May 2023, Issue Price $0.138, Expiry Date 1 May 2025

No Share options were on hand, granted, vested, expired, forfeited, exercised or exercisable during FY20.

Share Appreciation Rights

Year ended 31 July 2021	Balance at the start of the year	Granted during the year[1]	Expired during the year	Forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors						
Nicki Anderson	-	240,000	-	-	240,000	-
John Tripodi	-	240,000	-	-	240,000	-
Totals	**-**	**480,000**	**-**	**-**	**480,000**	**-**

[1] Grant Date 23 November 2020, Vesting Date 1 November 2021, Consideration $Nil. Number of Shares to be issued: ((5 day VWAP at Vesting Date less 5 day VWAP at Grant Date) x Number of Share Appreciation Rights)

No Share Appreciation Rights were on hand, granted, vested, expired, forfeited, exercised or exercisable during FY20.

Other statutory disclosures

Loans to key management personnel and their related parties
During FY21 and to the date of this report, the Group made no loans to directors and other KMP. As at 31 July 2021, Louis Mittoni owed the Company $77,503 related to personal expenses incurred on a company credit card. As at the date of this report, the balance outstanding was $16,719.

Transactions with Key Management Personnel
During FY21 there were no other reportable transactions between the Group and its directors, KMP, or their personally related entities (Related Parties).

This concludes the Remuneration report which has been audited.

Unissued shares
As at the date of this report and at the reporting date, there were 11,841,406 unissued ordinary shares under options. 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 Toys"R"Us ANZ Limited and each of the key management personnel (KMP) of the Group, including their related entities, are set out in the remuneration report.

Shares issued on the exercise of options
During the financial year, there were no employees or executives that exercised options to acquire ordinary shares in the Company (refer to Note 28).

Directors' Report

Indemnity of and insurance of officers
The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year the Company paid a premium in respect of a contract to insure the directors and executives of the Company and of any related body corporate against a liability 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.

Indemnity and insurance of auditor
To the extent permitted by law, the Company has agreed to indemnify its auditors, RSM Australia Partners, as a part of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount), other than a loss arising from RSM Australia Partners negligent, wrongful or wilful acts or omissions. No payment has been made to indemnify RSM Australia Partners during the financial year or up to the date of this report.

Proceedings on behalf of the Company
No person has applied to the Court under section 327 of the corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

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 31 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 31 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.

Officers of the Company who are former partners of RSM Australia Partners
There are no officers of the Company who are former partners of RSM Australia Partners.

Rounding of amounts
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 the following page.

Auditor
RSM Australia Partners continues in office in accordance with section 327 of the Corporations Act 2001.

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,

Kevin A Moore

Kevin A Moore, FAICD, MCIM

Chair of the Board

29 September 2021

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Toys"R"Us ANZ Ltd (formerly Funtastic Limited) and its controlled entities for the year ended 31 July 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

(ii) any applicable code of professional conduct in relation to the audit.

RSM

RSM AUSTRALIA PARTNERS

J S CROALL
Partner

Dated: 29 September 2021
Melbourne, Victoria

Consolidated Statement of Profit or Loss and other Comprehensive Income for the year ended 31 July 2021

	Note	31-Jul-21 $'000	31-Jul-20 $'000
Continuing operations			
Revenue	6	**21,827**	-
Cost of goods sold		**(17,696)**	-
Gross profit		**4,131**	**-**
Investment income	7	**2**	3
Other income	7	**51**	19
Warehouse and distribution expenses		**(963)**	(1)
Marketing and selling expenses		**(1,567)**	-
Employee benefits expenses	7	**(3,961)**	(440)
Administration expenses		**(2,134)**	(1,372)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)		**(4,441)**	**(1,791)**
Finance costs		**(22)**	-
Depreciation and amortisation expenses	7	**(863)**	(88)
Loss before income tax expense from continuing operations		**(5,326)**	**(1,879)**
Income tax (expense)/benefit	8	**237**	-
Loss after income taxes from continuing operations		**(5,089)**	**(1,879)**
Discontinued operations			
Profit/(loss) after income taxes from discontinued operations	5	**1,976**	(7,434)
Profit/(loss) for the year		**(3,113)**	**(9,313)**
Other comprehensive income (net of tax)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		8	886
Derecognition of foreign currency translation reserve		707	-
Other comprehensive income for the year (net of tax)		**715**	**886**
Total comprehensive income/(loss) for the year attributable to the members of Toys"R"Us ANZ Limited		**(2,398)**	**(8,427)**
Earnings per share			
Basic earnings/(loss) per share (cents per share)	21	**(0.48)**	(3.94)
Diluted earnings/(loss) per share (cents per share)	21	**(0.48)**	(3.94)
Earnings per share - continuing operations			
Basic earnings/(loss) per share (cents per share)	21	**(0.78)**	(0.79)
Diluted earnings/(loss) per share (cents per share)	21	**(0.78)**	(0.79)
Earnings per share – discontinued operations			
Basic earnings/(loss) per share (cents per share)	21	**0.30**	(3.15)
Diluted earnings/(loss) per share (cents per share)	21	**0.30**	(3.15)

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

Consolidated Statement of Financial Position as at 31 July 2021

	Note	31-Jul-21	31-Jul-20
		$'000	**$'000**
Current Assets			
Cash	25 (a)	**17,338**	367
Trade and other Receivables	9	**947**	1,809
Inventories	10	**4,971**	1,373
Tax receivable	8 (d)	**12**	-
Other Current Assets	11	**796**	590
		24,064	**4,139**
Assets relating to discontinued operations	5	**2,099**	-
Total Current Assets		**26,163**	**4,139**
Non-Current Assets			
Property, Plant and Equipment	13	**1,937**	25
Goodwill and Other Intangibles	14	**34,569**	102
Right-of-Use Assets	12	**-**	691
Other Non-Current Assets	11	**1,133**	50
Total Non-Current Assets		**37,639**	**868**
Total Assets		**63,802**	**5,007**
Current Liabilities			
Trade and Other Payables		**1,544**	1,325
Contract liabilities		**896**	-
Borrowings	16	**-**	478
Provisions	17	**388**	241
Lease Liabilities	18	**-**	211
Other Liabilities	19	**1,713**	2,411
		4,541	**4,666**
Liabilities directly associated with assets relating to discontinued operations	5	**2,113**	-
Total Current Liabilities		**6,654**	**4,666**
Non-Current Liabilities			
Borrowings	16	**-**	8,428
Provisions	17	**4**	13
Deferred Tax	8 (f)	**1,344**	-
Lease Liabilities	18	**-**	535
Total Non-Current Liabilities		**1,348**	**8,976**
Total Liabilities		**8,002**	**13,642**
Net Assets/(Liabilities)		**55,800**	**(8,635)**
Equity			
Issued capital	20	**290,545**	225,166
Accumulated Losses		**(236,199)**	(233,086)
Reserves	20	**1,454**	(715)
Total Equity/(Deficiency)		**55,800**	**(8,635)**

The above consolidated 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 2021

	Issued Capital $'000	Accum-ulated Losses $'000	Foreign Currency Translation Reserve $'000	Equity settled Employee Benefits Reserve $'000	Total $'000
Balance at 1 August 2019	**224,848**	**(223,773)**	**(1,601)**	**205**	**(321)**
Loss after income taxes for the year	-	**(9,313)**	-	-	(9,313)
Other comprehensive income for the year, net of taxes	-	-	886	-	886
Total comprehensive income / (loss)	-	**(9,313)**	886	-	(8,427)
Issue of ordinary shares	113	-	-	-	113
Transfer of share-based payments	205	-	-	(205)	-
Balance at 31 July 2020	**225,166**	**(233,086)**	**(715)**	**-**	**(8,635)**
Loss after income taxes for the year	**-**	**(3,113)**	**-**	**-**	**(3,113)**
Other comprehensive income for the year, net of taxes	**-**	**-**	**715**	**-**	**715**
Total comprehensive income / (loss)	**-**	**(3,113)**	**715**	**-**	**(2,398)**
Issue of ordinary shares, net of transaction costs[1]	**65,379**	**-**	**-**	**-**	**65,379**
Issue of share appreciation rights	**-**	**-**	**-**	**28**	**28**
Issue of employee share options	**-**	**-**	**-**	**1,426**	**1,426**
Balance at 31 July 2021	**290,545**	**(236,199)**	**-**	**1,454**	**55,800**

[1] refer to Note 20

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

Consolidated Statement of Cash Flows for the year ended 31 July 2021

	Note	Year ended 31-Jul-21 $'000	Year ended 31-Jul-20 $'000
Cash Flows from Operating Activities			
Receipts from customers		**42,951**	27,741
Receipts from other income (including government grants)		**363**	300
Payments to suppliers		**(42,049)**	(25,785)
Payments to employees		**(4,664)**	(4,656)
Cash (utilised)/generated from operations		**(3,399)**	**(2,400)**
Income taxes refunded/(paid)		**17**	19
Interest and other costs of finance paid		**(533)**	(341)
Net cash outflow from operating activities	25(c)	**(3,915)**	**(2,722)**
Cash Flows from Investing Activities			
Interest and other investment income received	7	**2**	3
Net cash acquired on purchase of business	27	**289**	-
Payments for plant and equipment	13	**(1,691)**	(35)
Payments for security deposits		**(1,026)**	-
Payments for other intangible assets		**-**	(42)
Proceeds from sale of business	5	**3,169**	-
Net cash inflow / (outflow) from investing activities		**743**	**(74)**
Cash Flows from Financing Activities			
(Repayment of) / Proceeds from borrowings - net		**(6,148)**	2,763
Repayment of Lease Liabilities		**(211)**	(178)
Proceeds from share issue		**28,450**	132
Costs from share issue		**(1,948)**	(19)
Net cash inflow from financing activities		**20,143**	**2,698**
Net increase/(decrease) in cash and cash equivalents		**16,971**	(98)
Cash and cash equivalents at the beginning of the year		**367**	465
Cash and cash equivalents at the end of the year	25(a)	**17,338**	**367**

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

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

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.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 32.

