funtastic LIMITED

On the right path

ANNUAL REPORT 2015

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to brands in every home

Our Story

Since 1996, Funtastic has been recognised as a pioneering manufacturer and distributor – developing and sourcing the brightest and best products from around the world.

Famous for creating family fun, we remain passionately proud of being part of those magic moments that last a lifetime. Today, Funtastic has the same family values, yet has evolved into so much more. Building leading brands is our business.

Fostering a collaborative design-led culture, from our Melbourne HQ we drive global innovation across the homewares, toy, sporting and consumable categories. Our sales and marketing team in Australia, Hong Kong and the USA implement world-class strategies to drive maximum brand awareness and sales, whilst our R&D and operations team in China keep us way ahead of the curve in NPD and state-of-the-art manufacturing. As a vertically integrated company, we have significant influence in over 50 of the world's most lucrative markets.

With sales of 11 million units in over 50 countries, we're proud to say our Chill Factor brand is now a global sensation.

Chairman & CEO's Report

On behalf of the Board of Directors of Funtastic Limited we present to you our 2015 Annual Report.

The Period in Review

The twelve months ended 31 July 2015 was a particularly tough year transforming the business following the disposal of the Madman Entertainment group of companies at the end of the previous financial year.

The Board was expecting a return to profit in the current financial year however the challenges were far greater than expected and the time to implement changes was underestimated. These included:

- Re-alignment of the back office infrastructure as a result of the sale of the Madman Entertainment group of companies.
- Impact of the decline of the Australian dollar on the margins of our domestic business.
- The high level of inventory in the trade and distributors.
- The continued high cost of doing business with Australian retailers.
- Limited depth of product range limiting growth.
- Timing to fully implement our own distribution model in the US.

At the end of the first half of the year the company re-assessed the carrying value of the group using a value-in-use methodology which resulted in an impairment charge of $11,120,000. Due to the current losses, tax benefits previously brought to account were required to be reversed. The company currently has tax losses of approximately $73,791,000 of which $7,257,000 has been recognised, with a deferred tax asset of $2,177,000 carried on the balance sheet. No further impairment and tax adjustments were considered necessary at the end of the financial year.

Despite the losses incurred there has been a number of achievements during the financial year which has seen a considerable improvement in the second half of the year with a sound foundation to return to profit in FY16.

get cooking!

New innovation is what we do best – introducing the Zap Chef range of microwave cooking.

These included:

- Significant reduction of slow moving and excess inventory resulting in more than 50% reduction in warehouse space.
- Re-assessed and commenced implementing key changes to the corporate strategy.
- Implemented improved product cost and pricing controls.
- Stabilised the business:
  - Implemented cost reduction initiatives
  - Made key organisational changes
  - Enhanced our capabilities
  - Focused on key drivers of growth
  - Re-aligned banking facilities
- Strengthened our relationships with key agency partners
- Expanded into homewares and health foods.

Paw Patrol is the fastest growing infant and preschool property in the Australian market place.

- Continued to invest in product innovation:
  - Messi Foot Bubbles (worldwide)
  - Fun Bites (worldwide)
  - Zap Chef range of products
  - Chill Factor line extensions
  - Zorbz water balloons
- Leveraged the Australian distribution network securing new innovative products including:
  - Anylock
  - Grill Daddy
  - Pure Organic

The Group's reported result under IFRS was a disappointing loss after tax of $37.5m. The Group's Earnings Before Interest, Depreciation and Amortisation (EBITDA) from continuing operations was a loss of $6.6m (excluding the impairment charge of $11.1m), compared to a loss of $0.820m in the previous year.

Razor continues to lead the scooter market globally, driven by unique product and continued innovation.

