



Toys "R" Us ANZ Limited

ABN 94 063 886 199

Appendix 4E & Financial Statements For the Year ended - 31 July 2024

For personal use only

1. Company details

Name of entity:	Toys "R" Us ANZ Limited
ABN:	94 063 886 199
Reporting period:	For the year ended 31 July 2024
Previous period:	For the year ended 31 July 2023

2. Results for announcement to the market

Results for announcement to the market	31 July 2024 \$'000	31 July 2023 \$'000	Change \$'000	Change %
Revenues from ordinary activities from continuing operations	7,668	21,642	(13,974)	(64.6%)
Loss from ordinary activities after tax from continuing operations	(11,501)	(25,791)	14,290	(55.4%)
Loss from ordinary activities after tax from discontinued operations	(7,892)	(6,867)	(1,025)	14.9%
Loss from ordinary activities after tax	(19,393)	(32,658)	13,265	(40.6%)
Loss for the year	(19,393)	(32,658)	13,265	(40.6%)

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(15.58)</u>	<u>(0.61)</u>

4. Control gained over entities

There were no control changes during the period.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

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

11. Attachments

Details of attachments (if any):

The Annual Financial Report of Toys "R" Us ANZ Limited for the year ended 31 July 2024 is attached.

12. Signed

Signed _____

Kelly Humphreys
Chair

Date: 30 September 2024

FOR PUBLICATION

Directors	Kelly Humphreys Teresa Smith John Tripodi
Company secretary	Kim Larkin
Registered office	Level 8, 210 George Street Sydney, NSW 2000
Principal place of business	Unit 3, 45-49 McNaughton Road Clayton, VIC 3168
Share register	Automic Pty Ltd Level 5, 126 Phillip Street Sydney NSW 2000
Auditor	RSM Australia Partners Level 27, 120 Collins Street Melbourne VIC 3000
Solicitors	McCullough Robertson Level 11, 66 Eagle Street Brisbane QLD 4000
Bankers	Westpac Banking Corporation 4 Nexus Court Mulgrave VIC 3170
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/

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Toys "R" Us ANZ Limited (referred to hereafter as the 'Company') and the entities it controlled at the end of, or during, the year ended 31 July 2024.

Directors

The following persons were Directors of Toys "R" Us ANZ Limited during or since the end of the year:

Kelly Humphreys - Chair and Independent Non-Executive Director (appointed 5 October 2023 and Chair effective 21 December 2023);

Teresa Smith - Independent Non-Executive Director (appointed on 1 April 2024)

John Tripodi - Independent Non-Executive Director

Kevin Moore - Independent Non-Executive Director (Chair until 21 December 2023, resigned on 1 April 2024)

Silvio Salom - Independent Non-Executive Director (resigned on 2 January 2024)

Penny Cox - Chief Executive Officer (and Managing Director from 24 August 2023 to 18 October 2023)

Principal activities

Toys "R" Us ANZ Limited is an Australian based listed company with a vision to enrich the lives of people by encouraging exploration, creativity and living life more fully through the enjoyment of toys, hobbies, art and craft.

Dividends

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

Review of operations

Financial results

	31 July 2024 \$'000	31 July 2023 \$'000	Change %
Revenue from continuing operations	7,668	21,642	(64.6%)
EBITDA from continuing operations	(6,080)	(9,510)	(36.1%)
Profit/(Loss) before Tax from continuing operations	(11,818)	(26,107)	(54.7%)
Net profit/(loss) after tax from continuing operations	(11,501)	(25,791)	(55.4%)
Basic EPS (cents) from continuing operations	(11.24)	(29.89)	(62.4%)
ROE ¹	283.9%	(183.1%)	255.0%
Net cash balance/(Net debt)	(17,496)	(10,845)	61.3%
Gearing ²	(119.9%)	830.7%	(114.4%)

(1) NPAT/average shareholder equity.

(2) Debt/shareholder equity.

The Group's statutory loss after income tax for the year ended 31 July 2024 was \$19.4 million (2023: Loss after income tax \$32.7 million).

Operating Results

During FY2024, the Group achieved Sales Revenues of \$17.4 million (\$7.7 million from continuing operations, \$9.8 million from discontinued operations) as compared to \$37.3 million in the previous comparative period (\$21.6 million from continuing operations, \$15.7 million from discontinued operations). During FY24, the reduction in revenue compared to the previous year, in part, was due to a strategic decision to cutback unprofitable sales and focus on higher-margin customers and orders. In H2, the Company completed the exit from the unsustainable UK market, allowing for a refocus of resources on more promising opportunities, and discharging debt obligations from this business.

As laid out in the Financial Report for FY23, the Company has been focused on initiatives that drive the business towards profitability: reduction of operating costs, focus on margin improvement, exiting the UK business, clearing of the aged inventory, and upgrade of business systems, all which have been achieved in FY24.

At the beginning of FY24, Toys "R" Us ANZ Limited welcomed a new CEO, Penny Cox, marking the start of a significant transformation in the Company's leadership and strategic direction. The CEO has since recruited a fresh leadership team, bringing in new perspectives and expertise. The Board also appointed a new Chair, Kelly Humphreys, and a new board member, Teresa Smith. The refreshed Board and management team has worked together to deliver significant progress in the turnaround of The Company.

Aggressive cost-rationalisation reduced operating costs by approximately \$6.0 million from FY23, delivering a more stable and scalable cost base. The Company's focus on clearing aged inventory and optimizing inventory management for new products, while impacting short-term profitability in FY24, has set the stage for improving margins.

The acquisition of RIOT Art and Craft in H2 has strengthened the House of Brands business model. Integration of RIOT into the TOY operation was completed swiftly and affordably, meaning synergies between the brands have been realised almost immediately, with minimal additional cost.

Importantly, overall gross margin in the ANZ B2C business grew from 16% in H1 to 33% in the second half of the year, indicating that the implemented strategies are beginning to yield positive results.

Overall, EBITDA losses narrowed, despite significantly lower revenues and a challenging macro-economic environment. With the new right-sized cost base, the Company is well positioned to grow profitably in future.

Outlook and Strategic Plan

The Company's efforts in FY24 were guided by three strategic pillars with notable progress made in each area, and provide a clear roadmap for progression on each in FY25 and beyond.

House of Brands:

- Successfully acquired the assets of RIOT Art and Craft, expanding the product offering and strengthening the Company's position in the creative play, and art and craft segments.
- Continued investment in core brands, with a particular focus on optimising product ranges in the Toys "R" Us and RIOT Brands
- FY25 and Beyond: Rebuild healthy inventory levels across all brands, new product development including Private Label

New Channels to Market:

- Technical groundwork has been laid in FY24 to support a wider variety of channels to market
- FY25 and Beyond: Continued focus on growing existing and adding new online shopping methods, including expansion of drop-shipping and introduction of click and collect.
- Expansion via RIOT's existing wholesale channel to diversify revenue streams and bring in new types of customers such as schools and childcare centres.

Operational Excellence:

- Significantly reduced overheads by renegotiating key contracts and right-sizing the cost base to better align with current operations and future goals. Aggressive cost-cutting and efficiency-enhancing measures reduced operating costs by \$4.4 million (34%), which excludes the savings on the partial surrender of the Clayton lease.
- Continued rebuilding of the technology and data stack to support scalability and leverage data for stronger marketing initiatives. Migration to Shopify for all websites has improved conversion rates and provided a more scalable platform.
- Enhanced measurement of operational KPIs and effectiveness to drive data-informed decision-making.
- The Company maintains an active database of over 1.3 million loyal customers, which has grown with the acquisition of RIOT.
- FY25 and Beyond: Continue to deliver an excellent customer experience to all customers. The Company's automated fulfilment centre ships orders on the same-business-day if ordered before 2pm, and CSAT Scores (our measure of customer satisfaction) have been consistently above benchmark of 4.5 (out of 5).

The Company maintains its goal to grow its market share in Toys and Hobbies to 5% over the next three years, this remains firmly in sight given the strong foundation laid in FY24. While challenges remain, the significant steps taken this year have positioned Toys "R" Us ANZ Limited for a stronger future. The Company is now more agile and better equipped to respond to market demands, setting the stage for improved performance and increased value creation for customers, partners, and shareholders alike.

Funding and Capital Developments

Since the half year, the Group has successfully raised new capital and funding from a convertible securities facility, a summary is below:

- **Up to \$4.2 million Additional Funding from Mercer Street Global Fun**

Following their initial equity investment of \$200,000, plus the provision of an unsecured \$600,000 Loan, US-based Investment Fund Mercer has agreed to provide up to a further \$4.2 million in funding via Convertible Securities subject to the mutual agreement of the parties and subject to shareholder approval being provided.

- **TRUK loan Facility**

Under the Exit Agreements the Company will transfer ownership of all UK business assets to TRUK in settlement of its US\$1.8 million outstanding loan balance, which TRUK provided to support the transition of the UK business. TRUK has agreed to release the Group from all remaining liabilities and obligations.

- **Private Placement of \$0.6 million**

In February 2024, the Group raised \$550,000 through a placement to new and existing institutional and sophisticated investors.

- **Successful Completion of \$2.49 million Placement**

On 9 July 2024, The Group announced it had secured \$2.49 million through a placement to new and existing institutional and sophisticated investors. This placement was subject to shareholder approval, which was received on 23 August 2024.

Significant changes in the state of affairs

Apart from the developments outlined above, there were no significant changes in the state of affairs of the group during the financial year ended 31 July 2024.

Matters subsequent to the end of the financial year

On 23 August 2024, the shareholders approved the drawdown of up to \$2.715 million from the convertible securities facility, subject to further agreement between the parties.

On 23 August 2024, the Group raised \$2.49 million through a placement to new and existing institutional and sophisticated investors.

On 20 September 2024, the Company received a letter from the lender waiving the requirement to comply with the financial covenants of the facility agreement for the period ended 31 July 2024.

No other matter or circumstance has arisen since 31 July 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

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

Information on Directors

Name:	Kelly Humphreys
Title:	Chair and Independent Non-Executive Director (appointed 5 October 2023 and Chair effective 21 December 2023)
Experience and expertise:	Ms Humphreys is an experienced ASX director, currently serving as Chair of Raiz Invest Limited (ASX: RZI) and Non-Executive Director and Chair of Audit, Risk and Finance Committees on the Boards of The National Stock Exchange (ASX: NSX) and Latrobe Health Services. Prior to her board career, Ms Humphreys had an extensive senior executive career in insurance and lending and has deep technical expertise in operations, risk management and governance. She brings a strong commercial approach to achieving objectives in complex regulatory environments and demonstrated ability in engaging stakeholders and working effectively to deliver business growth and improved performance. Ms Humphreys holds a Master of Management, a Diploma of Financial Services and is a fellow member of the Australian Institute of Company Directors. National Stock Exchange of Australia (ASX: NSX), Raiz Invest (ASX: RZI) Victory Office Limited (ASX: VOL) from 1 December 2021 to 23 May 2022
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	350,000
Interests in options:	None
Interests in rights:	818,182
Name:	Teresa Smith
Title:	Independent Non-Executive Director (appointed 1 April 2024)
Experience and expertise:	Ms Smith was appointed as a Director to fill a casual vacancy with effect from 1 April 2024. As her appointment will terminate at the end of the Annual General Meeting, she submits herself for election by Shareholders. Ms Smith is highly skilled in building and enhancing brand equity, with a proven track record in structuring and empowering teams to achieve impactful results. She is recognised as an expert in multi-channel marketing, adept at developing and executing comprehensive strategies that drive brand awareness and foster deep customer engagement. Ms Smith is the former Head of Marketing at Country Road Group, former Brand Manager and Digital Marketing Manager at Bunnings and is currently a Non-Executive Deputy Chair of the Yea & District Memorial Hospital, and Non-Executive Director of Urban Camp.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	None
Interests in options:	None
Interests in rights:	None

Name:	John Tripodi
Title:	Independent Non-Executive Director
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'Oréal Group.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Audit and Risk Committee
Interests in shares:	147,444
Interests in options:	None
Interests in rights:	868,182

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

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Kim Larkin is the Company Secretary of the Group. Kim is the Head of Corporate Services for Boardroom Pty Limited's Queensland office and currently acts as Company Secretary for various ASX listed and unlisted companies in Australia. Kim is an experienced business professional with 23 years' experience in banking and finance and six years as in-house Company Secretary of an ASX 300 company prior to joining Boardroom in April 2013.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 31 July 2024, and the number of meetings attended by each director were:

	Board of Directors		Remuneration & Nomination Committee*	Remuneration & Nomination Committee	Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Kelly Humphreys	33	33	-	-	1	1
Teresa Smith	16	16	-	-	1	1
John Tripodi	36	36	2	2	4	4
Kevin Moore	19	20	2	2	3	3
Silvio Salom	8	8	2	2	2	2
Penny Cox	2	2	-	-	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

* The Remuneration & Nomination Committee is part of the full board and not a separate committee from 16 May 2024.