Going concern basis of accounting

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

As disclosed in the financial statements, the Group has incurred a loss from continuing operations of $5.089 million and cash outflows from operating activities of $3.915 million for the year ended 31 July 2021.

During the year, the Group successfully completed a capital raising and used a portion of the funds to pay out in full all loans and debt facilities and as at the reporting date, has a cash balance of $17.3 million.

The acquisition of Hobby Warehouse Group (HWG) during the year (refer Note 27 for further details) and the capital raising has given the Group the opportunity to grow its revenues and, after a period of reorganisation and investment in efficiencies and logistics, to secure profits and positive cash from operating activity.

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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries), together 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.

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.

NOTE 1: Significant accounting policies (continued)

Basis of consolidation (continued)

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.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

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 Toys"R"Us ANZ 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.

Revenue recognition

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods to a customer. 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

(i) Sale of Goods

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

NOTE 1: Significant accounting policies (continued)

Revenue recognition (continued)

(ii) Government Grants

Government grants relating to costs are deferred and recognised in profit and loss over the period necessary to match them with the costs that they are intended to compensate. Government payments received in relation to COVID-19 have been recognised under other income.

(iii) Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

(i) Current tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

(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. Toys“R”Us ANZ 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.

NOTE 1: Significant accounting policies (continued)

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.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less any allowances for expected credit losses. Trade receivables are generally due for settlement within 30-60 days. The Group has applied the simplified approach to measure expected credit losses which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost less any allowance for expected credit losses.

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. Cost comprises of direct materials and delivery costs, import duties and other taxes. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable. 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.

NOTE 1: Significant accounting policies (continued)

Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk, including forward contracts comprising foreign exchange forward contracts and options. Further details of derivative financial instruments are disclosed in Note 26 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.

Financial assets

(i) 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.

(ii) 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).

(iii) 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.

(iv) 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)

Financial assets (continued)

(v) Impairment of financial assets

AASB 9's 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.

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

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right-of-use Assets

A right-of-use asset is recognised at the commencement of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit and loss as incurred.

NOTE 1: Significant accounting policies (continued)

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.

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

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	1-20 years

Impairment of tangible and intangible assets

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.

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.

Contract liabilities

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

NOTE 1: Significant accounting policies (continued)

License guarantee commitments

The Group enters into royalty agreements. 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 agreement. If, after calculating the net contribution relating to the products sold under the specific agreement, 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 the agreement is impaired. 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 is made through profit or loss.

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.

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.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

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.

NOTE 1: Significant accounting policies (continued)

Employee benefits

(i) Wages and salaries annual leave and long service 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. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(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.

(v) Share-based payments

Share-based compensation benefits are provided to employees via the Company Employee Incentive Plan.

The fair value of options and performance and service share rights granted under the Company Employee Incentive Plan 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 incentive plan is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

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.

NOTE 1: Significant accounting policies (continued)

Determination of fair values (continued)

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.
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.

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.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss. On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new

NOTE 1: Significant accounting policies (continued)

Business combinations (continued)

information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Toys "R" Us ANZ Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

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.

Rounding of amounts

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.

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 2020.

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

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

Other amending accounting standards

Other amending accounting standards issued are not considered to have a significant impact on the financial statement of the Group as the amendments provide either clarification of existing accounting treatment or editorial amendments.

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

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 cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. 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) Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss grouped based on days overdue and industry type and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

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 "similar business test". Based on the current assessment, determined using budget forecasts for FY2022, the Group has continued to not recognise an amount within the deferred tax asset for temporary differences. Refer to Note 8 for details.

v) Coronavirus (COVID-19) pandemic

Events related to the coronavirus pandemic (COVID-19) have resulted in continued uncertainty as to ongoing and future response of governments and authorities globally, as well as a likelihood of an Australian economic recession of unknown duration or severity. As such, the full impact of COVID-19 to consumer behaviour, suppliers, employees and the Group are not fully known. Given this, the impact of COVID-19 could potentially be materially adverse to the Group's financial and operational performance. Further, any government or industry measures may adversely affect the Group's operations and are likely to be beyond the control of the Group. The longer-term impacts of COVID-19 on the operations of the Group remain uncertain and cannot be quantified at this time.

NOTE 4: Operating segments

Identification of reportable operating segments

Subsequent to the acquisition of the Hobby Warehouse Group on 26 November 2020 (refer Note 27 for further details), and based on the internal reports reviewed by the Board of Directors and KMP (who are identified as the Chief Operating Decision Makers ('CODM') to make strategic and operating decisions, assess business performance and in determining the allocation of resources, management has determined that the Group has two operating segments, being Business to Consumer (B2C) and Business to Business (B2B).

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements. The information reported to the CODM is on a monthly basis.

Information about products and services

The principal products of each of these operating segments are as follows:

- B2C - direct-to-consumer sale of consumer products (toys, hobby and baby goods) and
- B2B – wholesaling and distribution of IT products.

Intersegment transactions and balances are eliminated on consolidation. There were no inter-segment transactions during the year or account balances at 31 July 2021.

The directors have assessed that there are no major customers.

Operating segment Information

The Group's operating segment information is as follows:

Year ended 31-Jul-21	**B2C $'000**	**B2B $'000**	**Other $'000**	**Total $'000**
Revenue	13,145	23,917	-	37,062
Other income	344	124	1,627	2,095
Cost of goods sold	(10,187)	(16,738)	-	(26,925)
Other expenses	(4,394)	(6,675)	(2,452)	(13,521)
EBITDA	**(1,092)**	**628**	**(825)**	**(1,289)**

Year ended 31-Jul-20	**B2C $'000**	**B2B $'000**	**Other $'000**	**Total $'000**
Revenue	-	24,597	-	24,597
Other income	-	300	3	303
Cost of goods sold	-	(21,067)	-	(21,067)
Other expenses	-	(10,892)	(781)	(11,673)
EBITDA	**-**	**(7,062)**	**(778)**	**(7,840)**

Reconciliation from segment reporting to net profit/(loss) after tax

	Year ended 31-Jul-21 $'000	**Year ended 31-Jul-20 $'000**
EBITDA	(1,289)	(7,840)
Depreciation, amortisation and impairment expenses	(1,529)	(321)
Finance costs (net)	(532)	(1,152)
Loss before income tax expenses	**(3,350)**	**(9,313)**
Income tax benefit / (expense)	**237**	**-**
Loss after income tax expense	**(3,113)**	**(9,313)**

NOTE 4: Operating segments (continued)

Depreciation, amortisation and impairment expense by segment

	Year ended 31-Jul-21 $'000	Year ended 31-Jul-20 $'000
B2C	**795**	-
B2B	**68**	88
Other	**666**	232
	1,529	**320**

Geographical information

The Group operates in one principal geographical area – Australia/NZ. The Group's non-current assets are situated in Australia. The geographical non-current assets below are exclusive of, where applicable, financial instruments.

Non-Current Assets

	Year ended 31-Jul-21 $'000	Year ended 31-Jul-20 $'000
B2C	**32,169**	-
B2B	**4,337**	818
Total	**36,506**	**818**

NOTE 5: Discontinued operations

Sale of confectionary business

On 22 January 2021, the Group 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. Loss for the period for the confectionery business for the year ended 31 July 2020 was approximately $0.7m 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.

Sale of Chill Factor business

On 5 July 2021, the Group announced the sale of its chill factor business. Revenue of the chill factor business for the year ended 31 July 2020 was approximately $1.5m which represents 6% of the Group audited total revenue for the year ended 31 July 2020. Loss for the period for the chill factor business for the year ended 31 July 2020 was approximately $0.1m which represents 1% of the Group audited total loss for the year. The chill factor business was sold for $1.75m and the consideration was settled in cash.