Chairman & CEO's Report

continued

Outlook

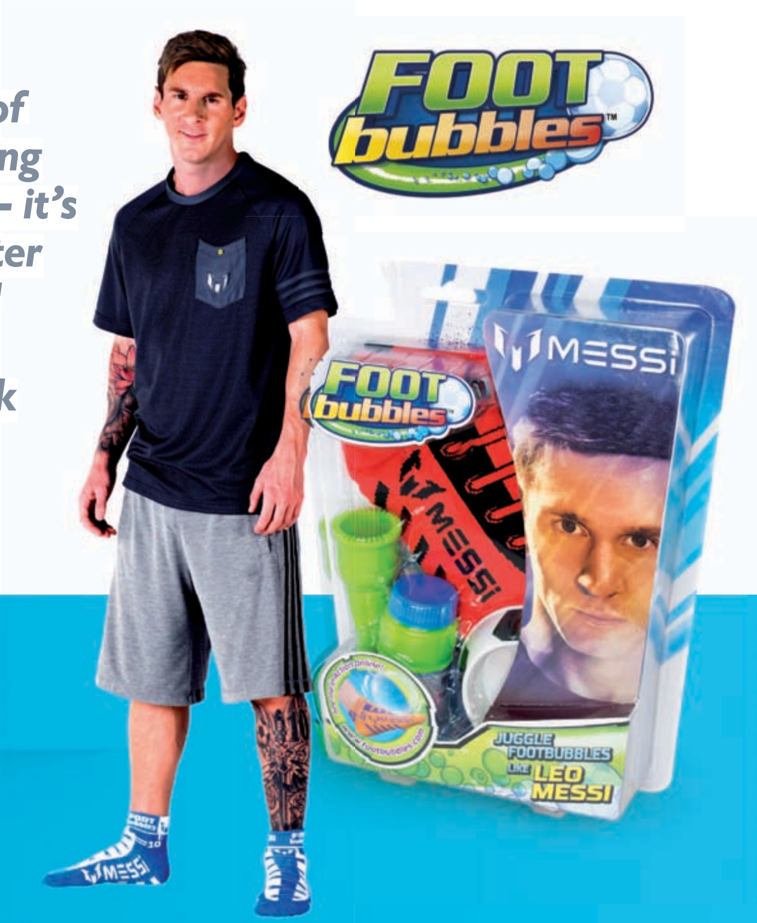
The company is significantly more stable than the previous financial period, with enhanced internal controls, sound cash management principles, reduction in excess inventories and appropriate short term financing. The first quarter has started positively and the Board is confident that the company will be profitable for the full 2016 financial year.

The company has re-defined its core business and rightsized the organisation for the future with the appropriate focus on the right products and markets. The organisation has gone through some structural changes appointing key people in positions aligned to the company's long term strategy. This resulted in increased employee engagement with sound commitment and capabilities supported by appropriate incentive programs.

Key operational issues have been addressed, resulting in improved sales and marketing, continued innovation, proper price structuring, and cost reductions in the right parts of the business supported by improved information and control systems.

Winner of the BEST OF TOY FAIR in 2015 awarded by Popular Science

Signing Messi is the culmination of months of planning and negotiation – it's an exciting chapter for Funtastic and we have now set a high benchmark for the global Toy industry.



The National Australian Bank has been extremely supportive and understand the magnitude of the changes that were required to support the turnaround strategy. The bank facilities have been restructured, enabling the business to operate in an efficient and effective manner.

The company has a strong line-up of new and innovative products enabling the company to effectively leverage its cost base. Trade and distributor inventory are at normal levels that will ensure a more solid performance.

The Directors would like to thank all of our staff, shareholders, bankers, suppliers, key agency partners and customers for their ongoing loyalty and support.