Remuneration report (audited)

The Directors present the Remuneration report for the Group and its controlled entities for the year ended 31 July 2024. 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 Senior Executives who have authority and responsibility for planning, directing and controlling the activities of the Group.

Remuneration policy

The remuneration policy has been designed to align KMP objectives with the Company's strategy, culture and performance. The aim of the remuneration policy is to attract, retain and motivate KMP to sustainably manage and grow the business. Senior Executive remuneration packages include a balance of fixed remuneration and may also include, short term cash incentives and long-term equity incentives based on key performance areas. The framework endeavours to align executive reward with market conditions and creating shareholder value.

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 in line with market and 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 Directors reflects the demands and responsibilities of their role. Director remuneration is reviewed on an annual basis by the Remuneration and Nomination Committee. Compensation for Directors comprises both fixed compensation and an "at risk" component and may include share based payments.

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 (in the form of cash bonus) 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 Senior 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, Senior Executives and shareholders. The performance conditions are assessed periodically by the Remuneration & Nomination Committee to ensure they remain relevant.

The Remuneration & Nomination Committee is part of the full Board and not a separate committee from 16 May 2024.

Compensation and Company performance

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

Details of remuneration

Fixed compensation

The terms of employment for all Senior Executives is based on a fixed compensation component. 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. Senior Executive's compensation may also be 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 Senior Executive as a mix of cash and prescribed non-financial benefits at the Senior 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.

Voting and comments made at the Company's 2023 Annual General Meeting ('AGM')

At the 2023 AGM, 98.76% of the votes received supported the adoption of the remuneration report for the year ended 31 July 2023. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

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

	Year Ended 31-Jul-24	Year Ended 31-Jul-23	Year Ended 31-Jul-22	Year Ended 31-Jul-21	Year Ended 31-Jul-20
Post Share Consolidation					
NPAT (\$'000)	(19,393)	(32,658)	(24,759)	(3,113)	(9,313)
Basic EPS (Cents)	(18.94)	(37.84)	(28.90)	(4.80)	(39.40)
Diluted EPS (Cents)	(18.94)	(37.84)	(28.90)	(4.80)	(39.40)
Total Dividends (\$'000)	-	-	-	-	-
Year End Share Price (\$)	0.10	0.11	0.61	1.60	0.22
Shares on Issue (No.)	115,690,728	86,308,667	86,186,118	84,835,886	24,040,408
Market Capitalisation (\$'000)	11,569	9,494	52,574	135,737	5,289

Remuneration of Key Management Personnel

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

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total \$
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	AL /LSL & Termin. Payout	Shares Rights	Share Options	
31 July 2024	\$	\$	\$	\$	\$	\$	\$	\$
<i>Directors:</i>								
Kelly Humphreys (i)	68,750	-	-	6,038	-	17,500	-	92,288
Teresa Smith (ii)	21,666	-	-	2,492	-	-	-	24,158
John Tripodi	65,000	-	-	7,312	-	17,500	-	89,812
Kevin Moore (iii)	70,000	-	-	7,813	-	-	-	77,813
Silvio Salom (iv)	31,146	-	-	3,426	-	-	-	34,572
<i>Executives:</i>								
Penny Cox (v)	395,897	-	-	32,715	-	31,111	-	459,723
Wei Si (vi)	35,000	52,500	-	9,625	16,806	-	-	113,931
Lian Yu (vii)	115,909	57,955	-	19,125	-	-	-	192,989
	<u>803,368</u>	<u>110,455</u>	<u>-</u>	<u>88,546</u>	<u>16,806</u>	<u>66,111</u>	<u>-</u>	<u>1,085,286</u>

- (i) Appointed 5 October 2023, and Chair effective 21 December 2023.
- (ii) Appointed 1 April 2024.
- (iii) Resigned 1 April 2024.
- (iv) Resigned 2 January 2024.
- (v) Appointed as CEO from 23 August 2023, and managing director from 24 August 2023 to 18 October 2023.
- (vi) Appointed as CFO on 31 March 2022, resigned 29 September 2023.
- (vii) Resigned 9 February 2024.

	Short-term benefits		Post-employment benefits	Other long-term employee benefits	Share-based payments			Total
	Cash salary and fees	Cash bonus	Super-annuation	Long service leave	Termination Benefits	Shares	Share Options	
31 July 2023	\$	\$	\$	\$	\$	\$	\$	\$
<i>Directors:</i>								
Kevin Moore (iv)	137,500	-	12,388	-	-	-	16,385	166,273
Louis Mittoni (ii)	374,515	26,250	27,500	-	278,419	-	-	706,684
Nicki Anderson (i)	5,000	-	525	-	-	62,500	-	68,025
John Tripodi	64,417	-	6,791	-	-	-	30,000	101,208
Silvio Salom (iii)	43,333	-	4,577	-	-	-	-	47,910
<i>Executives:</i>								
Wei Si	200,833	10,000	22,225	3,556	-	-	-	236,614
Lian Yu	240,734	15,000	24,913	4,186	-	-	32,406	317,239
	<u>1,066,332</u>	<u>51,250</u>	<u>98,919</u>	<u>7,742</u>	<u>278,419</u>	<u>62,500</u>	<u>78,791</u>	<u>1,643,953</u>

- (i) Appointed 25 October 2018, resigned 31 August 2022.
- (ii) Appointed 26 November 2020, resigned 27 July 2023.
- (iii) Appointed 11 November 2022.
- (iv) Interim CEO & Executive Chair appointed 15 May and resigned 20 July 2023.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		Remuneration linked to performance*	
	31 July 2024	31 July 2023	31 July 2024	31 July 2023
<i>Non-Executive Directors:</i>				
Kelly Humphreys	100.0%	-	-	-
Teresa Smith	100.0%	-	-	-
John Tripodi	100.0%	100.0%	-	-
Kevin Moore	100.0%	100.0%	-	-
Silvio Salom	100.0%	100.0%	-	-
Louis Mittoni	-	96.3%	-	3.7%
Nicki Anderson	-	100.0%	-	-
<i>Other Key Management Personnel:</i>				
Wei Si	53.9%	95.8%	46.1%	4.2%
Lian Yu	70.0%	95.3%	30.0%	4.7%
Penny Cox	100.0%	-	-	-

* Represents cash bonus.

Short term incentives

In FY24, STI payments made in the form of cash bonus were \$110,455 (2023: \$51,250). During the year, 100% of the eligible cash bonus was paid.

Long term incentives

In FY24, LTI payments of \$66,111 were made in the form of share rights (2023: share options \$78,791).

Service agreements

Remuneration and other terms of appointment and employment for the Chair, Executive Director, Non-Executive Directors and the other Senior Executives are formalised in service agreements/employment letters. In the case of the Executive Director and Senior 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 KMP.

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

Name: Kelly Humphreys
Title: Chair and Independent Non-Executive Director
(appointed 5 October 2023 and Chair effective 21 December 2023)
Term of agreement: Full-time and no specific term.
Details: Payment of a termination benefit on early termination by the employer is not applicable.

Name: Teresa Smith
Title: Independent Non-Executive Director
(appointed 1 April 2024)
Agreement commenced: Full-time and no specific term.
Details: Payment of a termination benefit on early termination by the employer is not applicable.

Name: John Tripodi
Title: Independent Non-Executive Director
Term of agreement: Full-time permanent and no specific term.
Details: Payment of a termination benefit on early termination by the employer is not applicable.

Name: Kevin Moore
Title: Independent Non-Executive Director
(Chair until 21 December 2023, resigned on 1 April 2024)
Term of agreement: Full-time and no specific term.
Details: Payment of a termination benefit on early termination by the employer is not applicable.

Name: Silvio Salom
Title: Independent Non-Executive Director (resigned on 2 January 2024)
Term of agreement: Full-time permanent and no specific term.
Details: Payment of a termination benefit on early termination by the employer is not applicable.

Name: Penny Cox
Title: Chief Executive Officer and (Managing Director from 24 August 2023 to 18 October 2023)
Term of agreement: Full-time permanent and no specific term.
Details: 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.

Name: Wei Si
Title: Chief Financial Officer (resigned on 29 September 2023)
Term of agreement: Full-time permanent and no specific term.
Details: 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.

Name:	Lian Yu
Title:	Chief Operating Officer
Term of agreement:	Full-time permanent and no specific term.
Details:	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.

The Board has considered what constitutes independence of Directors and assesses the materiality of Directors interests, positions, associations or relationships on a case-by-case basis to determine whether it might influence, or reasonably be perceived to influence, in a material respect, the capacity to apply independent judgment on matters that come before the Board and to act in the best interest of the Company. All Directors are noted as being independent from the date of their appointment. Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

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.

Issue of shares

There were no shares issued to Directors and other key management personnel as part of compensation during the year ended 31 July 2024.

Options

There were no options over ordinary shares issued to Directors and other key management personnel as part of compensation that were outstanding as at 31 July 2024.

There were no options over ordinary shares granted to or vested by Directors and other key management personnel as part of compensation during the year ended 31 July 2024.

Service rights

The terms and conditions of each grant of service rights over ordinary shares affecting remuneration of Directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of rights granted ¹	Grant date	Vesting date And exercisable date	Expiry date	Exercise price	Fair value per right at grant date ¹
Kelly-Anne Humphreys	272,727	27/12/2023	27/12/2024	27/12/2025	-	\$0.1100
Kelly-Anne Humphreys	272,727	27/12/2023	27/12/2025	27/12/2026	-	\$0.1100
Kelly-Anne Humphreys	272,727	27/12/2023	27/12/2026	27/12/2027	-	\$0.1100
John Anthony Tripodi	272,727	27/12/2023	27/12/2024	27/12/2025	-	\$0.1100
John Anthony Tripodi	272,727	27/12/2023	27/12/2025	27/12/2026	-	\$0.1100
John Anthony Tripodi	272,727	27/12/2023	27/12/2026	27/12/2027	-	\$0.1100
Silvio Salom ²	272,727	27/12/2023	27/12/2024	27/12/2025	-	\$0.1100
Silvio Salom ²	272,727	27/12/2023	27/12/2025	27/12/2026	-	\$0.1100
Silvio Salom ²	272,727	27/12/2023	27/12/2026	27/12/2027	-	\$0.1100

¹The service rights numbers, share price and fair value are post consolidation of shares (1:10).

²lapsed during the year due to failure to meet vesting conditions

Service rights granted carry no dividend or voting rights.

Appreciation rights

The terms and conditions of each grant of appreciation rights over ordinary shares affecting remuneration of Directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of rights granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per right at grant date ¹
Penny Cox	484,848	27/12/2023	1/09/2024	27/12/2028	-	\$0.1100
Penny Cox	484,848	27/12/2023	1/09/2025	27/12/2028	-	\$0.1100
Penny Cox	484,848	27/12/2023	1/09/2026	27/12/2028	-	\$0.1100

The appreciation rights numbers, share price and fair value are post consolidation of shares (1:10).

Appreciation rights granted carry no dividend or voting rights.

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

The number of shares in the Company held during the financial year by each Director and other members of key management personnel of the Group, including their personally related parties, is set out below:

Year ended	Balance at the start of the year	Shares purchased on market	Shares issued as Remuneration	Others	Balance at the end of the year
31 July 2024					
<i>Ordinary shares</i>					
Kelly Humphreys	-	350,000	-	-	350,000
John Tripodi	11,080	-	-	136,364	147,444
Kevin Moore (i)	403,246	-	-	(403,246)	-
Silvio Salom (ii)	2,482,500	-	-	(2,482,500)	-
Penny Cox (iii)	-	-	-	1,063,830	1,063,830
	<u>2,896,826</u>	<u>350,000</u>	<u>-</u>	<u>(1,685,552)</u>	<u>1,561,274</u>

The ordinary shares numbers are post consolidation of shares (1:10).

(i) Resigned 1 April 2024

(ii) Resigned 2 January 2024

(iii) Appointed as CEO from 23 August 2023, and managing director from 24 August 2023 to 18 October 2023.