Razor Distributorship

On 10 March 2021, the Group announced that its distribution agreement with Razor USA LLC would be discontinued effective from 1 May 2021.

Consequent to the above, the entire business operations of the erstwhile Funtastic business have been reclassified as discontinued operations and the assets and liabilities pertaining to the businesses have been reclassified to *"assets relating to discontinued operations"* and *"liabilities directly associated with assets classified as discontinued operations"* respectively, in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations.*

(a) Financial performance of discontinued operations	**Year ended 31 July 2021 $'000**	**Year ended 31 July 2020 $'000**
Revenue	**15,235**	24,597
Cost of Goods Sold	**(9,231)**	(21,067)
	6,004	3,530
Other Income (including government grants)	**419**	281
Warehouse and Distribution Expenses	**(1,299)**	(2,204)
Marketing and Selling Expenses	**(103)**	(1,027)
Employee benefits Expenses	**(2,059)**	(4,222)
Administration Expenses	**(1,436)**	(2,407)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	**1,526**	**(6,049)**
Finance costs	**(510)**	(1,152)
Depreciation expenses – right-of-use assets	**(208)**	(233)
Impairment of right-of-use assets	**(458)**	-
Profit/(Loss) before income taxes	**350**	**(7,434)**
Income tax expense	**-**	-
Profit/(Loss) after income taxes	**350**	**(7,434)**
Profit on sale of businesses before income taxes	**1,626**	-
Income tax expense	**-**	-
Profit on sale of businesses after income taxes	**1,626**	**-**
Profit/(Loss) after income taxes from discontinued operations	**1,976**	**(7,434)**

NOTE 5: Discontinued operations (continued)

	Year ended 31 July 2021 $'000	Year ended 31 July 2020 $'000
(b) Cash flow information relating to discontinued operations		
Net cash from /(used in) operating activities	**(1,356)**	(1,960)
Net cash from / (used in) investing activities	**3,169**	-
Net cash from / (used in) financing activities	**(211)**	(178)
Net increase / (decrease) in cash and cash equivalents from discontinued operations	**1,602**	**(2,138)**

(c) Assets relating to discontinued operations	31 July 2021 $'000	31 July 2020 $'000
Trade and other receivables	**935**	-
Inventories	**1,035**	-
Other current assets	**129**	-
	2,099	**-**

(d) Liabilities directly associated with assets classified as discontinued operations		
Trade payables	**557**	-
Other current liabilities	**994**	-
Lease liabilities	**535**	-
Provisions	**27**	-
	2,113	**-**

Sale of Businesses		Year ended 31 July 2021 $'000
Toys"R"Us ANZ Limited disposed of two businesses during the period:		
(i)	Confectionery business on 16 February 2021	
	Total sale consideration (including relating to inventory)	**1,412**
	Carrying amount of net assets disposed	**(715)**
	Profit on disposal before income taxes [(i)]	**697**
(ii)	Chill Factor business on 21 July 2021	
	Total sale consideration	**1,757**
	Carrying amount of net assets disposed	**(87)**
	Disposal costs	**(34)**
	Profit on Disposal before income taxes [(ii)]	**1,636**
(iii)	Derecognition of foreign currency translation reserve	**(707)**
Total profit on disposal of businesses before income taxes [(i)+(ii)+(iii)]		**1,626**

NOTE 6: Revenue

	Year ended 31-Jul-21 $'000	Year ended 31-Jul-20 $'000
From continuing operations		
Revenues from contracts with customers		
Gross revenue from the sale of goods	**21,519**	-
Less: settlement discounts and rebates	**-**	-
Total revenue from the sale of goods	**21,519**	**-**
Other Revenue	**308**	-
Total other revenue	**308**	**-**
Total revenue	**21,827**	**-**

Disaggregation of revenues

The disaggregation of revenue from contracts with customers from continuing operations is as follows:

Operating segments		
B2C	**13,145**	-
B2B	**8,682**	-
	21,827	**-**
Timing of revenue recognition		
Goods transferred at a point in time	**21,827**	**-**
Geographical regions		
Australia	**21,827**	**-**

NOTE 7: Profit / (loss) for the year

Profit / (loss) before income taxes from continuing operations includes the following specific expenses:

	Note	Year ended 31-Jul-21 $'000	Year ended 31-Jul-20 $'000
Investment income			
Interest from bank deposits		**2**	3
Total investment income		**2**	**3**
Other income			
Government subsidies related to COVID-19		**51**	19
Total other income		**51**	**19**
Employee benefits expense			
Short-term and other employee benefits		**2,314**	349
Post-employment benefits - Defined contribution superannuation plans		**193**	91
Share-based payments		**1,454**	-
Total employee benefits expense		**3,961**	**440**
Depreciation and amortisation expense			
Depreciation of property, plant & equipment	13	**40**	30
Amortisation of other intangible assets	14	**823**	57
Total depreciation and amortisation expense		**863**	**87**

NOTE 8: Income tax

	Year ended 31-Jul-21 $'000	Year ended 31-Jul-20 $'000
(a) Income tax (benefit)/expense		
Tax expense comprises:		
Current tax (benefit)/expense in respect of the current year	**(1,645)**	(2,121)
Adjustments recognised in the current year in relation to the current tax expense of prior years	**-**	-
	(1,645)	**(2,121)**
Deferred tax expense comprises:		
Deferred tax (benefit)/ expense relating to the origination and reversal of temporary differences	**1,408**	**2,121**
Total tax (benefit)/expense	**(237)**	**-**
Income tax expense is attributable to:		
Loss from continuing operations	**(237)**	**-**
Profit / (loss) from discontinued operations	**-**	**-**
Total tax (benefit)/expense	**(237)**	

NOTE 8: Income tax (continued)

	Year ended 31-Jul-21 $'000	Year ended 31-Jul-20 $'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) before income taxes from continuing operations	**(5,326)**	(1,879)
Profit/(Loss) before income taxes from discontinued operations	**1,976**	(7,434)
	(3,350)	(9,313)
Tax expense/(benefit) at the Australian tax rate of 27.5% (FY 2020: 27.5%)	**(921)**	(2,561)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Expenses that are not deductible in determining taxable loss	**2**	7
Effect of current year's unrecognised and unused tax losses	**919**	2,524
Effect of reversal of deferred tax liabilities	**(237)**	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	**-**	30
Income tax (benefit) / expense recognised in profit or loss	**(237)**	**-**

	31-Jul-21 $'000	31-Jul-20 $'000
(c) Income tax recognised directly in equity		
Deferred Tax	-	-
Relating to share issue expenses deductible over 5 years	-	-

(d) Current tax balances	31-Jul-21 $'000	31-Jul-20 $'000
Current tax liabilities and assets		
Income tax (payable)/receivable	12	-
Other – overseas subsidiaries	-	-

(e) Deferred tax assets

No movements in deferred tax asset balances were recognised in the financial year 2021 (2020: $0).

The following deferred tax assets relating to tax losses have not been brought to account as assets:	31-Jul-21 $'000	31-Jul-20 $'000
Tax losses – Revenue (gross)	**68,290**	62,475
Tax losses – Capital (gross)	**4,973**	7,004
	73,263	**69,479**
Potential tax benefit on revenue losses at 27.5% (FY2020: 27.5%)	**18,780**	17,181

Tax Losses and temporary differences

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 2021 has not been booked as a deferred tax asset in these financial statements.

NOTE 8: Income tax (continued)

(f) Deferred tax liabilities	31-Jul-21 $'000	31-Jul-20 $'000
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Customer database intangible assets	**1,344**	-

Movement in deferred tax liabilities

	Year ended 31-Jul-21 $'000	Year ended 31-Jul-20 $'000
Opening balance	**-**	-
Additions through business combinations (Note 27)	**1,581**	-
Charged / (credited) to profit or loss	**(237)**	-
Closing balance	**1,344**	-

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 Toys"R"Us ANZ 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, Toys"R"Us ANZ 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.

NOTE 9: Current assets – Trade and other receivables

	Year ended 31-Jul-21 $'000	Year ended 31-Jul-20 $'000
Trade receivables	**865**	4,671
Allowance for impairment	**(2)**	(1,915)
Allowance for credit notes, rebates & settlement discounts	**-**	(947)
	863	**1,809**
Other receivables	**84**	-
Total	**947**	**1,809**

The Group does not hold any collateral over these balances. The Group's trade and other receivables have been reviewed for indicators of impairment and include an allowance for expected credit losses as described in Note 3 (iii).