Shane Tanner
Chairman
of the Board

Nir Pizmony
Managing Director and
Chief Executive Officer

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Company Information

Directors

Shane Tanner
Chairman and Independent Non-Executive Director

Nir Pizmony
Managing Director and Chief Executive Officer (appointed CEO on 1 August 2014)

Craig Mathieson
Non-Executive Director (resigned 26 May 2015)

Stephen Heath
Independent Non-Executive Director

Linda Norquay
Independent Non-Executive Director

Grant Mackenzie
Executive Director (appointed 6 August 2014)

Company Secretary

Grant Mackenzie

Registered Office

Level 2 Tower 2 Chadstone Place
1341 Dandenong Road Chadstone Vic 3148

Principal Administrative Office

Level 2 Tower 2 Chadstone Place
1341 Dandenong Road Chadstone Vic 3148

Share Registry

Boardroom Limited
Grosvenor Place, Level 12, 225 George Street
Sydney NSW 2000

Auditors

Deloitte Touche Tohmatsu
550 Bourke Street
Melbourne Vic 3000

Bankers

National Australia Bank
500 Bourke Street
Melbourne Vic 3000

Solicitors

Clarendon Lawyers
Level 19, 333 Collins Street
Melbourne VIC 3000

The Corporate Governance principles that guide the operations of Funtastic Limited ("Funtastic" or "Company") are detailed in this statement. Funtastic respects and endorses the ASX Corporate Governance Council's Principles and Recommendations. The Board believes that it has been compliant with the spirit of the ASX Corporate Governance Council's principles and recommendations throughout the 2015 financial year.

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

Principle 1: Lay solid foundations for management and oversight

Role and Responsibility of the Board

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

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

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

Board members have complete and open access to management.

The Company has a written agreement with each Director and Senior Executive setting out the terms of their agreement.

The Company Secretary provides advice and support to the Board and is responsible for the Company's day to day governance framework.

The Chairman on behalf of the Board undertakes a review of the Managing Director's performance at least on an annual basis. Objectives are set and aligned to the overall business goals and the Company's requirement of the position.

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

Diversity

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

Funtastic has established a Diversity Policy which is published on the company's website. As at 31 July 2015 the group's mix of employees was as follows:

	Female	Male	Total
General employees	45	18	63
Middle managers	15	11	26
Senior managers	5	17	22
Board	1	4	5
Total	**66**	**50**	**116**

Principle 1: Lay solid foundations for management and oversight continued

Diversity continued

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

Director competencies

The Board plans annual self-assessments of its collective performance, and its subcommittees. This exercise takes into consideration the collective Directors' competency, skills, experience and expertise. Where necessary, Funtastic will provide the required resources to assist Directors in improving their performance.

New Directors are provided with a letter of appointment setting out the Company's expectations, their responsibilities, rights and the terms and conditions of their appointment. All new Directors participate in an induction program which covers the operation of the Board and its committees and financial, strategic, operations and risk management issues.

Principle 2: Structure of the board to add value

Nomination Committee

The current members of the Nomination Committee are Mr Shane Tanner (Chairman), Ms Linda Norquay and Mr Stephen Heath.

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

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

The principal purposes of the Committee are to:

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

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

Board Membership

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

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

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

At the commencement of the financial year, the Board comprised of four Non-executive Directors and two Executive Directors (the Chief Executive Officer and the Chief Finance Officer/Chief Operating Officer). This was reduced to three Non-executive Directors following the resignation of Mr Craig Mathieson during the financial year. The details of each Director's qualifications, experience and skills are set out on pages 15 and 16 of the Annual Report.

Principle 2: Structure of the board to add value continued

Board and Director Independence

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

Currently, three of the five Directors are considered to be independent. It is the Board's view that Mr Shane Tanner, Ms Linda Norquay and Mr Stephen Heath are independent Directors.

Mr Nir Pizmony and Mr Grant Mackenzie are Executive Directors and are deemed not to be independent Directors.