Year ended	Balance at the start of the year	Shares purchased on market	Shares issued as remuneration	Others	Balance at the end of the year
31 July 2023					
<i>Ordinary shares</i>					
Kevin Moore	302,746	100,500	-	-	403,246
Louis Mittoni (i)	29,145,582	-	-	(29,145,582)	-
John Tripodi	11,080	-	-	-	11,080
Nicki Anderson (ii)	107,547	-	122,549	(230,096)	-
Silvio Salom (iii)	-	-	-	2,482,500	2,482,500
	<u>29,566,955</u>	<u>100,500</u>	<u>122,549</u>	<u>(26,893,178)</u>	<u>2,896,826</u>

The ordinary shares numbers are post-consolidation of shares (1:10).

(i) Resigned 27 July 2023

(ii) Resigned 31 August 2022

(iii) Appointed on 11 November 2022

Share options

The number of options over ordinary shares in the Company held during the financial year by each Director and other members of key management personnel of the Group, including their personally related parties, is set out below:

The tables below include balances for unlisted options.

Year ended	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
31 July 2024					
<i>Options over ordinary shares</i>					
Kevin Moore (i)	511,447	-	-	(511,447)	-
Lian Yu	169,196	-	-	-	169,196
	<u>680,643</u>	<u>-</u>	<u>-</u>	<u>(511,447)</u>	<u>169,196</u>

The share options numbers are post consolidation of shares (1:10).

(i) Resigned on 1 April 2024

The ordinary shares numbers are post consolidation of shares (1:10).

Year ended	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
31 July 2023					
<i>Options over ordinary shares</i>					
Kevin Moore	338,829	172,618	-	-	511,447
Louis Mittoni (i)	1,694,146	863,086	-	(2,557,232)	-
Executives	-	-	-	-	-
Lian Yu	169,196	-	-	-	169,196
	<u>2,202,171</u>	<u>1,035,704</u>	<u>-</u>	<u>(2,557,232)</u>	<u>680,643</u>

The share options numbers are post consolidation of shares (1:10).

(i) Resigned on 27 July 2023, share options was forfeited upon resignation

Service Rights

The number of performance rights over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

Year ended	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
31 July 2024					
<i>Service rights over ordinary shares</i>					
Kelly-Anne Humphreys	-	818,182	-	-	818,182
John Tripodi	50,000	818,182	-	-	868,182
	<u>50,000</u>	<u>1,636,364</u>	<u>-</u>	<u>-</u>	<u>1,686,364</u>

The service rights numbers are post consolidation of shares (1:10).

Year ended	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
31 July 2023					
<i>Service rights over ordinary shares</i>					
Nicki Anderson	50,000	-	(34,749)	(15,251)	-
John Tripodi	50,000	-	-	-	50,000
	<u>100,000</u>	<u>-</u>	<u>(34,749)</u>	<u>(15,251)</u>	<u>50,000</u>

The service rights numbers are post consolidation of shares (1:10).

Share Appreciation Rights

The number of share appreciation rights over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

Year ended 31 July 2024	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
<i>Share appreciation rights over ordinary shares</i>					
Penny Cox	-	1,454,545	-	-	1,454,545
	-	1,454,545	-	-	1,454,545

The share appreciation rights numbers are post consolidation of shares (1:10).

Other statutory disclosures

Loans to key management personnel and their related parties

During FY24 and to the date of this report, the Group made no loans to Directors and other KMP. As at 31 July 2024, Louis Mittoni owed the Company \$Nil (2023: \$28,575) related to personal expenses incurred on a company credit card.

Transactions with Key Management Personnel

During FY24 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.

Shares under option

Unissued ordinary shares of Toys "R" Us ANZ Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option ¹
23-Nov-20	1-Nov-25	\$1.9900	172,618
23-Nov-20	1-Nov-24	\$1.6600	169,672
1-May-21	1-May-25	\$1.3800	169,196
31-May-24	31-May-27	\$0.1162	5,593,804
			<u>6,105,290</u>

¹Post consolidation of shares (1:10).

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares under service rights

Unissued ordinary shares of Toys "R" Us ANZ Limited under performance rights at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under rights ¹
23-Nov-20	10-Dec-26	\$1.8000	50,000
27-Dec-23	11-Dec-24	\$0.1100	545,454
27-Dec-23	11-Dec-25	\$0.1100	545,454
27-Dec-23	11-Dec-26	\$0.1100	545,456
			1,686,364

¹Post consolidation of shares (1:10).

No person entitled to exercise the service rights had or has any right by virtue of the service right to participate in any share issue of the Company or of any other body corporate.

Shares under share appreciation rights

Unissued ordinary shares of Toys "R" Us ANZ Limited under retention rights at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under rights ¹
14-Oct-21	21-Sep-26	\$1.8000	8,001
27-Dec-23	27-Dec-28	\$0.1300	1,454,545
			1,462,546

¹Post consolidation of shares (1:10).

No person entitled to exercise the share appreciation rights had or has any right by virtue of the share appreciation right to participate in any share issue of the Company or of any other body corporate.

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.

Shares issued on the exercise of service rights

There were no ordinary shares of Toys "R" Us ANZ Limited issued on the exercise of service rights during the year ended 31 July 2024 and up to the date of this report.

Shares issued on the exercise of share appreciation rights

There were no ordinary shares of Toys "R" Us ANZ Limited issued on the exercise of share appreciation rights during the year ended 31 July 2024 and up to the date of this report.

Indemnity 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 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 237 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 29 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 29 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.

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 29 to the financial statements.

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 page 18.

Auditor

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

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors



Kelly Humphreys
Chair

30 September 2024

For personal use

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 Limited and its controlled entities for the year ended 31 July 2024, 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 AUSTRALIA PARTNERS



R J MORILLO MALDONADO
Partner

Dated: 30 September 2024
Melbourne, Victoria

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General information

The financial statements cover Toys "R" Us ANZ Limited as a Group consisting of Toys "R" Us ANZ Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars., which is Toys "R" Us ANZ Limited's functional and presentation currency.

Toys "R" Us ANZ Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Level 8, 210 George Street
Sydney, NSW 2000

Principal place of business

Unit 3, 45-49 McNaughton Road
Clayton, VIC 3168

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 30 September 2024.

Toys "R" Us ANZ Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 July 2024



		Consolidated	
	Note	31 July 2024 \$'000	31 July 2023 \$'000
Revenue from continuing operations			
Revenue from contracts with customers	4	7,668	21,642
Cost of goods sold		<u>(5,630)</u>	<u>(18,819)</u>
Gross profit		<u>2,038</u>	<u>2,823</u>
Other Income	5	469	344
Expenses			
Administration expense		(2,432)	(2,458)
Employee benefits expense	5	(3,430)	(4,748)
Marketing and selling expenses		(2,203)	(4,167)
Warehouse and distribution expenses		<u>(522)</u>	<u>(1,304)</u>
Total expenses		<u>(8,587)</u>	<u>(12,677)</u>
Earnings before interest, taxation, depreciation and amortisation (EBITDA)		(6,080)	(9,510)
Finance income		64	7
Depreciation and amortisation expense	5	(3,036)	(2,915)
Impairment of goodwill		-	(11,128)
Finance costs	5	<u>(2,766)</u>	<u>(2,561)</u>
Loss before income tax benefit from continuing operations		(11,818)	(26,107)
Income tax benefit	6	<u>317</u>	<u>316</u>
Loss after income tax benefit from continuing operations		(11,501)	(25,791)
Loss after income tax expense from discontinued operations	7	<u>(7,892)</u>	<u>(6,867)</u>
Loss after income tax benefit for the year		(19,393)	(32,658)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>(400)</u>	<u>(234)</u>
Other comprehensive loss for the year, net of tax		<u>(400)</u>	<u>(234)</u>
Total comprehensive loss for the year		<u><u>(19,793)</u></u>	<u><u>(32,892)</u></u>
Total comprehensive loss for the year is attributable to:			
Continuing operations		(11,501)	(25,791)
Discontinued operations		<u>(8,292)</u>	<u>(7,101)</u>
		<u><u>(19,793)</u></u>	<u><u>(32,892)</u></u>

Toys "R" Us ANZ Limited
 Consolidated Statement of profit or loss and other comprehensive income
 For the year ended 31 July 2024



	Note	Cents	Cents
Loss per share from continuing operations			
Basic loss per share	41	(11.24)	(29.89)
Diluted loss per share	41	(11.24)	(29.89)
Loss per share from discontinued operations			
Basic loss per share	41	(7.72)	(7.95)
Diluted loss per share	41	(7.72)	(7.95)
Loss per share			
Basic loss per share	41	(18.96)	(37.84)
Diluted loss per share	41	(18.96)	(37.84)

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

Toys "R" Us ANZ Limited
Consolidated statement of financial position
As at 31 July 2024



	Note	Consolidated	
		31 July 2024 \$'000	31 July 2023 \$'000
Assets			
Current assets			
Cash and cash equivalents	8	708	1,766
Trade and other receivables	9	-	837
Inventories	10	594	4,905
Other assets	12	905	208
		<u>2,207</u>	<u>7,716</u>
Assets of disposal group classified as held for sale	13	16	3,119
Total current assets		<u>2,223</u>	<u>10,835</u>
Non-current assets			
Property, plant and equipment	14	2,023	2,767
Right-of-use assets	11	8,186	11,167
Goodwill and other intangibles	15	2,837	6,899
Other assets	12	2,756	2,935
Total non-current assets		<u>15,802</u>	<u>23,768</u>
Total assets		<u>18,025</u>	<u>34,603</u>
Liabilities			
Current liabilities			
Trade payables	16	1,871	3,405
Contract liabilities/deferred revenue		66	114
Borrowings	17	14,838	12,084
Lease liabilities	18	564	576
Derivative financial instruments	19	505	-
Employee benefits	20	233	460
Provisions		222	280
Contingent consideration	21	210	-
Other current liabilities	23	1,779	2,044
		<u>20,288</u>	<u>18,963</u>
Liabilities directly associated with assets classified as held for sale	24	3,128	1,565
Total current liabilities		<u>23,416</u>	<u>20,528</u>
Non-current liabilities			
Borrowings	17	390	526
Lease liabilities	18	8,728	11,284
Deferred tax	6	421	738
Employee benefits	20	-	9
Contingent consideration	21	252	-
Total non-current liabilities		<u>9,791</u>	<u>12,557</u>
Total liabilities		<u>33,207</u>	<u>33,085</u>
Net assets/(liabilities)		<u>(15,182)</u>	<u>1,518</u>
Equity			
Issued capital	25	295,540	292,920
Reserves		549	476
Accumulated losses		(311,271)	(291,878)
Total equity/(deficiency)		<u>(15,182)</u>	<u>1,518</u>

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

Toys "R" Us ANZ Limited
Consolidated statement of changes in equity
For the year ended 31 July 2024



Consolidated	Issued capital \$'000	Equity-settled employee benefits Reserve \$'000	Convertible note options reserve \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 August 2022	292,965	2,121	-	20	(260,958)	34,148
Loss after income tax benefit for the year	-	-	-	-	(32,658)	(32,658)
Other comprehensive loss for the year, net of tax	-	-	-	(234)	-	(234)
Total comprehensive loss for the year	-	-	-	(234)	(32,658)	(32,892)
<i>Transactions with owners in their capacity as owners:</i>						
Purchase of unmarketable parcels	(107)	-	-	-	-	(107)
Issue of stock warrants	-	113	-	-	-	113
Issue of options	-	131	-	-	-	131
Options forfeited/cancelled	-	(1,738)	-	-	1,738	-
Issue of share appreciation/service rights (net)	62	57	-	-	-	119
Issue of employee options	-	6	-	-	-	6
Balance at 31 July 2023	<u>292,920</u>	<u>690</u>	<u>-</u>	<u>(214)</u>	<u>(291,878)</u>	<u>1,518</u>

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

Toys "R" Us ANZ Limited
Consolidated statement of changes in equity
For the year ended 31 July 2024



Consolidated	Issued capital \$'000	Equity settled Employee benefits Reserve \$'000	Convertible note options reserve \$'000	Foreign currency translation Reserve \$'000	Accumulated Losses \$'000	Total deficiency in equity \$'000
Balance at 1 August 2023	292,920	690	-	(214)	(291,878)	1,518
Loss after income tax benefit for the year	-	-	-	-	(19,393)	(19,393)
Other comprehensive loss for the year, net of tax	-	-	-	(400)	-	(400)
Total comprehensive loss for the year	-	-	-	(400)	(19,393)	(19,793)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of ordinary shares, net of issue cost	1,260	-	-	-	-	1,260
Sale of unmarketable parcels	55	-	-	-	-	55
Share issue for conversion of convertible note	655	-	-	-	-	655
Share-based payments	-	176	-	-	-	176
Shares issued for Riot Acquisition	350	-	-	-	-	350
Share issued to Penny Cox - conversion of Loan	100	-	-	-	-	100
Shares and options issued pursuant to the convertible note facility	200	-	297	-	-	497
Balance at 31 July 2024	<u>295,540</u>	<u>866</u>	<u>297</u>	<u>(614)</u>	<u>(311,271)</u>	<u>(15,182)</u>