Movement in allowances

	Allowance for Impairment $'000	Rebates, credit notes & settlement discount $'000	Total $'000
12 months ended 31 July 2021			
Balance at beginning of year	**(1,915)**	**(947)**	**(2,862)**
Additional provisions recognised	**(76)**	**(1,090)**	**(1,166)**
Provisions acquired through business combinations	**(2)**	**-**	**(2)**
Provisions reversed	**30**	**-**	**30**
Provisions utilised / adjusted	**1,961**	**2,037**	**3,998**
Balance at end of the period	**(2)**	**-**	**(2)**
12 months ended 31 July 2020			
Balance at beginning of year	**(1,863)**	**(866)**	**(2,729)**
Additional provisions recognised	(51)	(2,774)	(2,825)
Provisions utilised	(1)	2,693	2,692
Balance at end of the year	**(1,915)**	**(947)**	**(2,862)**

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.

Age of receivables that are past due but not impaired	Year ended 31-Jul-21 $'000	Year ended 31-Jul-20 $'000
0-60 days	-	520
61-90 days	-	-
91-120 days	-	-
Total	**-**	**520**
Average days past due	-	2

Notes to the Consolidated Financial Statements
for the year ended 31 July 2021

NOTE 10: Current assets – Inventories

	Year ended 31-Jul-21 $'000	Year ended 31-Jul-20 $'000
Stock at cost	**5,346**	2,277
Less: Provision for obsolescence	**(375)**	(904)
	4,971	**1,373**

NOTE 11: Other assets

	Year ended 31-Jul-21 $'000	Year ended 31-Jul-20 $'000
Current		
Prepaid royalties	**125**	114
Prepaid expenses	**191**	68
Prepaid deposits for purchase of inventory	**480**	408
	796	**590**
Non-current		
Bonds and security deposits	**1,133**	50
	1,133	**50**

NOTE 12: Right-of-use assets

	Property 31-Jul-21 $'000	Equipment 31-Jul-21 $'000	Total 31-Jul-21 $'000
Right-of-use assets - at cost	**904**	**20**	**924**
Less: Accumulated depreciation and impairment	**(904)**	**(20)**	**(924)**
	-	**-**	**-**
Reconciliation			
Balance at 1 August 2020	**681**	**10**	**691**
Adjustment for rent relief	**(25)**	**-**	**(25)**
Impairment expense (refer Note 5)	**(458)**	**-**	**(458)**
Depreciation expense (refer Note 5)	**(198)**	**(10)**	**(208)**
Balance at 31 July 2021	**-**	**-**	**-**

	Property 31-Jul-20 $'000	Equipment 31-Jul-20 $'000	Total 31-Jul-20 $'000
Right-of-use assets - at cost	904	20	924
Less: Accumulated depreciation and impairment	(223)	(10)	(233)
	681	**10**	**691**
Reconciliation			
Balance at 1 August 2019 (upon adoption of AASB 16 Leases)	904	20	924
Depreciation expense	(223)	(10)	(233)
Balance at 31 July 2020	**681**	**10**	**691**

There were no additions to the right-of-use assets during the current and previous years.

Following the acquisition of the Hobby Warehouse Group, the Group has no requirement for its leased office premises in Mount Waverley and has unsuccessfully been seeking a tenant to sub lease the premises. As the Group expects no future economic benefit from this right-of-use asset, it has been fully impaired.

As at 31 July 2021, the Group leased office and warehouse premises under agreements of less than one year. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

NOTE 13: Non-current assets – Plant and equipment

	Year ended 31-Jul-21 $'000	Year ended 31-Jul-20 $'000
Plant and equipment – at cost	**2,174**	1,182
Less: accumulated depreciation	**(241)**	(1,157)
	1,933	**25**
Leasehold improvements – at cost	**4**	-
Less: accumulated depreciation	**-**	-
	4	**-**
	1,937	**25**

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:

	Year ended 31-Jul-21			Year ended 31-Jul-20		
	Plant and equipment $'000	Leasehold improvements $'000	Total $'000	Plant and equipment $'000	Leasehold Improvements $'000	Total $'000
Opening Balance	**25**	**-**	**25**	**40**	**-**	**40**
Additions during the year	**1,691**	**-**	**1,691**	35	-	35
Additions through business combinations (Note 27)	**257**	**4**	**261**	-	-	-
Disposals	**-**	**-**	**-**	(19)	-	(19)
Depreciation expense	**(40)**	**-**	**(40)**	(31)	-	(31)
Closing Balance	**1,933**	**4**	**1,937**	**25**	**-**	**25**

NOTE 14: Non-current Assets – Goodwill and Other Intangibles

	Year ended 31-Jul-21 $'000	Year ended 31-Jul-20 $'000
Goodwill	**29,695**	-
Less: Impairment	**-**	-
	29,695	-
Brand names	**-**	1,015
Less: Accumulated amortisation and impairment	**-**	(1,015)
	-	-
Software costs	**269**	2,841
Less: Accumulated amortisation and impairment	**(245)**	(2,840)
	24	**1**
Chill Factor – Trademarks and patents	**-**	10,495
Less: Accumulated amortisation and impairment	**-**	(10,394)
	-	**101**
Customer database	**5,271**	-
Less: Accumulated amortisation	**(791)**	-
	4,480	-
Licenses, trademarks, distribution agreements & supplier relationships	**375**	11,164
Less: Accumulated amortisation and impairment	**(5)**	(11,164)
	370	-
Total Goodwill and Other Intangibles	**34,569**	**102**

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:

2021	Goodwill $'000	Software costs $'000	Chill Factor Trademarks and Patents $'000	Customer Database $'000	Other Licences and Trademarks $'000	Total $'000
Opening Balance	-	1	101	-	-	102
Additions through business combinations (Note 27)	29,695	26	-	5,271	-	34,992
Additions	-		-	-	375	375
Disposals	-	-	(78)	-	-	(78)
Amortisation	-	(3)	(23)	(791)	(5)	(822)
Closing Balance	29,695	24	-	4,480	370	34,569

NOTE 14: Non-current Assets – Goodwill and Other Intangibles (continued)

Reconciliations (continued)

2020	Software Costs $'000	Chill Factor Trademarks and Patents $'000	Other Licences and Trademarks $'000	Total $'000
Opening Balance	**86**	**126**	**-**	**212**
Additions	41	-	-	41
Disposals	(94)	-	-	(94)
Amortisation	(32)	(25)	-	(57)
Closing Balance	**1**	**101**	**-**	**102**

Impairment testing – Intangible Assets

Recoverability of software and licenses has been assessed at the time of creation / subscription based on their useful life and is then amortised accordingly. All software and licenses are reviewed for their usefulness and validity annually and impaired if required.

The remaining intangible assets have arisen on the acquisition of the Hobby Warehouse Group (HWG). The fair values of these assets have been assessed as shown in Note 27.

The Group has identified that there are two cash-generating units which are aligned with the operating segments disclosed in Note 4 and against which goodwill and other intangible assets are allocated and tested.

Goodwill	Year ended 31-Jul-21 $'000	Year ended 31-Jul-20 $'000
Business to consumer (B2C)	25,628	-
Business to business (B2B)	4,067	-
	29,695	**-**

The recoverable amount of the Group's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on budgets for FY 2022 approved by the Board and extrapolated for a further 4 years using a steady rate, together with a terminal value.

Key assumptions

Key assumptions are those to which the recoverable amount of the cash-generating units is most sensitive. The following key assumptions were used in the discounted cash flow model for the CGUs:

Key assumptions	**B2C**	**B2B**
Revenue and expenses for FY 2022	Based on approved budgets	Based on approved budgets
Projected revenue and cost of sales growth rate per annum after budget period	10%	3.5%
Projected operating costs and overheads increase after budget period	2.4%	2.4%
Pre-tax discount rate	17.1%	20.7%
Long-term growth rate	3.0%	2.0%

The pre-tax discount rates reflect management's estimate of the time value of money and the Group's weighted average cost of capital, the risk-free rate and the volatility of the share price relative to market movements.

Management believes the projected revenue growth rates are prudent and justified, based on historical performance of the businesses.

NOTE 14: Non-current Assets – Goodwill and Other Intangibles (continued)

Outcome of impairment assessment

Based on the above:
- the recoverable amount of B2C CGU exceeded the carrying amount by $8.1 million
- the recoverable amount of B2B CGU exceeded the carrying amount by $6.5 million.

Sensitivity
As disclosed in Note 3, the directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur, the resulting goodwill carrying amount may decrease. The sensitivities are as follows:

B2C

- Revenue during the budget period would need to be 10% lower for goodwill to be impaired, with all other assumptions remaining constant.
- Revenue and cost of sales growth after budget period would need to be 5.7% or less for goodwill would need to be impaired, with all other assumptions remaining constant.
- The pre-tax discount rate should be 20.3% or more for goodwill to be impaired, with all other assumptions remaining constant.

B2B

- Revenue during the budget period would need to be 27% lower for goodwill to be impaired, with all other assumptions remaining constant.
- Revenue and cost of sales after budget period would need to decrease by more than 9.1% for goodwill to be impaired, with all other assumptions remaining constant.
- The pre-tax discount rate should be 40.7% or more for goodwill to be impaired, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of both the CGUs' goodwill is based would not cause the CGUs' carrying amount to exceed its recoverable amount.