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

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

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

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

Work of Directors

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

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

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

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

Conflict of Interest

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

Independent Professional Advice

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

Principle 3: Act ethically and responsibly

Ethical Standards

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

Principle 3: Act ethically and responsibly continued

Ethical Compliance

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

Dealings in Funtastic shares by Directors, Officers and Employees

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

Certain "Designated Officers", including all Directors and Senior Executives, are also prohibited from trading during certain "blackout" periods. These blackout periods are:

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

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

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

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

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

Principle 4: Safeguard integrity in corporate reporting

Audit, Risk and Compliance Committee

Funtastic has noted the ASX Corporate Governance Council's best practice recommendation that listed companies have an independent Director as Chairman of the Audit, Risk and Compliance Committee. This Committee is comprised of three Non-executive Directors. Ms Linda Norquay is the chairman of the committee, following the resignation of Mr Craig Mathieson. The Board considers that three independent Directors on the committee are sufficient for the independence of the committee.

Audit, Risk and Compliance Committee Charter and Responsibilities

The Committee's key responsibilities and functions are to:

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

Meetings of the Audit, Risk and Compliance Committee

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

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

Reporting by the Audit, Risk and Compliance Committee

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

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

Principle 4: Safeguard integrity in corporate reporting continued

Reporting by the Audit, Risk and Compliance Committee continued

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

- recommending to the Board the appointment and removal of the external auditors and reviewing the terms of engagement;
- approving the audit plan of the internal and external auditors;
- monitoring the effectiveness and independence of the external auditor; obtaining assurances that the audit is conducted in accordance with the Auditing Standards and all other relevant accounting policies and standards;
- providing recommendations to the Board as to the need for and the role of an internal audit function;
- reviewing and appraising the quality of audits conducted by the internal and external auditors and confirming their respective authority and responsibilities;
- monitoring the relationship between management and the external auditors;
- determining the adequacy, effectiveness, reliability, and appropriateness of administrative, operating and internal control systems and policies;
- evaluating compliance with approved policies, controls, and with applicable accounting standards and other requirements relating to the preparation and presentation of financial results;
- overseeing financial reporting and disclosure practice and the resultant information; and
- reviewing (in consultation with management and external auditors) the appropriateness of the accounting principles adopted by management in the composition and presentation of financial reports and approving all significant accounting policy changes.
- evaluating the structure and adequacy of business continuity plans;
- determine the appropriateness of insurances on an annual basis;
- reviewing and making recommendations on the strategic direction, objectives and effectiveness of financial and operational risk management policies;
- overseeing the establishment and maintenance of processes to ensure that there is:
  - an adequate system of internal control, management of business risks and safeguard of assets; and
  - a review of internal control systems and the operational effectiveness of the policies and procedures related to risk and control.
- evaluating exposure to fraud and monitoring investigations of allegations of fraud or malfeasance;
- reviewing corporate governance practices for completeness and accuracy;
- determining the adequacy and effectiveness of legal compliance systems; and
- providing recommendations as to the reporting of and propriety of related party transactions.

Management Certification Process

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

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

The key steps in the certification process are as follows:

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

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

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

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

Principle 5: Make timely and balanced disclosure

Communication and disclosure

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

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

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

Principle 6: Respect the rights of security holders

The company maintains a corporate website which provides information freely and readily to current and potential security holders.

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

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

Principle 7: Recognise and manage risk

Recognising and managing risk

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

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

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

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

Internal Audit Function

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

Principle 8: Remunerate fairly and responsibly

Remuneration and Evaluation Committee

The members of the Remuneration and Evaluation Committee are Mr Stephen Heath (Chairman), Shane Tanner and Ms Linda Norquay.

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

- remuneration policies and practices which will serve to attract and retain Executives and Directors who will create value for shareholders. These policies and practices should fairly and responsibly reward Executives and Directors, having regard to the performance of the Company, the performance of the individual, and the general remuneration environment;
- succession planning for Senior Executives who report directly to the Chief Executive Officer;
- the remuneration, superannuation and incentive policies for Senior Executives who report directly to the Chief Executive Officer; and
- all equity and cash-based remuneration plans.