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

Toys "R" Us ANZ Limited
Consolidated statement of cash flows
For the year ended 31 July 2024



		Consolidated	
	Note	31 July 2024	31 July 2023
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		20,283	40,542
Receipts from other income (including government grants)		-	347
Payments to suppliers (inclusive of GST) and employees		<u>(26,517)</u>	<u>(50,906)</u>
Cash utilised in operations		(6,234)	(10,017)
Interest and other finance costs paid		(1,772)	(2,448)
Other income received		<u>469</u>	<u>-</u>
Net cash used in operating activities	38	<u>(7,537)</u>	<u>(12,465)</u>
Cash flows from investing activities			
Payment for acquisition of business	34	(300)	-
Payments for property, plant and equipment	14	(5)	(1,014)
Payments for intangible assets	15	(292)	-
Interest and other investment income received		64	56
Proceeds from disposal of property, plant and equipment		-	9
Proceeds from disposal of intangibles		-	(16)
Proceeds from refund of security deposits		<u>179</u>	<u>828</u>
Net cash used in investing activities		<u>(354)</u>	<u>(137)</u>
Cash flows from financing activities			
Proceeds from issue of shares	25	2,118	-
Proceeds from issue of convertible notes (net of transaction costs)		1,396	-
Proceeds from borrowings		4,256	2,610
Share issue transaction costs		(149)	-
Repayment of lease liabilities		(795)	(673)
Payments for buyback of unmarketable parcels		<u>-</u>	<u>(107)</u>
Net cash from financing activities		<u>6,826</u>	<u>1,830</u>
Net decrease in cash and cash equivalents		(1,065)	(10,772)
Cash and cash equivalents at the beginning of the financial year		1,766	12,538
Effects of exchange rate changes on cash and cash equivalents		<u>7</u>	<u>-</u>
Cash and cash equivalents at the end of the financial year	8	<u><u>708</u></u>	<u><u>1,766</u></u>

The above consolidated statement of cashflows include cashflow in relation to discontinued operations. Refer to note 7 for further details.

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

Note 1. Material accounting policy information

The accounting policies that are material to the Group are set out below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

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 discharge of liabilities in the normal course of business.

As disclosed in the financial report, the Group has incurred a net loss after income tax of \$19.4 million and has cash outflows from operating activities of \$7.5 million for year ended 31 July 2024, and as of that date, the group's current liabilities exceeded its current assets by \$21.2 million and group's total liabilities exceeded total assets by \$15.2 million.

These factors indicate a material uncertainty which may cast significant doubt as to whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe that there are reasonable grounds to believe that the Group will be able to continue as a going concern, after consideration of the following factors:

- As disclosed in Note 37, in August 2024, the Company raised approximately \$2.49 million in capital from existing and new investors and intends to raise additional capital in the next 6-12 months;
- As disclosed in Note 37, in August 2024, shareholders approved the drawdown of up to \$2.715 million from the convertible securities facility, subject to further agreement between the parties;
- The ongoing strategic plan to 'right-size' the Australian business to significantly reduce operational costs and release working capital tied up to Lease Bond;
- Included in current liabilities is an amount of \$2.98 million of loan payable to TRU UK Kids, Inc. ("TRUK"), which has been agreed to be fully offset against the assets of the UK operations upon wind down of the UK entity, in satisfaction of all debts and liabilities owed to TRUK; and
- The budget and cashflow forecast prepared by the Group for the twelve-month period from the date of signing the financial statements, which are based on the Directors' estimates and assumptions about certain economic factors, and the operating and trading performance of the Group, support the Directors' assertion, and suggest that the Group has cash and other financial resources sufficient to support its operations for the relevant period.

Accordingly, the Directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the Group does not continue as a going concern.

New or amended Accounting Standards and Interpretations adopted

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

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for derivative financial instruments that have been measured at fair value.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Note 1. Material accounting policy information (continued)

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 33.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Toys "R" Us ANZ Limited ('Company' or 'parent entity') as at 31 July 2024 and the results of all subsidiaries for the year then ended. Toys "R" Us ANZ Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

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

The financial statements are presented in Australian dollars, which is Toys "R" Us ANZ Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars 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 financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Note 1. Material accounting policy information (continued)

Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

The Group generates the majority of its revenue from the sales of goods. Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

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

Income 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.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

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.

Note 1. Material accounting policy information (continued)

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

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 6 to the financial statements.

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 as a separate major line of business or geographical area of operations;
- is a 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.

The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income. 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.

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 includes cash on hand, deposits held 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 which are subject to an insignificant risk of changes in value.

Note 1. Material accounting policy information (continued)

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 allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring 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

Stock on hand is 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 purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated 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.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	3-5 years
Plant and equipment	3-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Note 1. Material accounting policy information (continued)

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. 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 date 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 or loss as incurred.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

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.

Licenses and trademarks

Significant costs associated with licenses and trademarks are amortised on a straight-line basis over the period of their expected benefit, being their finite life ranging from 3 to 20 years.

Customer database

Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Note 1. Material accounting policy information (continued)

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Contract liabilities

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

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Borrowings with variable equity conversion features

Upon initial recognition, the Directors assess borrowings with conversion clauses for fixed or variable conversion terms. Where terms are variable, at initial recognition an embedded derivative is recognised at fair value, and the difference received between the consideration received for the note and the fair value of the derivative is recognised in the underlying host (debt) contract.

Thereafter at each reporting date, the embedded derivative is reassessed at its fair value, with changes in fair value taken to the profit or loss. The underlying host contract is recognised at amortised cost.

Costs of issuing the convertible note are amortised over the life of the underlying host contract.

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 Group'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.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Note 1. Material accounting policy information (continued)

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable 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 the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. 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 high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

Note 1. Material accounting policy information (continued)

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

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.

Note 1. Material accounting policy information (continued)

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 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 ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 July 2024. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Revenue from contracts with customers involving sale of goods

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the Group is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Goodwill and other indefinite life intangible assets

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

The Group defines its cash generating units (CGU) as the smallest identifiable group of assets that generates cash inflows. Under this interpretation, for the purpose of impairment of goodwill, the Group has identified two CGUs, being the business to consumer (B2C) and business-to-business (B2B) CGUs. This goodwill was assessed for indicators of impairment and no indicators were present.

Recoverability of inventory

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

Intangible assets and goodwill

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

Software	3 years
Customer database	5 years
Patents	20 years
Trademarks	3-5 years
Licensed distribution agreements	1-20 years

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

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Valuation of conversion features attached to the convertible notes

The Group has issued convertible debt instruments that contain embedded conversion features. The debt component is valued based on discounting the contractual cash flows by the interest rate that would apply to an otherwise identical debt instrument with no conversion feature, which usually involves significant judgment in relation to identifying benchmark debt with similar features. The fair valuation of conversion features requires significant judgment due to the reliance on various assumptions and market variables.

The fair value of the conversion feature is determined using a Monte Carlo simulation model, which incorporates inputs such as the Company's stock price, volatility, risk-free interest rate, and expected terms until conversion. Changes in these inputs could result in significantly different fair value estimates. Management continually assesses market conditions and updates assumptions as required.

Note 3. Operating segments

Identification of reportable operating segments

Based on the internal reports reviewed by the Board of Directors and key management personnel (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 follows:

- B2C - direct-to-consumer sale of consumer products (toys, hobby and baby goods); and
- B2B – wholesaling and distribution of IT products.
- Corporate - relates to the corporate running costs of the Group

Pursuant to classification of B2B segment as a discontinued operation (see note 7), operating segment information from continuing operations have only been provided for B2C segment.

Intersegment transactions were made at market rates and are eliminated on consolidation. All intersegment balances are eliminated on consolidation. There were no intersegment transactions during the year or account balances at 31 July 2024.

The Directors have assessed that there are no major customers.

Operating segment information from continuing operations

Consolidated - ended 31 July 2024	B2C \$'000	Corporate \$'000	Total \$'000
Revenue			
Sales to external customers	7,668	-	7,668
Other income	-	469	469
Cost of goods sold	(5,630)	-	(5,630)
Other expenses	(7,417)	(1,170)	(8,587)
EBITDA	<u>(5,379)</u>	<u>(701)</u>	<u>(6,080)</u>

Note 3. Operating segments (continued)

Consolidated - ended 31 July 2023	B2C \$'000	Corporate \$'000	Total \$'000
Revenue			
Sales to external customers	21,642	-	21,642
Other revenue	-	344	344
Cost of goods sold	(18,819)	-	(18,819)
Other expenses	(10,618)	(2,059)	(12,677)
EBITDA	<u>(7,795)</u>	<u>(1,715)</u>	<u>(9,510)</u>

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

	Consolidated	
	31 July 2024	31 July 2023
EBITDA	(6,080)	(9,510)
Depreciation , amortisation and impairment expenses	(3,036)	(14,043)
Finance costs (net)	(2,702)	(2,554)
Loss before income tax expense from continuing operations	<u>(11,818)</u>	<u>(26,107)</u>
Income tax benefit	317	316
Loss after income tax expense from continuing operations	<u><u>(11,501)</u></u>	<u><u>(25,791)</u></u>

Depreciation, amortisation and impairment expenses by segment

	Consolidated	
	31 July 2024	31 July 2023
	\$'000	\$'000
B2C	1,581	12,692
Corporate	1,455	1,351
	<u>3,036</u>	<u>14,043</u>

Geographical information

The Group's revenue from continuing operations are generated in Australia.

The Group's non-current assets are situated in Australia. The geographical non-current assets below are exclusive of, where applicable, financial instruments.

	Consolidated	
	31 July 2024	31 July 2023
	\$'000	\$'000
B2C	3,598	4,100
B2B	-	4,067
Corporate	9,488	12,667
Total	<u><u>13,046</u></u>	<u><u>20,834</u></u>

Note 4. Revenue

Revenue	Consolidated	
	31 July 2024 \$'000	31 July 2023 \$'000
Continuing operations		
Revenues from contracts with customers		
Revenue from the sale of goods	7,329	21,562
Other revenue		
Other revenue	339	80
	<u>7,668</u>	<u>21,642</u>

Disaggregation of revenue

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

	Consolidated	
	31 July 2024 \$'000	31 July 2023 \$'000
<i>Operating segments</i>		
B2C	<u>7,668</u>	<u>21,642</u>
<i>Geographical regions</i>		
Australia	<u>7,668</u>	<u>21,642</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	<u>7,668</u>	<u>21,642</u>

Note 5. Profit/(loss) for the year

	Consolidated	
	31 July 2024	31 July 2023
	\$'000	\$'000
Loss before income tax from continuing operations includes the following specific expenses:		
<i>Depreciation</i>		
Property, plant and equipment	715	614
Right-of-use assets	1,207	1,085
Total depreciation	1,922	1,699
<i>Amortisation</i>		
Other intangible assets	1,114	1,215
Total depreciation and amortisation	3,036	2,914
<i>Employee benefit expense</i>		
Other employee benefits	3,074	4,259
Post-employment benefits – Defined contribution superannuation expense	292	361
Share-based payments	64	128
Total employee benefits expense	3,430	4,748
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	1,634	1,045
Interest and finance charges paid/payable on lease liabilities	857	1,053
Amortisation of interest on convertible notes	28	-
Other borrowing cost	247	463
Total Finance costs expenses	2,766	2,561
<i>Other income</i>		
Rental income from sub-lease of right-of-use assets	469	343

Cost of goods sold includes an amount of inventories recognized as an expense of \$6,831,000 (2023: \$17,819,000) and reversal of provision for stock obsolescence of \$1,201,000 (2023: expense of \$1,000,000)

Note 6. Income tax

	Consolidated	
	31 July 2024	31 July 2023
	\$'000	\$'000
<i>Income tax benefit</i>		
Current tax (benefit)/expense in respect of the current year	(4,007)	(4,160)
Deferred tax expense comprises:	-	-
Deferred tax (benefit)/expense relating to the origination and reversal of temporary differences	3,690	3,844
Aggregate income tax benefit	<u>(317)</u>	<u>(316)</u>
Income tax benefit is attributable to:		
Loss from continuing operations	(317)	(316)
Loss from discontinued operations	-	-
Aggregate income tax benefit	<u>(317)</u>	<u>(316)</u>
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
Loss before income tax benefit from continuing operations	(11,818)	(26,107)
Loss before income tax expense from discontinued operations	(7,892)	(6,867)
	<u>(19,710)</u>	<u>(32,974)</u>
Tax at the statutory tax rate of 25%	(4,928)	(8,244)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Impairment of goodwill and other intangible assets	1,017	3,337
Other expenses that are not deductible in determining taxable loss	17	32
Effect of current year's unrecognised and unused tax losses and temporary differences	3,894	4,875
Effect of reversal of deferred tax liabilities	(317)	(316)
Income tax benefit	<u>(317)</u>	<u>(316)</u>

Deferred tax assets

The following deferred tax assets relating to tax losses which have not been brought to account as tax assets:

	Consolidated	
	31 July 2024	31 July 2023
	\$'000	\$'000
Tax losses – revenue (gross)	102,696	90,080
Tax losses – capital (gross)	32,499	32,834
Total deferred tax assets not recognised	<u>135,195</u>	<u>122,914</u>

The above potential tax benefit at 25% on revenue losses of \$ 25,674,000 (2023: \$22,520,000) has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

Note 6. Income tax (continued)

Deferred tax liabilities

	Consolidated	
	31 July 2024	31 July 2023
	\$'000	\$'000
<i>Deferred tax liability</i>		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Customer database intangible assets	421	738
Deferred tax liability	421	738
Movements:		
Opening balance	738	1,054
Credited to profit or loss	(317)	(316)
Closing balance	421	738

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 35.