NOTE 15: Assets pledged as security

In accordance with the security arrangements of liabilities as disclosed in Note 16 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 16: Borrowings

Secured – at amortised cost	Year ended 31-Jul-21 $'000	Year ended 31-Jul-20 $'000
Current		
Debtor finance	-	478
Total Current	**-**	**478**
Non-current		
Interest bearing liabilities	-	8,428
Total Non-current	**-**	**8,428**

During the year, the company undertook a capital raising of $35.0 million (including $6.5 million of which was used to convert existing debt to equity) and used a portion of the proceeds from the capital raise ($2.3 million) to repay the debt with JASZAC Investments in full. The Group also cancelled its debtor factoring facilities with Scottish Pacific.

NOTE 17: Provisions

	Year ended 31-Jul-21 $'000	Year ended 31-Jul-20 $'000
Current		
Employee benefits [(i)] [(ii)]	**388**	241
Total Current	**388**	**241**
Non-current		
Employee benefits [(i)]	**4**	13
Total Non-current	**4**	**13**
Total	**392**	**254**

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

[(ii)] The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

NOTE 18: Lease liabilities

	Year ended 31-Jul-21 $'000	Year ended 31-Jul-20 $'000
Current	-	211
	-	**211**
Non-current	-	535
	-	**535**
	-	**746**

Maturity analysis of lease liabilities

2021	**Within 1 year $'000**	**1-2 years $'000**	**2-3 years $'000**	**3-4 years $'000**	**4-5 years $'000**	**After 5 years $'000**	**Total $'000**
Lease payments	-	-	-	-	-	-	-
Finance charge	-	-	-	-	-	-	-
Discounted Lease Liabilities	-	-	-	-	-	-	-

2020	**Within 1 year $'000**	**1-2 years $'000**	**2-3 years $'000**	**3-4 years $'000**	**4-5 years $'000**	**After 5 years $'000**	**Total $'000**
Lease payments	289	287	296	25	-	-	897
Finance charge	(78)	(52)	(21)	-	-	-	(151)
Discounted Lease Liabilities	**211**	**235**	**275**	**25**	-	-	**746**

NOTE 19: Other current liabilities

	Year ended 31-Jul-21 $'000	Year ended 31-Jul-20 $'000
Accrued royalties	**972**	177
GST payable	**79**	37
Payroll accruals	**60**	73
Currency hedges	-	38
Other accrued expenses	**602**	2,086
Total	**1,713**	**2,411**

NOTE 20: Equity and reserves

Share Capital	Year ended 31-Jul-21 $'000	Year ended 31-Jul-20 $'000
848,358,858 (2020: 240,404,075) fully paid ordinary shares	**290,545**	**225,166**

	Year ended 31-Jul-21		Year ended 31-Jul-20	
	Number of Shares	Share Capital $'000	Number of Shares	Share Capital $'000
Movements in Ordinary Share Capital				
Opening balance	240,404,075	225,166	233,176,894	224,848
Share Purchase Plan (19 December 2019)	-	-	5,583,345	113
Conversion of Service Rights (18 June 2020)	-	-	1,643,836	205
Placement Offer, net of transaction costs (26 November 2020)[1]	258,928,571	27,054	-	-
Consideration for Acquisition (26 November 2020)	291,205,818	32,033	-	-
Shares issued as consideration for conversion of borrowings (26 November 2020)	53,571,429	5,891	-	-
Shares issued as payment for intangible assets (26 November 2020)	1,223,092	137		
Shares issued as consideration for remuneration (26 November 2020)	454,545	10	-	-
Shares issued as consideration for remuneration (30 November 2020)	190,476	20	-	-
Shares issued as payment for intangible assets (25 June 2021)	2,380,852	234	-	-
Closing balance	**848,358,858**	**290,545**	**240,404,075**	**225,166**

[1] included in the placement offer is an amount of $550,000, payment for which was adjusted against loan repayable to JASZAC Investments.

Ordinary shares

Ordinary shares entitle the holder to 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. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

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 consolidated 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.

NOTE 21: Earnings per share

	31-Jul-21 Cents per share	31-Jul-20 Cents per share
Basic earnings /(loss) per share		
From continuing operations	**(0.78)**	(0.79)
From discontinued operations	**0.30**	(3.15)
Total Basic Earnings / (loss) per share	**(0.48)**	**(3.94)**
Diluted earnings /(loss) per share		
From continuing operations	**(0.78)**	(0.79)
From discontinued operations	**0.30**	(3.15)
Total Diluted Earnings /(loss) per share	**(0.48)**	**(3.94)**

Basic earnings per share calculation:	**$'000**	**$'000**
Net profit/(loss) after tax for the year – continuing operations	**(5,089)**	(1,879)
Net profit/(loss) after tax for the year – discontinued operations	**1,976**	(7,434)
Profit/(Loss) used in the calculation of total basic EPS	**(3,113)**	**(9,313)**

	No. '000	**No. '000**
Weighted average number of ordinary shares ('WANOS') outstanding during the year used in the calculation of basic earnings /(loss) per share	**652,102**	236,802
Diluted earnings per share calculation:		
WANOS outstanding during the year used in the calculation of basic earnings /(loss) per share	**652,102**	236,802
Add: Shares deemed to be issued for no consideration in respect of:		
Performance and service rights[1]	**21,694**	-
WANOS and potential ordinary shares used as the denominator in calculating diluted earnings per share	**673,796**	**236,802**

[1]Potential shares comprising performance and service rights have not been considered in the calculation of WANOS for diluted earnings per share as they are anti-dilutive in nature, due to the losses incurred.

NOTE 22: Dividends on equity instruments

There were no dividends declared or paid during the financial year (2020: nil). The franking account balance at 31 July 2021 is $19,301,903 (2020: $19,301,903).

NOTE 23: 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-21 $'000	Year ended 31-Jul-20 $'000
Not later than one year	1,627	75
Later than one year but not later than two years	1,617	10
Later than two years but not later than five years	4,852	-
Later than five years	27,632	-
	35,728	**85**

NOTE 24: Subsidiaries

Name of Entity	Country of Incorporation	Equity Holding Year ended 31-Jul-21 %	Equity Holding Year ended 31-Jul-20 %
Company			
Toys"R"Us ANZ Limited [(i), (iii), (iv)]	Australia	100	100
Subsidiaries			
FUN International Limited	Hong Kong	100	100
Funtastic America Inc. (formerly My Paint Box Inc.)	USA	100	100
NSR (HK) Limited [(iii)]	Hong Kong	100	100
Chill Factor Global Pty Limited [(ii), (iii), (vi)]	Australia	-	100
Fun Toy Products Consulting (Shenzhen) Company Limited	China	100	100
Mittoni Pty Limited [(ii), (v)]	Australia	100	-
Hobby warehouse Pty Limited [(ii), (v)]	Australia	100	-
Toys R Us Licensee Pty Limited [(ii), (v)]	Australia	100	-

(i) Toys"R"Us ANZ Limited (formerly 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 Toys"R"Us ANZ Limited pursuant to ASIC Class Order 2016/785 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) On 24 June 2021 Funtastic Limited changed its name to Toys"R"Us ANZ Limited.

(v) These companies were acquired on 26 November 2020.

(vi) The company was sold on 21 July 2021.

NOTE 24: Subsidiaries (continued)

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

	Year ended 31-Jul-21 $'000	Year ended 31-Jul-20 $'000
Revenue	-	-
Cost of Goods Sold	-	-
Gross profit	-	-
Investment income	2	3
Other Income	24	19
Administration Expenses	(1,782)	(1,315)
Employee benefit expenses	(2,135)	(390)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	(3,891)	(1,683)
Finance costs (net)	-	-
Depreciation and amortisation expenses	(830)	(88)
Profit/(Loss) before income tax	(4,721)	(1,771)
Income tax (expense)/benefit	237	-
Profit/(Loss) for the period from continuing operations	(4,484)	(1,771)
Profit/(Loss) after income taxes from discontinued Operations	(18,098)	(7,434)
Profit/(Loss) for the year	(22,582)	(9,205)
Other comprehensive income/(loss) for the year (net of tax)	-	-
Total comprehensive income/(loss) for the year	(22,582)	(9,205)