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

Principle 8: Remunerate fairly and responsibly continued

Remuneration and Evaluation Committee Charter and Responsibilities

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

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

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

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

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

Remuneration Policy

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

Remuneration Disclosure

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

Directors' Report

Directors

Your Directors present their report on the Group consisting of Funtastic Limited and the entities it controlled at the end of, or during, the year ended 31 July 2015.

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

Shane Tanner
FCPA, ACIS
Chairman and Independent Non-Executive Director

Appointed to the Board in March 2009 as an Independent Non-Executive Director and appointed as Chairman of the Board effective from the AGM on 21 May 2010. Mr Tanner is Chairman of the Nomination Committee and a member of the Remuneration and Evaluation Committee and the Audit, Risk and Compliance Committee.

Mr Tanner is Chairman of Vision Eye Institute Ltd and Paragon Care Ltd. He is a former CEO of Mayne Nickless Diagnostic Services and Director of Sterihealth Ltd. Mr Tanner has vast commercial and financial experience.

Nir Pizmony
Managing Director and Chief Executive Officer

Appointed to the Board in August 2009 as an Executive Director. He was appointed as Managing Director & Chief Executive Officer on 1 August 2014. Mr Pizmony has over twenty-five years experience in consumer products. He has founded, developed and subsequently sold two successful toy companies. Mr Pizmony's knowledge and reputation in the toy industry is well proven both in Australia and globally.

Craig Mathieson
(resigned 26 May 2015)
B.Bus
Non-Executive Director

Appointed to the Board in August 2009 as a Non-Executive Director. Mr Mathieson was Chairman of the Audit, Risk and Compliance Committee, a member of the Remuneration and Evaluation Committee and of the Nomination Committee.

Mr Mathieson is CEO of The Mathieson Group. He was Managing Director of DMS Glass from 2001 to 2007. He has a banking and commercial background gained while working with the Business Banking division of ANZ Bank and the Property Finance division of St George Bank.

Directors continued

Stephen Heath
Independent Non-Executive Director

Appointed to the Board in October 2010 as an Independent Non-Executive Director. Mr Heath is a member of the Audit, Risk and Compliance Committee, the Nomination Committee and Chairman of the Remuneration and Evaluation Committee.

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

Linda Norquay
B.Com, CA, GAICD
Independent Non-Executive Director

Appointed to the Board in September 2011 as an Independent Non-Executive Director. Ms Norquay is a member of the Audit, Risk and Compliance Committee (appointed Chairman on 29 July 2015), the Nomination Committee and the Remuneration and Evaluation Committee.

Ms Norquay is currently Chief Financial Officer at Illyria Pty. Ltd. Ms Norquay brings a wealth of financial and strategic experience to Funtastic Limited and has previously held senior financial and management roles at Allco Finance Group, Macquarie Bank Limited and Barclays Bank Plc in London.

Grant Mackenzie
(Appointed 6 August 2014)
B.Acc, CA, MBA, GAICD
Executive Director

Appointed to the Board as Executive Director and to the position of Chief Operating Officer in August 2014. Mr Mackenzie is also the Chief Financial Officer & Company Secretary of the Company.

Mr Mackenzie has over 20 years experience in various senior executive roles with significant experience in brand management. His most recent role prior to joining Funtastic was Finance Director for Brown-Forman Australia. Grant brings with him a successful record of international, strategic and commercial management such that he is considered a key asset to the Group in executing its long term geographical expansion of its own brands.

Directorships of other listed companies

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

Director	Company	Period
Shane Tanner	Vision Eye Institute Ltd	2004 to current
	Paragon Care Limited	2005 to current
Stephen Heath	Fantastic Holdings Limited	2013 to current

Company Secretary

Mr Mackenzie was appointed to the position of Company Secretary on 1 November 2013.

Principal activities

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

Subsequent events

Since the end of the financial period, the company, with the support of the National Australia Bank has amended its banking facilities and extended the maturity of these facilities out to 31 December 2016. The revised facilities and new covenants that have been established are more aligned with the revised outlook of the business.