(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 7. Discontinued operations

Description

B2B Business

At the end of the year, following a strategic review, the Board concluded that the Mittoni business was not core to its ongoing operations and decided to stop operating the business and focus on building its core brands.

UK business

During the previous year, following a strategic review, the Board concluded to restructure its operations in order to reduce its operating costs and has reached agreement in principle with TRU Kids Inc to facilitate an orderly transition of the UK business and the transfer of its UK licence to TRU Kids Inc.

Consequent to the above, the Mittoni business operations and the UK business operations have been classified as discontinued operations and its assets and liabilities have been classified as disposal group held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Financial performance information

	Consolidated	
	31 July 2024	31 July 2023
	\$'000	\$'000
Revenue	9,778	15,718
Cost of goods sold	(9,434)	(12,556)
Total revenue	<u>344</u>	<u>3,162</u>
Other income	-	49
Marketing and selling expenses	(143)	(2,445)
Warehouse and distribution expenses	(2,256)	(2,273)
Employee benefits expenses	(1,640)	(1,988)
Administration expenses	(130)	(871)
Impairment of goodwill and other intangible assets (refer note 15)	(4,067)	(2,221)
Restructuring costs	-	(280)
Total expenses	<u>(8,236)</u>	<u>(10,078)</u>
Loss before income tax expense	(7,892)	(6,867)
Income tax expense	-	-
Loss after income tax expense from discontinued operations	<u><u>(7,892)</u></u>	<u><u>(6,867)</u></u>

	Consolidated	
	31 July 2024	31 July 2023
	\$'000	\$'000
Net cash used in operating activities	(2,012)	(2,659)
Net cash from financing activities	<u>1,842</u>	<u>814</u>
Net decrease in cash and cash equivalents from discontinued operations	<u><u>(170)</u></u>	<u><u>(1,845)</u></u>

Restructuring costs

As at 31 July 2024, the Group has provided for an amount of \$222,000 (2023: \$280,000) towards restructuring and legal costs in association with exiting the UK operations and surrender of the UK licence.

Note 7. Discontinued operations (continued)

	Consolidated	
	31 July 2024	31 July 2023
	\$'000	\$'000
Carrying amount at the start of the year	280	-
Provision used during the year	(58)	-
Provisions recognised during the year	-	280
	<hr/>	<hr/>
Carrying amount at the end of the period	222	280
	<hr/> <hr/>	<hr/> <hr/>

Note 8. Cash and cash equivalents

	Consolidated	
	31 July 2024	31 July 2023
	\$'000	\$'000
<i>Current assets</i>		
Cash at bank	708	1,766
	<hr/> <hr/>	<hr/> <hr/>

Note 9. Trade and other receivables

	Consolidated	
	31 July 2024	31 July 2023
	\$'000	\$'000
<i>Current assets</i>		
Trade receivables	-	811
Less: Allowance for expected credit losses	-	(2)
	<hr/>	<hr/>
	-	809
Other receivables	-	28
	<hr/>	<hr/>
	-	837
	<hr/> <hr/>	<hr/> <hr/>

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. The Group has recognised a gain of \$14,746 in profit and loss in respect of the expected credit losses for the year ended 31 July 2024 (2023: \$Nil)

Allowance for expected credit losses

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	31 July 2024	31 July 2023	31 July 2024	31 July 2023	31 July 2024	31 July 2023
	%	%	\$'000	\$'000	\$'000	\$'000
Not overdue	-	-	-	655	-	-
1 – 60 days overdue	-	-	-	128	-	-
61 – 90 days overdue	-	-	-	11	-	-
Over 90 days overdue	-	12%	-	17	-	2
			<hr/>	<hr/>	<hr/>	<hr/>
			-	811	-	2
			<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Note 9. Trade and other receivables (continued)

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	31 July 2024	31 July 2023
	\$'000	\$'000
Opening balance	(2)	(2)
Additional provisions recognised	-	(1)
Provisions reversed/utilized	2	1
	<u>2</u>	<u>1</u>
Closing balance	<u>-</u>	<u>(2)</u>

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.

Note 10. Inventories

	Consolidated	
	31 July 2024	31 July 2023
	\$'000	\$'000
<i>Current assets</i>		
Stock on hand - at cost	713	6,344
Less: Provision for impairment	(119)	(1,439)
	<u>594</u>	<u>4,905</u>

Movement in provision for obsolescence

	Year ended	
	31-Jul-24	31-Jul-23
	\$'000	\$'000
Balance at the beginning of the year	(1,439)	(473)
Additional provisions recognised	-	(1,000)
Provisions utilised/adjusted	1,320	34
	<u>(119)</u>	<u>(1,439)</u>

Note 11. Right-of-use assets

	Consolidated	
	31 July 2024	31 July 2023
	\$'000	\$'000
<i>Non-current assets</i>		
Land and buildings - right-of-use	10,089	12,252
Less: Accumulated depreciation	(1,903)	(1,085)
	<u>8,186</u>	<u>11,167</u>

Note 11. Right-of-use assets (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Land and buildings
Consolidated	\$'000
Balance at 1 August 2022	-
Additions	12,252
Depreciation expense	<u>(1,085)</u>
Balance at 31 July 2023	11,167
Disposals	(1,774)
Depreciation expense	<u>(1,207)</u>
Balance at 31 July 2024	<u><u>8,186</u></u>

The Company entered into to an arrangement with the landlord on 20 July 2021 for lease of office and warehouse space in Clayton, Victoria for a period of ten years (with an option to extend for a further two terms of five years each) with an objective to consolidate all of its office and warehouse operations. The lease commenced in September 2022.

During the year, the Group surrendered a portion of the warehouse space in Clayton, Victoria back to the landlord. Refer note 37 for further information on events after the reporting period.

As at 31 July 2024, 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 12. Other assets

	Consolidated	
	31 July 2024	31 July 2023
	\$'000	\$'000
<i>Current assets</i>		
Prepaid expenses	905	135
Prepaid deposits for purchase of inventory	<u>-</u>	<u>73</u>
	<u>905</u>	<u>208</u>
<i>Non-current assets</i>		
Bonds and security deposits	<u>2,756</u>	<u>2,935</u>
	<u><u>3,661</u></u>	<u><u>3,143</u></u>

Note 13. Assets of disposal group classified as held for sale

	Consolidated	
	31 July 2024	31 July 2023
	\$'000	\$'000
<i>Current assets</i>		
Trade and other receivables	-	336
Inventories	16	2,173
Other current assets	-	610
	16	3,119
	16	3,119

Note 14. Property, plant and equipment

	Consolidated	
	31 July 2024	31 July 2023
	\$'000	\$'000
<i>Non-current assets</i>		
Leasehold improvements - at cost	939	951
Less: Accumulated depreciation	(170)	(81)
	769	870
Plant and equipment - at cost	2,942	2,990
Less: Accumulated depreciation	(1,688)	(1,093)
	1,254	1,897
	2,023	2,767

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:

Consolidated	Plant and equipment \$'000	Leasehold improvements \$'000	Total \$'000
Balance at 1 August 2022	2,372	12	2,384
Additions	564	442	1,006
Disposals	(6)	(3)	(9)
Transfers in/(out)	(498)	498	-
Depreciation expense	(535)	(79)	(614)
	1,897	870	2,767
Balance at 31 July 2023	1,897	870	2,767
Additions	5	-	5
Disposals	(29)	(5)	(34)
Depreciation expense	(619)	(96)	(715)
	1,254	769	2,023
Balance at 31 July 2024	1,254	769	2,023

Note 15. Goodwill and other intangibles

	Consolidated	
	31 July 2024	31 July 2023
	\$'000	\$'000
<i>Non-current assets</i>		
Goodwill - at cost	30,522	29,695
Less: Impairment	(29,695)	(25,628)
	<u>827</u>	<u>4,067</u>
Licences and trademarks - at cost	375	375
Less: Accumulated amortisation	(63)	(44)
	<u>312</u>	<u>331</u>
Customer database - at cost	5,271	5,271
Less: Accumulated amortisation	(3,867)	(2,810)
	<u>1,404</u>	<u>2,461</u>
Software - at cost	576	281
Less: Accumulated amortisation	(282)	(241)
	<u>294</u>	<u>40</u>
	<u><u>2,837</u></u>	<u><u>6,899</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill \$'000	Licences and trademarks \$'000	Customer database \$'000	Software \$'000	Total \$'000
Balance at 1 August 2022	15,195	2,692	3,515	45	21,447
Additions	-	-	-	16	16
Impairment of assets	(11,128)	(2,221)	-	-	(13,349)
Amortisation expense	-	(139)	(1,054)	(22)	(1,215)
	<u>4,067</u>	<u>332</u>	<u>2,461</u>	<u>39</u>	<u>6,899</u>
Balance at 31 July 2023	4,067	332	2,461	39	6,899
Additions through business combinations (note 34)	827	-	-	-	827
Additions	-	-	-	292	292
Impairment of assets	(4,067)	-	-	-	(4,067)
Amortisation expense	-	(20)	(1,057)	(37)	(1,114)
	<u>827</u>	<u>312</u>	<u>1,404</u>	<u>294</u>	<u>2,837</u>
Balance at 31 July 2024	<u><u>827</u></u>	<u><u>312</u></u>	<u><u>1,404</u></u>	<u><u>294</u></u>	<u><u>2,837</u></u>

Impairment testing - Goodwill

The Group has identified that there are two cash-generating units which are aligned with the operating segments disclosed in Note 3 and against which goodwill and other intangible assets are allocated and tested.

Note 15. Goodwill and other intangibles (continued)

Goodwill

	Consolidated	
	31 July 2024 \$'000	31 July 2023 \$'000
Business to consumer (B2C)	827	-
Business to business (B2B)	-	4,067
Total	<u>827</u>	<u>4,067</u>

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

As the operations of the B2B CGU have been discontinued during the year, the recoverable value of the B2B CGU was below the carrying value of the CGU. As a result of this, the Group has recognised an impairment charge of \$4.07 million in the current year against goodwill. The impairment charge was recorded as a separate line in the statement of profit or loss.

Key assumptions for B2C CGU:

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 B2C CGU:

	B2C
Revenue and expenses for FY 2025	Based on approved budgets
Projected average revenue and cost of sales growth rate p.a. after budget period	16.00%
Projected operating costs and overheads increase after budget period	5.00%
Pre-tax discount rate	21.43%
Long-term growth rate	3.00%

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.

Outcome of impairment assessment

Based on the above, the recoverable amount of the B2C CGU exceeded the carrying amount by \$ 7.1 million.

Sensitivity

As disclosed in Note 2, 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:

- (1) Revenue growth during the budget period would need to decrease by more than 10% before goodwill would need to be impaired, with all other assumptions remaining constant.
- (2) The pre-tax discount rate would need to increase by 9% or more before goodwill would need 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 B2C CGU's goodwill is based would not cause the CGU's carrying amount to exceed its recoverable amount.

Note 16. Trade payables

	Consolidated	
	31 July 2024	31 July 2023
	\$'000	\$'000
<i>Current liabilities</i>		
Trade payables	1,871	3,405

Refer to note 27 for further information on financial instruments.