Financial performance of discontinued operations	$'000	$'000
Revenue	15,235	24,597
Cost of Goods Sold	(9,231)	(21,067)
Gross Profit	6,004	3,530
Other Income (including government grants)	419	281
Warehouse and Distribution Expenses	(1,299)	(2,204)
Marketing and Selling Expenses	(103)	(1,027)
Employee benefits Expenses	(2,059)	(4,222)
Administration Expenses	(1,436)	(2,407)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	1,526	(6,049)
Finance costs	(510)	(1,152)
Depreciation, amortisation and impairment expenses	(20,740)	(233)
Profit/(Loss) before income taxes	(19,724)	(7,434)
Income tax expense	-	-
Profit/(Loss) after income taxes	(19,724)	(7,434)
Profit on sale of businesses before income taxes	1,626	-
Income tax expense	-	-
Profit on sale of businesses after income taxes	1,626	-
Profit/(Loss) after income taxes from discontinued operations	(18,098)	(7,434)

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-21 $'000	Year ended 31-Jul-20 $'000
Current Assets		
Cash	**16,128**	354
Receivables	**699**	1,809
Inventories	**1,035**	1,373
Other Assets	**272**	586
Total Current Assets	**18,134**	**4,122**
Non-Current Assets		
Property, Plant and Equipment	**1,706**	25
Other Intangibles	**33,195**	102
Right of Use Assets	**-**	691
Other Assets	**7,014**	20,673
Total Non-Current Assets	**41,915**	**21,491**
Total Assets	**60,049**	**25,613**
Current Liabilities		
Trade and other payables	**326**	1,325
Borrowings	**-**	478
Provisions	**196**	241
Lease Liabilities	**535**	211
Other Liabilities	**1,248**	2,371
Total Current Liabilities	**2,305**	**4,626**
Non-Current Liabilities		
Borrowings	**-**	8,428
Deferred Tax	**1,344**	-
Provisions	**-**	13
Lease Liabilities	**-**	535
Total Non-Current Liabilities	**1,344**	**8,976**
Total Liabilities	**3,649**	**13,602**
Net Assets	**56,400**	**12,011**
Equity		
Issued capital	**290,545**	225,160
Accumulated Losses	**(235,599)**	(213,149)
Reserves	**1,454**	-
Total Equity	**56,400**	**12,011**

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-21 $'000	Year ended 31-Jul-20 $'000
Cash	**-**	-
Cash equivalents	**17,338**	367
	17,338	**367**

b) Financing facilities

	Year ended 31-Jul-21 $'000	Year ended 31-Jul-20 $'000
Total Financing Facilities		
Bank Guarantees	**1,083**	156
Debtor finance	**-**	11,776
Loan	**-**	10,375
	1,083	**22,307**
Reconciliation of Finance facilities		
Used at Balance Date		
Bank Guarantees	**1,083**	156
Debtor finance	**-**	478
Loan	**-**	8,428
	1,083	**9,062**
Unused at Balance Date		
Bank Guarantees	**-**	-
Debtor finance	**-**	11,298
Loan	**-**	1,947
	-	**13,245**

NOTE 25: Notes to the cash flow statements (continued)

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

	Year ended 31-Jul-21 $'000	Year ended 31-Jul-20 $'000
Profit/(Loss) after income tax	**(3,113)**	(9,313)
Impairment of right-of-use assets	**458**	-
Depreciation and amortisation	**1,071**	320
(Profit) / loss on sale of business / assets - net	**(1,626)**	114
Share-based payments expense	**1,454**	-
Shares issued as consideration for salaries and bonus	**30**	-
Other revenue	**(107)**	(41)
Unrealised FX loss on revaluation of intercompany loans	**-**	924
Finance costs	**-**	811
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
(Increase)/Decrease in trade and other receivables	**1,948**	1,651
(Increase)/Decrease in inventories	**(1,615)**	3,663
(Increase)/Decrease in prepayments and other assets	**537**	964
(Decrease)/Increase in trade creditors	**(1,141)**	(2,916)
(Decrease) in provisions	**(97)**	(236)
Increase / (decrease) in income taxes	**17**	19
(Decrease) in deferred tax liabilities	**(237)**	-
(Decrease)/increase in other liabilities	**(1,494)**	1,318
Net cash outflow from operating activities	**(3,915)**	**(2,722)**

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 maximising 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 16, 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.

NOTE 26: Financial Instruments (continued)

Categories of financial instruments[1]	Year ended 31-Jul-21 $'000	Year ended 31-Jul-20 $'000
Financial assets		
Cash and cash equivalents	**17,338**	367
Trade and other receivables	**1,882**	1,809
Non-derivative financial assets	**19,220**	**2,176**
Financial liabilities		
Non-interest bearing	**2,998**	1,325
Other liabilities	**2,628**	2,263
Total non-derivative financial liabilities	**5,626**	**3,588**
Variable interest rate instruments	**-**	481
Fixed interest rate instruments	**-**	12,702
Total derivative financial liabilities	**-**	13,183
Total financial liabilities	**5,626**	**16,771**

[1]Figures Include financial instruments pertaining to discontinued operations (assets and liabilities directly associated with classified as held for sale) as well.

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 2021, 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.

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	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
US Dollars	1,431	353	184	557
Hong Kong Dollars	-	-	-	14

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 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	
	2021	2020
	$'000	$'000
5% increase in AUD against foreign currency		
Profit or Loss [i]	**62**	10
5% decrease in AUD against foreign currency		
Profit or Loss [i]	**(62)**	(10)

[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 $Nil (2020: asset of $1,145,311).

During the year ended 31 July 2021 a loss on hedging instruments for the Group of $Nil (31 July 2020: loss $38,000) 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
	2021	**2020**
	$'000	**$'000**
25-basis point increase in Interest rates		
Profit or Loss [(i)]	-	(22)
25-basis point decrease in Interest rates		
Profit or Loss [(i)]	-	22

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

Loans of the Group

The Group has no loans at 31 July 2021. In the prior period, loans had an average variable interest rate of 7.14% and a fixed interest rate of 12%. 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.

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.

NOTE 26: Financial Instruments (continued)

	Weighted average effective interest rate %	0 – 3 months $'000	3 months to 1 year $'000	1 – 5 years $'000	5+ years $'000	Total $'000
2021						
Non-interest bearing	-	2,998	-	-	-	2,998
Other liabilities	-	2,628	-	-	-	2,628
		5,626	**-**	**-**	**-**	**5,626**
2020						
Non-interest bearing	-	1,325	-	-	-	1,325
Other liabilities	-	2,263	-	-	-	2,263
Variable interest rate instruments	7.20%	481	-	-	-	481
Fixed interest rate instruments	12.00%	-	-	12,702	-	12,702
		4,069	**-**	**12,702**	**-**	**16,771**

The above figures Include financial liabilities pertaining to discontinued operations as well.

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 %	0 – 3 months $'000	3 months to 1 year $'000	1 – 5 years $'000	5+ years $'000	Total $'000
2021						
Cash	0.00%	17,338	-	-	-	17,338
Non-interest bearing	-	1,882	-	-	-	1,882
		19,220	**-**	**-**	**-**	**19,220**
2020						
Cash	0.00%	367	-	-	-	367
Non-interest bearing	-	1,809	-	-	-	1,809
		2,176	**-**	**-**	**-**	**2,176**

The above figures Include financial instruments pertaining to discontinued operations (assets classified as held for sale) as well.

NOTE 26: Financial Instruments (continued)

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: Business combinations

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.

Details of the business combination are provided below and the values identified in relation to the acquisition of HWG are final as at 31 July 2021.

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

	As at 25-Nov-20 $'000
Assets	
Cash	**289**
Trade and other receivables (net of expected credit losses of $2,000)	**2,017**
Inventories	**3,751**
Tax receivable	**29**
Other current assets	**933**
Property, plant and equipment	**261**
Intangible assets	**26**
Customer databases	**5,271**
Total Assets	**12,577**
Liabilities	
Trade payables	**2,814**
Borrowings	**3,792**
Provisions	**262**
Other current liabilities	**1,790**
Deferred tax	**1,581**
Total Liabilities	**10,239**
Total identifiable net assets at fair value	**2,338**
Goodwill arising on acquisition	**29,695**
Acquisition date fair value of total consideration transferred	**32,033**
Representing	
Equity shares issued to the vendor	**32,033**
Cash used to acquire business, net of cash acquired:	
Acquisition date fair value of total consideration transferred	**32,033**
Less: Cash and cash equivalents acquired	**(289)**
Less: Equity shares issued	**(32,033)**
Net cash used / (acquired)	**(289)**

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 $32.033 million. Transaction costs of the acquisition (included in cash flows from operating activities) were $0.691 million, which have been expensed to the profit and loss.

From the date of acquisition to 31 July 2021, the HWG acquisition contributed $21.8 million of revenue and $0.6 million of loss before tax to the Group. Had HWG been owned for the full reporting period, HWG would have contributed $33.1 million of revenue and $0.5 million of profit to profit before tax to the Group.

NOTE 28: Share-based payments

(a) Expenses recognised

An expense of $1,453,800 ($2020: Nil) has been recognised in the profit and loss in relation to share-based payments granted during the period.