There has not been any other matter or circumstances occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Environmental regulations

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

Review operations

Key strategic achievements:

- Re-assessed and commenced implementing key changes to the corporate strategy:
  - Continued development of our own brands
  - Continued to develop our global distribution network
  - Expanded into homewares and health foods

Key operating achievements:

- Significant reduction of slow moving and excess inventory resulting in a 50% reduction in warehouse space.
- Implemented improved product cost and pricing controls.
- Stabilised the business:
  - Implemented cost reduction initiatives
  - Made key organisational changes
  - Enhanced our capabilities
  - Focus on key drivers of growth
  - Re-aligned banking facilities
- Strengthened our relationships with key agency partners
- Continued to invest in product innovation:
  - Messi Foot Bubbles
  - Zap Chef Range of products
  - Chill Factor line extensions
  - Zorbz water balloons
- Leveraged the Australian distribution network securing new innovative products including:
  - Anylock
  - Grill Daddy
  - Pure Organic

Key financial results continuing operations:

- NPAT loss of $33.9m.
- EBITDA loss of $6.6m (excluding impairment charge recognised in the period of $11.1m).
- Finance costs fell by 27% to $3m due to a reduction in the underlying interest rate aligned with adjusted facilities better structured to the company's business needs.
- Borrowings increased by $5.8m.

Key Financials (Continuing Activities)

AUD'm	FY15	FY14	% Change
Revenue	105.9	124.6	▼ 16%
EBITDA	(17.7)	(0.8)	▼ 2061%
PBT	(24.2)	(9.3)	▼ 160%
NPAT	(33.9)	(10.0)	▼ 238%
Basic EPS (cents)	(5.08)	(1.51)	▼ 236%
Dividend per share (cents)	N/A	N/A	N/A
ROE(i)	(17.3%)	(2.9%)	▼ 490%
Net Debt ($m)	41.5	31.7	▲ 31%
Gearing(ii)	138%	47%	▲ 195%

(i) NPAT/average shareholder equity;

(ii) Net debt/shareholder equity;

Outlook

Funtastic has developed a solid foundation that will enable it to continue to create, develop and market innovative brands that enrich lifestyles around the world, whilst delivering improved returns to our shareholders. The company has broadened its categories we operative to include homewares and health food products whilst continuing in toys, sporting and confectionery categories.

The benefits of the initiatives that have been implemented in FY15 will have a positive impact in FY16. These include:

- The continued expansion of our own products.
- Increased product portfolio of agency brands.
- Ongoing benefits derived from cost savings initiatives structural organisational and key people changes
- Improved margins with a better mix of new products, own products, clearance sales and channel

Through our own and key agency brands we continue to enhance our manufacturing and innovation capabilities, global distribution networks, brand building capabilities and domestic distribution expertise that will enable us to strengthen a well-balanced diversified portfolio of key brands.

Dividends

In respect of the financial year ended 31 July 2015, no dividends have been declared or paid.

Rounding of amounts to nearest thousand dollars

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report and Financial Statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Share Options

Options granted to Directors and Executives of the Company

During or since the end of the financial year, the Company granted options under the Employee Share Loan Scheme (ESLS) over unissued ordinary shares in the Company to the following Directors and Executives, as part of their remuneration:

Directors and Executives	Number of options granted during the year	Number of ordinary shares under option
Directors		
N. Pizmony	12,000,000	12,000,000
G. Mackenzie	1,500,000	1,800,000
Executives		
P.S. Lopez	3,600,000	4,800,000

(i) The ESLS is treated in substance as an option for accounting purposes and is therefore disclosed as share options in the Directors' Report, Remuneration Report and in the Notes to the financial statements. Further details on the ESLS are set out in Note 34 of the financial statements.