Note 17. Borrowings

	Consolidated	
	31 July 2024	31 July 2023
	\$'000	\$'000
<i>Current liabilities</i>		
Term loan – secured ¹	14,238	11,500
UK Loan facility – secured	-	584
Short-term loan – Mercer (unsecured) ²	600	-
	14,838	12,084
<i>Non-current liabilities</i>		
UK Loan facility – secured	-	526
Convertible note payable - at amortised cost ³	390	-
	390	526
	15,228	12,610

1. Term loan

In July 2022, the Company obtained a three-year secured loan facility of \$15 million to support working capital and capital expenditure requirements for the Group, including the acquisition of inventory. The facility is secured against all assets of the Group, both present and future.

During the year, the Group entered into amended facility with the lender wherein the total facility was limited to \$13.4 million (excluding interest and fees) of which \$13.0 million (Facility A) is repayable by July 2025 and \$0.4 million (Facility B) is repayable by September 2024. Facility A carried an interest rate of 11.5% p.a. with an additional 1.5% p.a. line fees and Facility B carries an interest rate of 15% p.a.

Covenant breach

The term loan provided is subject to the provision of customary financial covenants, including maintaining specified asset-backed ratio, holding a minimum amount of cash balance and maintaining shareholders' funds above a specified amount. At 31 July 2024, the Group is in breach of the financial covenants.

The Company is in active communication with the lender in relation to the breach and has requested the lender for a waiver of the shareholders' funds covenant for the reporting period ended 31 July 2024. Due to the breach of the covenant clause, the lender could be contractually entitled to request immediate repayment of the outstanding loan facility amount of \$14.2 million. However, the lender has not requested early repayment of the loan. Refer note 37 'Events after the reporting period' for information on the waiver obtained from the lender subsequent to year-end.

Note 17. Borrowings (continued)

2. Short-term finance - Mercer

During March 2024, the Group entered into a loan facility agreement with mercer Street Global Opportunity Fund II LP for a short-term loan of \$600,000. The repayment amount is \$690,000 payable within six months from the date of the loan or a date mutually agreed between the parties, whichever is later. The loan is unsecured.

3. Convertible notes

On 20 March 2024 the Company entered into a Convertible Securities Agreement with Mercer Street Global Opportunity Fund II LP to provide funding to the Company up to \$4,200,000 (Convertible Securities Agreement or 'CSA'). The initial drawdown was \$700,000 (Tranche 1) and a further \$785,000 (Tranche 2) was drawn following shareholder approval granted on 17 May 2024.

The Company issued 793,000 convertible securities (CS) at \$0.8827 per CS with a face value of \$1.00 on 31 May 2024 ("Tranche 1"). Subsequently, on 17 July 2024 the Company issued 863,500 additional CS at \$0.9091 per CS with a face value of \$1.00 ("Tranche 2"). Subject to CSA, further investment of up to \$2,715,000 CS can be issued in the future ("Further Tranche").

The maturity date for Tranche 1 is 18 months from the issue date (30 November 2025) and Tranche 2 is 15 months from the date issue (16 October 2025). The convertible notes have a zero coupon and therefore no interest is payable with the exception of a default event. The convertible notes are unsecured.

Total transactions costs were \$388,574 at the date of issue of the convertible notes and unamortised transaction costs of \$360,000 have been offset against the convertible notes payable liability.

The conversion features attached to the notes represent embedded derivatives which were recognised at fair value at the time of issue and thereafter at fair value at the end of each reporting period (see note 19).

The Directors appointed an external valuation expert to perform a fair valuation of the embedded derivatives as at the respective issue dates and as at 31 July 2024. The fair value methodology adopted by the external valuer was the Monte Carlo Simulation model.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	31 July 2024	31 July 2023
	\$'000	\$'000
Total facilities		
Secured loan	13,400	18,000
Used at the reporting date		
Secured loan (excluding capitalised interest and fees)	13,400	12,610
Unused at the reporting date		
Secured loan	-	5,390

Note 18. Lease liabilities

	Consolidated	
	31 July 2024	31 July 2023
	\$'000	\$'000
<i>Current liabilities</i>		
Lease liability	564	576
<i>Non-current liabilities</i>		
Lease liability	8,728	11,284
	<u>9,292</u>	<u>11,860</u>

Reconciliation:

	Consolidated	
	31 July 2024	31 July 2023
	\$'000	\$'000
Opening balance	11,860	281
Additions during the year	-	12,252
Terminations	(1,770)	-
Interest expense	857	1,053
Lease payments	(1,655)	(1,726)
Closing balance	<u>9,292</u>	<u>11,860</u>

Maturity analysis of lease liabilities

2024	Within					After	Total
	1 year	1-2 years	2-3 years	3-4 years	4-5 years	5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Lease payments	1,423	1,493	1,564	1,638	1,714	5,846	13,678
Less: Finance charge	(859)	(800)	(728)	(642)	(539)	(818)	(4,386)
Discounted Lease Liabilities	<u>564</u>	<u>693</u>	<u>836</u>	<u>996</u>	<u>1,175</u>	<u>5,028</u>	<u>9,292</u>
2023	Within					After	Total
	1 year	1-2 years	2-3 years	3-4 years	4-5 years	5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Lease payments	1,677	1,728	1,813	1,900	1,989	9,180	18,287
Less: Finance charge	(1,101)	(1,043)	(972)	(884)	(779)	(1,648)	(6,427)
Discounted Lease Liabilities	<u>576</u>	<u>685</u>	<u>841</u>	<u>1,016</u>	<u>1,210</u>	<u>7,532</u>	<u>11,860</u>

Note 19. Derivative financial instruments

	Consolidated	
	31 July 2024	31 July 2023
	\$'000	\$'000
<i>Current liabilities</i>		
Convertible note - fair value of embedded derivatives	505	-

Refer to note 27 for further information on financial instruments.

Note 20. Employee benefits

	Consolidated	
	31 July 2024	31 July 2023
	\$'000	\$'000
<i>Current liabilities</i>		
Annual leave	175	366
Long service leave	58	94
	233	460
<i>Non-current liabilities</i>		
Long service leave	-	9
	233	469
	233	469

Note 21. Contingent consideration

	Consolidated	
	31 July 2024	31 July 2023
	\$'000	\$'000
<i>Current liabilities</i>		
Contingent consideration ¹	210	-
	210	-
<i>Non-current liabilities</i>		
Contingent consideration ¹	252	-
	252	-
	462	-

¹Represents management estimate of earn-out consideration payable calculated on expected contribution margin of the acquired business over the earn-out period being 2 years ending 30 June 2026. The maximum earn-out payable under the agreement is \$1,000,000. Refer note 34 'Business combinations' for further details on the RIOT acquisition.

Note 22. Assets pledged as security

In accordance with the security arrangements of liabilities as disclosed in note 17 to the financial statements, all assets of the Group, present and future, have been pledged as security. The Group does not have the right to sell or re-pledge the assets.

Note 23. Other current liabilities

	Consolidated	
	31 July 2024	31 July 2023
	\$'000	\$'000
<i>Current liabilities</i>		
Accrued royalties	807	57
GST payable /(receivable) - net	(8)	12
Payroll Accruals	271	375
Other accrued expenses	709	1,600
	1,779	2,044
	1,779	2,044

Note 24. Liabilities directly associated with assets classified as held for sale

	Consolidated	
	31 July 2024 \$'000	31 July 2023 \$'000
<i>Current liabilities</i>		
Trade payables	40	1,249
Other payables	37	316
Deferred revenue	6	-
Loan - Tru Kids Inc ¹	2,977	-
Employee benefits	68	-
	<u>3,128</u>	<u>1,565</u>

¹UK loan facility

The Company entered into a secured loan agreement on 22 June 2023 with TRU Kids Inc (TRUK) as lender for a commitment of up to USD\$2 million (circa. AUD \$3 million) for the UK business, in particular to support working capital requirement related to the retail Toys "R" Us branded stores within WH Smith High Street Limited stores in the UK. During the year, the Group entered into an agreement with TRUK wherein the Group shall execute an instrument conveying any and all remaining assets of the UK operations to TRUK in full and final satisfaction of the debt and liabilities owed by the Group to TRUK, including the loan. The parties agreed that the instrument shall be executed at a mutually agreed later date.

Note 25. Issued capital

	Consolidated			
	31 July 2024 Shares	31 July 2023 Shares	31 July 2024 \$'000	31 July 2023 \$'000
Ordinary shares - fully paid	<u>115,690,728</u>	<u>863,086,674</u>	<u>295,540</u>	<u>292,920</u>

Movements in ordinary share capital

Details	Date	Number of Shares	Issue price	\$'000
Balance	01-Aug-22	861,861,184		292,965
Shares issued as consideration for remuneration	31-Aug-22	1,225,490	\$0.0510	62
Buy-back of Unmarketable Parcels	4-Jul-23	-	-	(107)
Balance	31-Jul-23	863,086,674		292,920
Placement	17-Aug-23	59,831,374	\$0.0110	658
Sale unmarketable parcels		-		55
Conversion of Convertible Notes	27-Oct-23	59,545,457	\$0.0110	655
Placement to Mercer	26-Feb-24	84,615,385	\$0.0065	550
Mercer Advisor shares-Jaszac Pty Ltd	26-Feb-24	2,307,692	\$0.0065	15
Placement to Mercer	28-Mar-24	21,276,596	\$0.0094	200
Riot Acquisition – part consideration	21-May-24	35,000,000	\$0.0100	350
Penny Cox - conversion of Loan	23-May-24	10,638,298	\$0.0094	100
Consolidation of shares (1:10)	31-May-24	(1,022,671,060)		-
Shares issued to Mercer	31-May-24	2,060,312	\$0.0968	200
Capital raising costs		-		(163)
Balance	31 July 2024	<u>115,690,728</u>		<u>295,540</u>

Note 25. Issued capital (continued)

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. At members' meetings, each fully paid ordinary share is entitled to vote when a 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.

Note 26. Dividends

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

Note 27. 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.

Material accounting policies

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

Categories of financial instruments¹

	Consolidated	
	31 July 2024	31 July 2023
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	708	1,766
Trade and other receivables	-	1,173
Other assets	2,756	2,935
Total financial assets	<u>3,464</u>	<u>5,874</u>
Financial liabilities		
Non-interest bearing	1,911	4,655
Other liabilities	2,286	2,349
Fixed interest rate instruments – Lease liabilities	9,292	11,860
Fixed interest rate instruments – Borrowings	18,204	12,610
Total non-derivative financial liabilities	<u>31,693</u>	<u>31,474</u>
Derivative financial instruments	505	-
Derivative financial liabilities	<u>505</u>	<u>-</u>
Total financial liabilities	<u>32,198</u>	<u>31,474</u>

¹ Balances include financial instruments pertaining to discontinued operations (assets and liabilities directly associated with classified as held for sale) as well.

Note 27. Financial instruments (continued)

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. At a Group level, market risk exposures are measured through sensitivity analysis and stress scenario analysis. In FY 2024, while there have been interest rate increases, 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.

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 UK operations and the undertaking of certain transactions denominated in foreign currencies.

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

	Assets		Liabilities	
	31 July 2024	31 July 2023	31 July 2024	31 July 2023
Consolidated	\$'000	\$'000	\$'000	\$'000
US dollars	-	697	4,120	-
GBP	334	691	40	258
SGD	-	22	-	-
	<u>334</u>	<u>1,410</u>	<u>4,160</u>	<u>258</u>

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.

Note 27. Financial instruments (continued)

Foreign currency sensitivity

The Group is mainly exposed to the US dollar (USD) and the UK Pound Sterling (GBP). The following table details the Group's sensitivity to a 10% increase and 10% decrease in the Australian dollar against the relevant foreign currencies. 10% 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 10% 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.

	Impact on profit or loss Gain/(loss)	
	31 July 2024 \$'000	31 July 2023 \$'000
10% increase in AUD against foreign currency		
USD	412	70
GBP	(29)	43
SGD	-	2
	<u>383</u>	<u>115</u>
	Impact on profit or loss Gain/(loss)	
	31 July 2024 \$'000	31 July 2023 \$'000
10% decrease in AUD against foreign currency		
USD	(412)	(70)
GBP	29	(43)
SGD	-	(2)
	<u>(383)</u>	<u>(115)</u>

Forward foreign exchange contracts

At 31 July 2024, there were no foreign exchange contracts (2023: Nil).

Interest rate risk

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

Interest rate sensitivity

As at 31 July 2024, the Group has a fixed interest rate of 11.5% p.a. (plus 1.5% line fees) on its secured borrowings of \$13.82 million (2023: \$11.50 million) and a fixed interest rate of 15% p.a. on secured borrowings of \$0.42 million (2023: \$Nil) as at the balance sheet date. It is the Group's policy to protect part of the loans from exposure to increasing interest rates.