(b) Share options and share appreciation rights

An employee incentive plan has been established by the Group and approved by shareholders at a general meeting whereby the Group may, at the discretion of the Remuneration and Nomination Committee, grant options and rights over ordinary shares in the company to directors and employees. The grant of options and rights forms a part of the Company's long term incentive objectives to encourage directors and employees to have a greater involvement in the achievement of the Company's objectives. Options and rights provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership. The options and rights are issued for nil consideration and are only subject to a vesting condition relating to the participant's continued employment with the Company. The options and rights 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 or right that the participant validly exercises.

(c) Reconciliation

Set out below are the summaries of options granted under the employee incentive plan as at 31 July 2021:

Grant date	Vesting date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Balance at the end of the year
23-Nov-20[1]	23-Nov-20	1-Nov-23	$0.138	-	10,149,450	-	10,149,450
23-Nov-20[1]	1-Nov-21	1-Nov-24	$0.166	-	10,271,244	-	10,271,244
23-Nov-20[1]	1-Nov-22	1-Nov-25	$0.199	-	10,394,498	-	10,394,498
1-May-21	1-May-23	1-May-25	$0.138	-	1,691,956	-	1,691,956
				-	**32,507,148**	**-**	**32,507,148**
Weighted average exercise price				-	$0.166	-	$0.166

[1]Of the total employee options under the employee incentive plan approved at the 2020 AGM, only tranche 1 have been granted during the year. Options Tranche 2 and Tranche 3 will be number of options that equal 1.2% of the total TOY shares on issue on 1 November 2021 and 1 November 2022, respectively. Option numbers have been estimated and related expenses have been recognised for the current year, based on the expected number of TOY shares on issue at 1 November 2021 and 1 November 2022.

There were no options granted under the employee incentive plan as at 31 July 2020.

The weighted average remaining contractual life of employee options outstanding at the end of the financial year was 3.29 years (2020: Nil).

Set out below are the summaries of rights granted under the employee incentive plan as at 31 July 2021:

Grant date	Vesting date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Balance at the end of the year
23-Nov-20	1-Nov-21	1-Nov-21	$0.125	-	480,000	-	480,000
23-Nov-20	1-Nov-22	1-Nov-22	*	-	**	-	-
23-Nov-20	1-Nov-23	1-Nov-23	*	-	**	-	-
				-	**480,000**	**-**	**480,000**
Weighted average exercise price				**-**	$0.125	**-**	$0.125

* 5-day VWAP of TOY 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 TOY shares on the latter of first vesting date or the date of the annual general meeting.

The weighted average remaining contractual life of rights outstanding at the end of the financial year was 0.25 years (2020: 0.42 years).

NOTE 28: Share-based payments (continued)

Set out below are the summaries of rights granted under the employee incentive plan as at 31 July 2020:

Grant date	Vesting date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Balance at the end of the year
26-Oct-17	31-Oct-18	31-Dec-21	-	1,643,836	-	(1,643,836)	-
				1,643,836	**-**	**(1,643,836)**	**-**
Weighted average exercise price				-	-	-	-

(d) Fair value inputs

For options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Vesting date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
23-Nov-20	23-Nov-20	$0.135	$0.138	85%	0%	0.07%	$0.064
23-Nov-20	1-Nov-21	$0.135	$0.166	85%	0%	0.28%	$0.067
23-Nov-20	1-Nov-22	$0.135	$0.199	85%	0%	0.28%	$0.072
1-May-21	1-May-23	$0.100	$0.138	80%	0%	0.70%	$0.051

For appreciation rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Vesting date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
23-Nov-20	1-Nov-21	$0.135	$0.125	85%	0%	0.07%	$0.039
23-Nov-20	1-Nov-22	$0.135	*	85%	0%	0.07%	n/a
23-Nov-20	1-Nov-23	$0.135	*	85%	0%	0.28%	n/a

* 5-day VWAP of TOY shares on the latter of first vesting date or the date of the annual general meeting.

The appreciation rights are effectively options with a cashless exercise feature embedded.

(e) Other information

The weighted average share price during the financial year was $0.112 (2020: $0.024).

NOTE 29: 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-21 $	Year ended 31-Jul-20 $
Short-term employee benefits	**919,551**	948,332
Post-employment benefits	**103,379**	93,619
Other long-term benefits	**11,206**	1,356
Termination benefits	**43,712**	-
Share-based payments	**1,473,798**	-
	2,551,646	**1,043,307**

NOTE 30: 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 29 to the financial statements.

Loans to key management personnel and their related parties
During the financial year and to the date of this report, the Group made no loans to directors and other KMP. As at 31 July 2021, Louis Mittoni owed the Company $77,503 related to personal expenses incurred on a company credit card. As at the date of this report, the balance outstanding was $16,719.

During the financial year, there were no other reportable transactions between the Group and its directors, KMP, or their personally related entities (Related Parties) (2020: $Nil).

c) Transactions with other related parties

Transactions between Toys"R"Us ANZ Limited and other entities in the wholly owned Group during the financial years ended 31 July 2021 and 31 July 2020, which were eliminated on consolidation, consist of:

- loans advanced by Toys"R"Us ANZ Limited;
- management services provided by Toys"R"Us ANZ Limited;
- management services provided to Toys"R"Us ANZ Limited; and
- payment to/from Toys"R"Us ANZ Limited for the above services.

NOTE 31: Remuneration of Auditors

	Year ended 31-Jul-21 $	Year ended 31-Jul-20 $
Grant Thornton Audit Pty Ltd		
Audit Services		
Audit and review of the financial reports of the entity	**80,700**	150,000
Audit of the financial report of overseas subsidiary (1)	**16,600**	15,000
Other Services		
Preparation of tax return and general taxation services(1)	**83,700**	38,500
	181,000	**203,500**
RSM Australia Partners(2)		
Audit Services		
Audit and review of the financial reports of the entity	**79,000**	-
Other Services(3)		
Transaction services	**25,500**	-
Independent Expert's Report in relation to acquisition	**43,255**	-
	147,755	-

(1) Related practice of parent entity auditor.

(2) TOY changed its auditors following shareholder approval at the Extraordinary General Meeting (EGM) held on 23 June 2021.

(3) Services provided prior to being appointed as auditor

NOTE 32: Parent entity disclosures

Financial Position	As at 31-Jul-21 $'000	As at 31-Jul-20 $'000
Assets		
Current assets	**18,134**	4,122
Non-current assets	**41,915**	21,491
	60,049	**25,613**
Liabilities		
Current liabilities	**(2,305)**	(4,626)
Non-current liabilities	**(1,344)**	(8,976)
	(3,649)	**(13,602)**
Net Assets	**56,400**	**12,011**
Issued capital	**290,545**	225,160
Accumulated losses	**(235,599)**	(213,149)
Equity-settled employee benefits reserve	**1,454**	-
Total Equity	**56,400**	**12,011**

Financial Performance	Year ended 31-Jul-21 $'000	Year ended 31-Jul-20 $'000
Loss for the year – continuing operations	**(4,484)**	(1,771)
Loss for the year – discontinued operations	**(18,098)**	(7,434)
Total comprehensive loss	**(22,582)**	**(9,205)**

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity and some of its subsidiaries are party to a deed of cross guarantee under which each company guarantees the debts of the others. No deficiencies of assets exist in any of these subsidiaries.

Contingent liabilities
The parent entity had no contingent liabilities as at 31 July 2021 and 31 July 2020.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 31 July 2021 and 31 July 2020.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in Note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

NOTE 33: Contingent liabilities and contingent assets

As at 31 July 2021, the Group had issued bank guarantees of $1.083 million (2020: $0.156 million).

There are no contingent assets as at 31 July 2021 (2020: $Nil).

NOTE 34: Non-cash investing and financing activities

	Year ended 31-Jul-21 $'000	Year ended 31-Jul-20 $'000
Shares issued as consideration for intangible assets	**375**	-
Shares issued as consideration for acquisition of business	**32,033**	-
Shares issued as consideration for conversion of borrowings	**5,891**	-
Shares issued as consideration for repayment of borrowings	**550**	-
	38,849	-

NOTE 35: Changes in liabilities arising from financing activities

	Borrowings $'000	Lease Liabilities $'000	Total $'000
Balance at 1 August 2019	**5,333**	**-**	**5,333**
Net cash from / (used in) financing activities	2,763	(178)	2,585
Acquisition of leases	-	924	924
Other changes	810	-	810
Balance at 1 August 2020	**8,906**	**746**	**9,652**
Net cash from / (used in) financing activities	(2,356)	(211)	**(2,567)**
Issue of equity shares	(6,441)	-	**(6,441)**
Other changes	(109)	-	**(109)**
Balance at 31 July 2021	**-**	**535[1]**	**535**

[1] *relates to discontinued operations*

NOTE 36: Subsequent events

On 13 August 2021, the Company paid $2.549 million to Westpac Banking Corporation as security for a bank guarantee related to the new warehousing and head office facility currently being developed in Clayton, Victoria.