Unissued shares under option

At the date of this report, unissued shares of the Company under option are:

(a) Employee share loan scheme (ESLS)

Tranche	Grant date	Number of shares	Exercise price	Exercise date	Vesting date	Expiry date
Tranche 1	8 July 2013	600,000	$0.1599	1 January 2016	1 January 2016	N/A
Tranche 2	27 January 2014	1,500,000	$0.1660	27 January 2017	27 January 2017	N/A
Tranche 3a(i)	31 July 2015	13,500,000	$0.0244	31 July 2015	31 July 2015	N/A
Tranche 3b	31 July 2015	3,600,000	$0.0244	31 July 2018	31 July 2017	N/A
		19,200,000				

(i) There are no vesting conditions attached to Tranche 3a options. Option issued vested at the grant date.

Of the 2,400,000 options granted on 8 July 2013, 1,800,000 had been forfeited due to resignations of employment. Of the 2,200,000 options were granted on 27 January 2014, 700,000 had been forfeited due to resignations of employment. None of these forfeited shares had been exercised and they had a nil value at the forfeited dates.

(b) Unissued options

On 23 December 2013, unlisted options of 6,333,333 were issued to Mr Nir Pizmony with shareholder approval as an incentive component of Mr Nir Pizmony's remuneration package. On 10 August 2014, 1,333,333 vested options expired and on 31 December 2014 the remaining 5,000,000 vested options expired.

Indemnity of Officers and Auditors

During the financial year the Company paid a premium in respect of a contract insuring the Directors of Funtastic Limited and all Executive Officers of the Company and of any related body corporate against a liability incurred as such Director, secretary or Executive Officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred by such an officer or auditor.

Meetings of Directors

The number of meetings of the Company's Directors held during the year ended 31 July 2015 and the number of meetings attended by each Director were:

	Remuneration Committee		Board of Directors		Audit, Risk and Compliance Committee	
	A	B	A	B	A	B
S Tanner	1	1	15	15	2	2
C Mathieson[i]	1	1	10	12	1	2
N Pizmony	*	*	15	15	*	*
L Norquay	1	1	15	15	2	2
S Heath	1	1	13	15	2	2
G Mackenzie	*	*	15	15	*	*

(i) resigned 26 May 2015

Note:

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

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

There is also a Nominations Committee but no meetings were held during the year since no changes to Board composition were contemplated.

Directors' shareholdings

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

Director	Issuing entity	Ordinary Shares	Share Options
S Tanner	Funtastic Limited	500,000	–
N Pizmony	Funtastic Limited	30,238,601	12,000,000
S Heath	Funtastic Limited	4,452,802	–
L Norquay	N/A	–	–
G Mackenzie	Funtastic Limited	7,446,976	1,800,000

Option holdings

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

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

Changes in state of affairs

There was no significant change in the state of affairs of the consolidated entity during the financial year.

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 37 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 37 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit, Risk and Compliance 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.

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 33 of this annual report.

Remuneration Report (Audited)

Details of key management personnel

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

Name	Position	Period in position during the year
Shane Tanner	Chairman and Independent Non-executive Director	Full year
Nir Pizmony	Executive Director Managing Director and Chief Executive Officer	Full year Appointed 1 August 2014
Craig Mathieson	Non-executive Director	Resigned 26 May 2015
Stephen Heath	Independent Non-executive Director	Full year
Linda Norquay	Independent Non-executive Director	Full year
Pedro Sangil Lopez	International Manager	Full year
Grant Mackenzie	Chief Operating Officer, Chief Financial Officer and Company Secretary Executive Director	Full year Appointed 6 August 2014

Remuneration policy for Directors and Executives

Principles of Compensation

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

Compensation of the Senior Executives is reviewed on an annual basis by the Remuneration and Evaluation 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 Share Loan Scheme.

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

Compensation and other terms of employment for Senior Executives are formalised in service agreements.