Note 27. Financial instruments (continued)

The Group has a loan facility with its Licensor TRU Kids Inc. (TRUK) as at 31 July 2024 amounting to \$2.98 million (2023: \$1.11 million). The loan carries a fixed interest rate of 10.56% p.a.

The Group has a short-term loan facility with Mercer amounting to \$0.6 million as at 31 July 2024 (2023: \$Nil), which carries a fixed interest of 15% p.a.

The convertible notes issued during the year have a zero coupon and therefore no interest is payable with the exception of a default event.

The Group does not have any variable rate borrowings as at the balance sheet date.

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. 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.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

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 details the Group's remaining contractual maturity for its 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.

Consolidated - 31 July 2024	Weighted average interest rate	0– 3 months	3 months to 1 year	1 - 5 years	Over 5 years	Total
	%	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Non-derivatives</i>						
Non-interest bearing	-	1,911	-	-	-	1,911
Other liabilities	-	1,824	210	252	-	2,286
Fixed interest rate instruments	12.44%	2,977	14,837	390	-	18,204
Total non-derivatives		6,712	15,047	642	-	22,401
<i>Derivatives</i>						
Embedded derivatives – convertible notes		-	-	505	-	505
		-	-	505	-	505

Note 27. Financial instruments (continued)

Consolidated - 31 July 2023	Weighted average interest rate %	0– 3 months \$'000	3 months to 1 year \$'000	1 - 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
<i>Non-derivatives</i>						
Non-interest bearing	-	4,655	-	-	-	4,655
Other liabilities	-	2,349	-	-	-	2,349
Fixed interest rate Instruments	11.42%	11,500	584	526	-	12,610
Total non-derivatives		18,504	584	526	-	19,614

Refer Note 18 for maturity analysis of lease liabilities.

Liquidity and interest tables – financial assets

The following table details the Group's expected maturity for its 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
2024						
Cash	-	708	-	-	-	708
Non-interest bearing	-	-	-	-	-	-
Fixed interest rate instruments	4.19%	2,756	-	-	-	2,756
		3,484	-	-	-	3,464
2023						
Cash	-	1,766	-	-	-	1,766
Non-interest bearing	-	1,173	-	-	-	1,173
Fixed interest rate instruments	1.37%	-	-	2,935	-	2,935
		2,939	-	2,935	-	5,874

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 28. Key management personnel disclosures

Details of key management compensation

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

	Consolidated	
	31 July 2024	31 July 2023
	\$	\$
Short-term employee benefits	913,823	1,117,583
Post-employment benefits	88,546	98,918
Other long-term benefits	16,806	7,743
Termination benefits	-	278,419
Share-based payments	66,111	141,290
	<u>1,085,286</u>	<u>1,643,953</u>

Note 29. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by RSM Australia Partners, the auditor of the Company and its network firms:

	Consolidated	
	31 July 2024	31 July 2023
	\$	\$
<i>Audit services - RSM Australia Partners</i>		
Audit or review of the financial statements	141,700	122,899
<i>Other services – network firms</i>		
Compliance Services ¹	-	29,986
	<u>141,700</u>	<u>152,885</u>

(1) Relates to services performed by network firms of RSM Australia Partners in relation to winding down and deregistration of overseas subsidiaries

Note 30. Contingent liabilities and contingent assets

As at 31 July 2024, the Group had issued bank guarantees of \$2.76 million (2023: \$2.96 million). The Group has placed an equivalent amount of cash deposit with the banks in relation to these bank guarantees (see note 12).

There are no contingent assets as at 31 July 2024 (2023: \$Nil).

Note 31. Licence guarantee commitments (continued)

Note 31. Licence 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:

	Consolidated	
	31 July 2024	31 July 2023
	\$'000	\$'000
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	769	4,780
One to five years	2,953	24,683
More than five years	19,797	56,781
	<u>23,519</u>	<u>86,244</u>

Note 32. 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 35 to the financial statements.

(b) Transactions with Key Management Personnel

Key management personnel

Details of key management personnel compensation are disclosed in note 28 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 2023 Louis Mittoni owed the Company \$28,575 related to personal expenses incurred on a company credit card.

During the financial year, there were no other reportable transactions between the Group and its Directors, KMP, or their personally related entities (Related Parties) (2023: \$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 2024 and 31 July 2023 , 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 33. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	31 July 2024	31 July 2023
	\$'000	\$'000
Loss after income tax	(5,666)	(30,984)
Total comprehensive loss	(5,666)	(30,984)

Statement of financial position

	Parent	
	31 July 2024	31 July 2023
	\$'000	\$'000
Total current assets	1,223	1,447
Total assets	29,424	38,406
Total current liabilities	18,704	16,519
Total liabilities	28,579	27,857
Equity		
Issued capital	295,540	292,920
Equity-settled employee benefits reserve	865	689
Convertible note equity reserve	297	-
Accumulated losses	(295,857)	(283,060)
Total equity	845	10,549

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.

Contingent liabilities

The parent entity had no contingent liabilities as at 31 July 2024 (31 July 2023: \$Nil).

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 July 2024 (31 July 2023: \$Nil).

Material accounting policy information

The accounting policies of the parent entity are consistent with those of the Group, 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 34. Business combinations

Acquisition of RIOT Art & Craft

During March 2024, Toys "R" Us ANZ Limited entered into an Asset Sale Agreement with the vendors of RIOT Arts and Crafts business for the strategic acquisition of key assets (including inventory, brands and other intellectual property) of the retail brand RIOT for the total consideration \$1.12 million. This is an art and craft business and operates in the B2C division of the Group. The acquisition of RIOT assets strengthens the Group's position in the growing e-commerce market and expands its House-of-Brands offering by adding additional, complementary products across a number of highly profitable categories. The goodwill represents brand synergy in the online sector, customer and wholesale expansion and operational efficiencies.

The acquired business contributed revenues of \$0.50 million and loss after tax of \$0.10 million to the Group for the period from 22 March 2024 to 31 July 2024. The values identified in relation to the acquisition of Riot Art & Craft are provisional as at 31 July 2024. Details of the acquisition are as follows:

	Fair value \$'000
Inventories	310
Other payables	(25)
Net assets acquired	285
Goodwill	827
Acquisition-date fair value of the total consideration transferred	<u>1,112</u>
Representing:	
Cash paid or payable to vendor	300
Toys "R" Us ANZ Limited shares issued to vendor	350
Contingent consideration	462
	<u>1,112</u>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	1,112
Less: Contingent consideration	(462)
Less: Shares issued by Company as part of consideration	(350)
Net cash used	<u>300</u>
Acquisition costs charged to expense to profit or loss	<u>44</u>

Note 35. Interests in subsidiaries

Name of Entity	Principal place of business / Country of incorporation	Ownership interest	
		31 July 2024 %	31 July 2023 %
Company			
Toys "R" Us ANZ Limited ^{(i),(iii)}	Australia	100.00%	100.00%
Subsidiaries			
UK TRU Limited (formerly UK Toys R Us Limited) ⁽ⁱⁱⁱ⁾	United Kingdom	100.00%	100.00%
Mittoni Pty Limited ^{(ii),(iii)}	Australia	100.00%	100.00%
Hobby Warehouse Pty Limited ^{(ii),(iii)}	Australia	100.00%	100.00%
Toys R Us Licensee Pty Limited ^{(ii),(iii)}	Australia	100.00%	100.00%

⁽ⁱ⁾ Toys "R" Us ANZ Limited is the head entity within the tax consolidated Group

⁽ⁱⁱ⁾ These companies are members of the Australian tax consolidated Group

⁽ⁱⁱⁱ⁾ These subsidiaries are parties to a Deed of Cross Guarantee with Toys "R" Us ANZ Limited created on 15 June 2022 pursuant to ASIC Class Order 2016/785 and are relieved from the requirement to prepare and lodge an audited Financial Report.

Note 36. Deed of cross guarantee

The following entities are party to a deed of cross guarantee created on 15 June 2022 under which each company guarantees the debts of the others:

- Toys "R" Us ANZ Limited ('head entity')
- UK TRU Limited (UK Toys R Us Limited)
- Mittoni Pty Limited
- Hobby warehouse Pty Limited
- Toys R Us Licensee Pty Limited

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and Directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Pinnacle Listed Comprehensive Limited, they also represent the 'Extended Closed Group'.

The consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position of the 'Closed Group' are substantially the same as the Group and therefore have not been separately disclosed.

Note 37. Events after the reporting period

On 23 August 2024, the shareholders approved the drawdown of up to \$2.715 million from the convertible securities facility, subject to further agreement between the parties.

On 23 August 2024, the Group raised \$2.49 million through a placement to new and existing institutional and sophisticated investors.

On 20 September 2024, the Company received a letter from the lender waiving the requirement to comply with the financial covenants of the facility agreement for the period ended 31 July 2024.

No other matter or circumstance has arisen since 31 July 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 38. Reconciliation of profit/(loss) after income tax to net cash flow from/(used in) operating activities

	Consolidated	
	31 July 2024	31 July 2023
	\$'000	\$'000
Loss after income tax benefit for the year	(19,393)	(32,658)
Adjustments for:		
Depreciation and amortisation	3,036	2,915
Impairment of goodwill and other intangible assets	4,067	13,349
Share-based payments expense	176	369
Foreign exchange differences	(296)	-
Other revenue	(64)	(106)
Loss on disposal of property, plant and equipment	33	-
Non-cash interest and other finance costs	866	-
Changes in net assets and liabilities, net of effects from acquisition and disposal of business:		
Decrease/(increase) in trade and other receivables	1,202	(380)
Decrease in inventories	6,795	2,773
(Increase)/decrease in prepayments and other assets	164	(139)
Increase/(decrease) in trade and payables	(3,640)	1,664
Decrease in deferred tax liabilities	(317)	(316)
Decrease in employee benefits	(166)	64
Net cash used in operating activities	<u>(7,537)</u>	<u>(12,465)</u>

Note 39. Non-cash investing and financing activities

	Consolidated	
	31 July 2024	31 July 2023
	\$'000	\$'000
Additions to the right-of-use assets	-	12,252
Disposal of right-of-use assets	(1,774)	-
Shares issued as consideration for RIOT acquisition	350	-
Shares issued as consideration for entering into convertible notes arrangement	200	-
Shares issued as consideration for capital raising	15	-
	<u>(1,209)</u>	<u>12,252</u>

Note 40. Changes in liabilities arising from financing activities

Consolidated	Borrowings \$'000	Convertible Notes \$'000	Lease Liabilities \$'000	Total \$'000
Balance at 1 August 2022	10,000	-	281	10,281
Net cash from/(used in) financing activities	2,610	-	(673)	1,937
Additions of leases	-	-	12,252	12,252
Balance at 31 July 2023	12,610	-	11,860	24,470
Net cash from financing activities	4,256	1,396	(795)	4,857
Termination of leases	-	-	(1,770)	(1,770)
Other changes	949	(501)	(3)	445
Balance at 31 July 2024	<u>17,815</u>	<u>895</u>	<u>9,292</u>	<u>28,002</u>

Note 41. Earnings per share

	31 July 2024 Cents per share	31 July 2023 Cents per share
<i>Basic earnings /(loss) per share</i>		
From continuing operations	(11.24)	(29.89)
From discontinued operations	(7.72)	(7.95)
Total Basic Earnings / (loss) per share	<u>(18.96)</u>	<u>(37.84)</u>
<i>Diluted earnings /(loss) per share</i>		
From continuing operations	(11.24)	(29.89)
From discontinued operations	(7.72)	(7.95)
Total Diluted Earnings /(loss) per share	<u>(18.96)</u>	<u>(37.84)</u>
	Consolidated	Consolidated
	31 July 2024	31 July 2023
	\$'000	\$'000
<i>Loss per share from continuing operations</i>		
Loss after income tax	<u>(11,501)</u>	<u>(25,791)</u>
	Cents	Cents
Basic loss per share	(11.24)	(29.89)
Diluted loss per share	(11.24)	(29.89)
	Consolidated	Consolidated
	31 July 2024	31 July 2023
	\$'000	\$'000
<i>Loss per share from discontinued operations</i>		
Loss after income tax	<u>(7,892)</u>	<u>(6,867)</u>

Note 41. Earnings per share (continued)

	Cents	Cents
Basic loss per share	(7.72)	(7.95)
Diluted loss per share	(7.72)	(7.95)
	Consolidated	
	31 July 2024	31 July 2023
	\$'000	\$'000
<i>Loss per share</i>		
Loss after income tax	<u>(19,393)</u>	<u>(32,658)</u>
	Cents	Cents
Basic loss per share	(18.96)	(37.84)
Diluted loss per share	(18.96)	(37.84)
	Number	Number
<i>Weighted average number of ordinary shares*</i>		
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>102,271,556</u>	<u>86,298,595</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>102,271,556</u>	<u>86,298,595</u>

*Potential shares comprising convertible notes, share options, service rights and share appreciation rights have not been considered in the calculation of weighted average number of ordinary shares for diluted earnings per share as they are anti-dilutive in nature, due to the losses incurred. Share numbers have been adjusted for the effects of share consolidation.