No other matters or circumstance has arisen since 31 July 2021 that has significantly affected, or may significantly affect, the Group's operations, the results of these operations, or the Group's state of affairs in future years.

NOTE 37: General Information

Toys"R"Us ANZ Limited (formerly 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 Corporate Directory. The principal activities of the Company and its subsidiaries (the Group) are described in Note 4.

Directors' Declaration

The directors declare that, in the directors' opinion:

a) the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting standards;

b) the attached financial statements and notes comply with International Financial Reporting Standards, as issued by the International Accounting Standards Board as stated in Note 1 to the financial statements;

c) the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 July 2021 and of its performance for the year ended on that date; and

d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

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.

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

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,

Kevin A Moore

Kevin A Moore, FAICD, MCIM
Chair of the Board

29 September 2021
Cairns, Queensland

RSM Australia Partners

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INDEPENDENT AUDITOR'S REPORT
To the Members of Toys"R"Us ANZ Limited (formerly Funtastic Limited)

Opinion

We have audited the financial report of Toys"R"Us ANZ Limited (formerly Funtastic Limited) ("the Company") and its subsidiaries (together referred to as "the Group") which comprises the consolidated statement of financial position as at 31 July 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the 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:

(i) giving a true and fair view of the Group's financial position as at 31 July 2021 and of its financial performance for the year then ended; and

(ii) 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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.

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Key Audit Matters (continued)

Key Audit Matter	How our audit addressed this matter
Accounting for business combinations Refer to Note 27 in the financial statements	
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) under a share purchase agreement, for a consideration paid in shares. This transaction was treated as a business combination in accordance with AASB 3 *Business Combinations.* As a result of the provisional Purchase Price Allocation ("PPA") exercise, net assets were measured at a fair value of $2.34 million and a resultant goodwill of $29.69 Million was recognised. The accounting for business combination was considered a Key Audit Matter as the accounting for the transaction is complex and involves significant judgements in applying the accounting standards. These matters include the identification of the acquirer, recognition and valuation of consideration paid, the determination of the fair value of the assets acquired and liabilities assumed and the identification and valuation of intangible assets not previously recognised by the business acquired.	Our audit procedures included, among others: • Obtaining the share purchase agreement and other associated documents and ensuring that the transaction had been accounted for in compliance with AASB 3; • Testing the values of the share consideration to the signed share purchase agreement; • Reviewing management's process for the identification of the accounting acquirer, calculation of purchase consideration, acquisition date, determinations of fair values of identified assets acquired and liabilities assumed, the reasonableness of any underlying assumptions and the resultant goodwill; • Assessing the valuation models prepared by the management to value the intangible assets identified in the acquired business, and engaging our internal valuation specialists to challenge the assumptions and methodology used by management; and • Reviewing the adequacy of the relevant disclosures in the financial report in compliance with the requirements of AASB 3.
Revenue recognition Refer to Note 6 in the financial statements	
Whilst the Group's revenue recognition does not involve significant management estimates or judgements, it is considered a Key Audit Matter because of its significance to the Group's reported financial performance. The risk is heightened due to having distinct revenue streams across two segments. Revenue recognition can be impacted by a failure to correctly measure revenue in accordance with applicable accounting standards and/or by applying an incorrect approach to period end cut-off.	Our audit procedures in relation to revenue recognition included: • Assessing whether the Group's revenue recognition policies were in compliance with the requirements of AASB 15 *Revenues from Contracts with Customers;* • Evaluating and testing the operating effectiveness of key controls related to revenue recognition; • Reviewing any large or unusual transactions close to the end of the financial year; • Performing cut-off testing over transactions recorded either side of the period end, to ensure that revenues were recorded in the appropriate period; • Conducting a combination of tests of controls, substantive analytical procedures and tests of details in respect of revenue related transactions; and • Reviewing disclosures in relation to the impact on adoption of AASB 15 and the disaggregation of revenues in the financial statements.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed this matter
Impairment assessment of goodwill Refer to Note 14 in the financial statements	
As at 31 July 2021, the Group has goodwill with a carrying amount of $29.69 million (approximately 46% of the total assets of the Group) relating to its acquisition of Hobby Warehouse Group during the current year. As required by AASB 136 *Impairment of Assets* ("AASB 136"), management performed an impairment testing over the goodwill balance as at 31 July 2021 by: • calculating the value-in-use for each identified cash generating unit ("CGU") using a discounted cash flow model. This model used cash flows projections for the CGUs for 5 years, with a terminal growth rate applied to the 5th year. These cash flows were then discounted to their net present value using the Group's weighted average cost of capital (WACC); and • comparing the resulting value-in-use of each CGU to its carrying amount. Management has identified that there are two CGUs for the purpose of performing impairment testing. Management also performed a sensitivity analysis over the VIU calculation, by varying the assumptions used to assess the impact on the valuations. We determined impairment testing of goodwill to be a Key Audit Matter due to the size of the goodwill balance. Also, this exercise involves significant level of management judgements and estimates such as the determination of the existing CGUs, the estimation of future cash flows of the business, including the growth rates and the discount rates applied to the estimated cash flows. We note that the impact and uncertainties resulted from the COVID-19 pandemic has increased the level of difficulty in estimating future cash flows.	Our audit procedures in relation to the impairment testing of goodwill involved the assistance of our Corporate Finance team, and included: • Assessing management's determination that goodwill should be allocated to two CGUs based on the Group's business and the manner in which the results are monitored and reported; • Assessing and challenging the reasonableness of key assumptions used in the discounted cash flow model, including the cash flow projections, future growth rates, discount rate applied and terminal value. We also assessed whether the key assumptions adopted were applied on a consistent basis across the model; • Verifying the mathematical accuracy of the cash flow model and reconciling input data to supporting evidence, such as approved budgets; • Reviewing management's sensitivity analysis over the key assumptions in the model and assessing the reasonableness of the changes in key assumptions used in the analysis to determine when those changes would cause an impairment to be recognised; and • Reviewing the disclosures in Note 14 to the financial statements to assess the appropriateness, completeness, and compliance with the disclosure requirements of AASB 136.

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Key Audit Matters (continued)

Key Audit Matter	How our audit addressed this matter
Accounting for discontinued Operations Refer to Note 5 in the financial statements	
During the year, the Group has completed the sale of its Confectionary and Chill Factor businesses, as part of the Group-wide transformation program. AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* requires specific recognition, measurement and disclosure requirements relating to assets, liabilities, revenues and expenses of discontinued operations. This was identified as a Key Audit Matter as this transaction involves management estimates and judgements in identification of account balances, revenue and expenses relating to the discontinued operations and related Note disclosures in the financial statements.	Our audit procedures in relation to accounting and disclosure of Discontinued Operations included: • Obtaining and reviewing the sale agreements to understand the key terms and conditions; • Assessing the calculations and accounting for the sale of businesses to ensure assets, liabilities, revenues and expenses relating to the discontinued operations are accurately identified and reported; • Assessing management's determination of the impairment of assets relating to the discontinued operations; and • Assessing accounting policy, account balance classifications and Note disclosures to ensure that they are in accordance with the requirements of AASB 5.

Other Information

The directors of the Company 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 2021; but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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 ability of the Group 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: https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.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 2021.

In our opinion, the Remuneration Report of Toys“R”Us ANZ Limited (formerly Funtastic Limited), for the year ended 31 July 2021, complies with section 300A of the *Corporations Act 2001.*

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.

RSM

RSM AUSTRALIA PARTNERS

J S CROALL

Partner

Dated: 29 September 2021

Melbourne, Victoria

Corporate Directory

Directors	Kevin Moore *Chair and Independent Non-Executive Director* Louis Mittoni *Chief Executive Officer and Managing Director* John Tripodi *Independent Non-Executive Director* Nicki Anderson *Independent Non-Executive Director*
Senior Management	Howard Abbey Chief Financial Officer Lian Yu Chief Operating Officer
Company Secretary	Patrick Raper
Registered Office and Principal Place of Business	Level 2, 315 Ferntree Gully Road Mount Waverley VIC 3149
Share Registry	Automic Group Level 5, 126 Phillip Street Sydney NSW 2000
Auditors	RSM Australia Partners Level 21, 55 Collins Street Melbourne VIC 3000
Bankers	Commonwealth Bank of Australia 201 Sussex Street Sydney NSW 2000 Westpac Banking Corporation 4 Nexus Court Mulgrave VIC 3170
Solicitors	Rotstein Commercial Lawyers Level 5, 552 Lonsdale Street Melbourne VIC 3000
Stock Exchange Listing	Toys"R"Us ANZ Limited shares are listed on the Australian Securities Exchange (ASX code: TOY)
Website	corporate.toysrus.com.au
Corporate Governance Statement	Refer to the Company's website for all corporate governance information: https://corporate.toysrus.com.au/investors/corporate-governance/