Note 42. Share-base payments

(a) Expenses recognised

An expense of \$176,501 (2023: \$368,964) has been recognised in the profit and loss in relation to share-based payments granted.

(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.

Note 42. Share-base payments (continued)

(c) Reconciliation

Set out below are the summaries of options granted under the employee incentive plan as at 31 July 2024:

Grant date	Expiry date	Exercise price	Balance at the start of the year ¹	Granted	Exercised	Expired/cancelled	Balance at the end of the year
23/11/2020	01/11/2023	\$1.3800	169,158	-	-	(169,158)	-
23/11/2020	01/11/2024	\$1.6600	169,672	-	-	-	169,672
23/11/2020	01/11/2025	\$1.9900	172,618	-	-	-	172,618
01/05/2021	01/05/2025	\$1.3800	169,196	-	-	-	169,196
31/05/2024	31/05/2027	\$0.1162	-	5,593,804	-	-	5,593,804
			680,644	5,593,804	-	(169,158)	6,105,290
Weighted average exercise price			\$1.6045	\$0.1162	\$0.0000	\$1.3800	\$0.2471

¹The options numbers have been adjusted for the effects of share consolidation.

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.66 years (2023: 1.39 years).

Set out below are the summaries of service rights granted under the employee incentive plan as at 31 July 2024:

Grant date	Expiry date	Exercise price	Balance at the start of the year ¹	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
23/11/2020	10/12/2036	\$1.8000	50,000	-	-	-	50,000
27/12/2023	27/12/2025	\$0.0000	-	818,182	-	(272,727)	545,455
27/12/2023	27/12/2026	\$0.0000	-	818,182	-	(272,727)	545,455
27/12/2023	27/12/2027	\$0.0000	-	818,181	-	(272,727)	545,454
			50,000	2,454,545	-	(818,181)	1,686,364
Weighted average exercise price			\$1.8000	\$0.0000	\$0.0000	\$0.0000	\$0.0534

¹The service rights numbers have been adjusted for the effects of share consolidation.

The weighted average remaining contractual life of service rights outstanding at the end of the financial year was 2.70 years (2023: 13.37 years).

Set out below are the summaries of share appreciation rights granted under the employee incentive plan as at 31 July 2024:

Grant date	Expiry date	Exercise price	Balance at the start of the year ¹	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
21/09/2021	21/09/2026	\$1.8000	13,000	-	-	(5,000)	8,000
27/12/2023	27/12/2028	\$0.0000	-	1,454,545	-	-	1,454,545
			13,000	1,454,545	-	(5,000)	1,462,545
Weighted average exercise price			\$1.8000	\$0.0000	\$0.0000	\$1.8000	\$0.0098

¹The share appreciation rights numbers have been adjusted for the effects of share consolidation.

Note 42. Share-base payments (continued)

The weighted average remaining contractual life of share appreciation rights outstanding at the end of the financial year was 4.40 years (2023: 3.15 years).

Set out below is a summary of share warrants granted to the lender of the term loan as at 31 July 2024:

Grant date	Expiry date	Exercise price	Balance at the start of the year ¹	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
28/07/2022	27/07/2025	\$0.5000	1,800,000	-	-	-	1,800,000
			1,800,000	-	-	-	1,800,000

¹ The share warrants numbers have been adjusted for the effects of share consolidation.

(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	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
31/05/2024	31/05/2027	\$0.0960	\$0.1162	134.07%	-	4.048%	\$0.0531

For the service rights and share appreciation 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	Expiry date	Share price at grant date	Exercise price	Expected Volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
27/12/2023	27/12/2025	\$0.1100	\$0.0000	153.75%	-	4.440%	\$0.1100
27/12/2023	27/12/2026	\$0.1100	\$0.0000	153.75%	-	4.440%	\$0.1100
27/12/2023	27/12/2027	\$0.1100	\$0.0000	153.75%	-	4.440%	\$0.1100
27/12/2023	27/12/2028	\$0.1100	\$0.1100	153.75%	-	4.060%	\$0.1100

(e) Other information

The weighted average share price during the financial year was \$0.111 (2023: \$0.263).



Entity name	Entity type	Place formed / Country of incorporation	Ownership interest %	Tax residency
Toys"R"Us ANZ Limited	Body Corporate	Australia	100.00%	Australia
UK TRU Limited	Body Corporate	United Kingdom	100.00%	United Kingdom
Mittoni Pty Limited	Body Corporate	Australia	100.00%	Australia
Hobby warehouse Pty Limited	Body Corporate	Australia	100.00%	Australia
Toys R Us Licensee Pty Limited	Body Corporate	Australia	100.00%	Australia

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In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 July 2024 and of its performance for the financial year ended on that date;
- 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, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 36 to the financial statements; and
- the information disclosed in the attached consolidated entity disclosure statement is true and correct.

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

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

On behalf of the Directors



Kelly Humphreys
Chair

30 September 2024

INDEPENDENT AUDITOR'S REPORT To the Members of Toys“R”Us ANZ Limited

Opinion

We have audited the financial report of Toys“R”Us ANZ Limited ('the Company') and its controlled entities (together referred to as 'the Group') which comprises the consolidated statement of financial position as at 31 July 2024, 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 material accounting policy information, the consolidated entity disclosure statement 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 2024 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 (including independence standards)* (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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a loss of \$19.4 million and had cash outflows from operating activities of \$7.5 million during the year ended 31 July 2024. Also, as at 31 July 2024, the Group's current liabilities exceeded its current assets by \$21.2 million, and the Group had a net liability position amounting to \$15.2 million. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed this matter
<p>Revenue recognition Refer to Note 4 and Note 7 in the financial statements</p> <p>During the year the group recorded revenue transactions of \$7.7 and \$9.8 million for continued and discontinued operations, respectively.</p> <p>Revenue recognition is considered a Key Audit Matter because of its significance to the Group's reported financial performance.</p> <p>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.</p>	<p>Our audit procedures in relation to revenue recognition included:</p> <ul style="list-style-type: none"> Assessing whether the Group's revenue recognition policies were in compliance with the requirements of AASB 15 <i>Revenues from Contracts with Customers</i>; Evaluating and testing the operating effectiveness of key controls related to revenue recognition; Searching and reviewing any large or unusual transactions; Performing cut-off testing over transactions recorded either side of the year end, to ensure that revenues were recorded in the appropriate period; Conducting a combination of substantive analytical procedures and tests of details in respect of revenue transactions; and Reviewing disclosures to corroborate they are appropriate and meet the requirements of AASB 15.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed this matter
<p data-bbox="164 367 785 400">Impairment assessment of goodwill</p> <p data-bbox="164 400 785 434">Refer to Note 15 in the financial statements</p> <p data-bbox="164 450 785 577">At 31 July 2024, the Group had goodwill with a carrying amount of \$827,000 (31 July 2023: \$4.1 million) relating to business combinations in the current and previous years.</p> <p data-bbox="164 618 785 712">As required by AASB 136 <i>Impairment of Assets</i> ('AASB 136'), management has performed an impairment test over the goodwill balance at 31 July 2024 by:</p> <ul data-bbox="164 752 785 1189" style="list-style-type: none"> • calculating the recoverable amount of each identified cash generating unit ('CGU'), which was determined to be the value-in-use of the CGUs, using a discounted cash flow model. This model used cashflow projections for the CGUs for 5 years, with a terminal growth rate applied to the 5th year; • discounting the cash flow projections 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. <p data-bbox="164 1229 785 1323">Management identified that there were two CGUs for the purpose of performing impairment testing (being B2B and B2C businesses).</p> <p data-bbox="164 1364 785 1491">In addition, management performed a sensitivity analysis over the value-in-use calculation, by varying the assumptions used (growth rates, terminal growth rate and WACC) to assess the impact on the valuations.</p> <p data-bbox="164 1532 785 1626">As a result of these tests, an impairment expense of \$4.1 million was recognised during the year in relation to the goodwill of the B2B CGU.</p> <p data-bbox="164 1666 785 1921">We determined impairment testing of goodwill to be a Key Audit Matter due to the materiality of the goodwill balance. Also, because this test 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.</p>	<p data-bbox="812 450 1469 544">Our audit procedures in relation to the impairment testing of goodwill involved the assistance of our Corporate Finance team, and included:</p> <ul data-bbox="812 584 1469 1962" style="list-style-type: none"> • Holding discussions with senior management, reviewing the Group's ASX announcements and reading minutes of directors' meetings and other available information to gather sufficient information regarding the operations of the current period, as well as the expectations going forward; • Assessing the reasonableness of 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; • Reviewing calculations of carrying amounts considered for each CGU to ensure that the amounts were appropriate; • 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 models; • Verifying the mathematical accuracy of the cash flow model and reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these 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; • Reviewing management's calculation of the impairment loss determined as at 31 July 2024; and • Reviewing the disclosures in Note 15 to the financial statements to assess the appropriateness, completeness, and compliance with the disclosure requirements of AASB 136 and AASB 138 <i>Intangible Assets</i>.

Key Audit Matters (continued)

Accounting for discontinued operations Refer to Note 7 in the financial statements	
<p>During the year ended 31 July 2024, following a strategic review, the Board concluded to wind down the Mittoni operations (B2B business) agreeing that the business was a non-core business and that the business does not align with the House of Brands strategy. Pursuant to this, the Mittoni B2B operations have been classified as “discontinued operations”. During the prior year, the Board concluded to restructure its UK business and thereby classified the UK operations as “discontinued operations”.</p> <p><i>AASB 5 Non-current Assets Held for Sale and Discontinued Operations</i> (‘AASB 5’) requires specific recognition, measurement and disclosure requirements relating to assets, liabilities, revenues and expenses of discontinued operations and disposal groups classified as held for sale.</p> <p>This was identified as a Key Audit Matter due to the significant of the transactions and balances classified as discontinued operations, as well the level of management’s estimates and judgements involve in identifying the account balances and revenue and expenses relating to the discontinued operations.</p>	<p>Our audit procedures in relation to accounting and disclosure of discontinued operations included:</p> <ul style="list-style-type: none"> • Obtaining and reviewing internal and external correspondences, minutes of the board meetings and other relevant information to assess the appropriate of the conclusion that the Mittoni B2B operations were discontinued, including verifying the timing of the management’s commitment to wind-down this business to corroborate this occurred prior to reporting period-end; • Assessing the calculations and accounting for assets held for sale, related liabilities and revenues and expenses relating to the discontinued operations to corroborate are accurately identified and reported; • Assessing management’s determination of the impairment of intangible 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.
Accounting for Convertible Notes Refer to Note 17 and 19 in the financial statements	
<p>During the year, the Group entered into a Convertible Securities Agreement with a lender to provide funding to the Group for up to \$4.2 million, under which the Group issued 2 tranches of Convertible Notes having face value of \$1.5 million as at 31 July 2024.</p> <p>Accounting for convertible loan notes has been considered a key audit matter, due to the complexity of the accounting treatment required under Australian Accounting Standards.</p>	<p>Our audit procedures involved the assistance of our Corporate Finance team and included, among others:</p> <ul style="list-style-type: none"> • Reviewing the convertible note deed, to evaluate its terms and conditions; • Evaluating the accounting treatment adopted to determine whether it is in compliance with Australian Accounting Standards, including confirming that the instrument is a hybrid instrument, consisting of a host liability and an embedded derivative, representing a financial liability; • Recalculating the fair value of the instrument at inception, and its subsequent measurement as at balance date; • Evaluating the reasonableness of key inputs to the valuation model; and • Assessing the appropriateness of the disclosures in respect of the borrowings and the derivative financial liability in the financial statements.

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 2024; 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:

- a) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- b) the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- (i) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- (ii) the consolidated entity disclosure statement that is true and correct and is free of 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 2024.

In our opinion, the Remuneration Report of Toys“R”Us ANZ Limited for the year ended 31 July 2024, 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 AUSTRALIA PARTNERS



R J MORILLO MALDONADO

Partner

Dated: 30 September 2024

Melbourne, Victoria