Remuneration Report (Audited) continued

Remuneration policy for Directors and Executives continued

Principles of Compensation continued

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

Compensation and company performance

Funtastic Limited's Net Profit before Tax (NPBT) and Diluted Earnings per Share (EPS) growth have been the key performance measures for the Company's incentive plans for Executives. Other measures include revenue growth, return on average funds employed, net operating cash flow, total shareholder return and other business objectives.

In 2015, no Short Term Incentive ('STI") eligible payments were made (2014:$nil).

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 July 2015	Year ended[iii] 31 July 2014	Year ended[iii] 31 July 2013	Year ended[iii] 31 July 2012	Year ended[iii] 31 July 2012
NPAT ($'000)[i]	(37,533)	(35,707)	13,962	10,436	(38,205)
EPS Basic (Cents)[ii]	(5.63)	(5.39)	2.58	2.77	(11.2)
Diluted EPS (Cents)[ii]	(5.63)	(5.39)	2.57	2.77	(11.2)
Total Dividends ($'000)	Nil	3,335	2,702	Nil	Nil
Year End Share Price ($)	0.029	0.077	0.17	0.16	0.07
Shares on Issue (No.)[iv]	667,169,723	667,169,723	642,169,723	537,799,605	340,997,682
Market Capitalisation ($'000)	19,348	51,372	109,169	86,048	23,870

(i) NPAT from group operations

(ii) Basic & Diluted EPS from group operations

(iii) Includes Madman Entertainment group of companies

(iv) Shares on Issue does not included shares held by the Group issued under the Employee Share Loan Scheme.

Components of Compensation

Fixed Compensation

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

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

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

Remuneration Report (Audited) continued

Components of Compensation continued

At risk Compensation

Annual Bonus

- The STI plan is linked to specific targets (predominantly financial) with the opportunity to earn incentives based on a percentage of fixed compensation.
- Performance measurements have been applied to each component of STI and accordingly, entitlements were determined with regard to the Executive's level and area of responsibility. Performance against the objectives was determined and incentives and entitlements assessed against the audited financial results.
- Due to the company's financial position, the STI for the following key Executives was converted to an LTI utilising the Employee Share Loan Scheme (all of which were issued on 31 July 2015 and therefore no expense recognised during the current year):
  - Nir Pizmony
  - Grant Mackenzie
  - Pedro San Gil

	Fixed remuneration		Remuneration linked to performance	
	2015	2014	2015	2014
Directors				
Shane Tanner	100%	100%	–	–
Craig Mathieson	100%	100%	–	–
Stephen Heath	100%	100%	–	–
Linda Norquay	100%	100%	–	–
Executive Officers				
Nir Pizmony	100%	100%	–	–
Grant Mackenzie	100%	100%	–	–
Pedro Sangil Lopez	92%	84%	8%	16%

Share Options/Share Performance Right Plans/Employee Share Loan Scheme

The Company's long-term incentive arrangements (LTI) are designed to link Executive compensation with growth in shareholder value through the grant of options or rights over equity securities (shares) in the Company. The Company's Executive Share Option Plan (ESOP) and Funtastic Employee Performance Share Rights (EPSR) were replaced by the Employee Share Loan Scheme (ESLS) established during the 2013 financial year. As at the 31 July 2015 all options relating to the ESOP and EPSR had expired.

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

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

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

Remuneration Report (Audited) continued

Share Options/Share Performance Right Plans/Employee Share Loan Scheme continued

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

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

No performance conditions are attached to the ESLS and the only vesting condition is a service condition which requires participants to remain in employment until 1 January 2016 for Tranche 1, 6 November 2016 for Tranche 2 and 31 July 2017 for Tranche 3a. There were no performance conditions attached to share options under Tranche 3b, options vested at date of grant. Although there are no performance conditions attached to the ESLS, eligible employees only benefit from the scheme through improvements in the share price of the company, which results from improved performance. The options become exercisable only when the vesting conditions are met. (See Note 34)

The expiry date of the ESLS options is on the date the employee ceases employment with Funtastic. Further details on the ESLS, the ESLS Trust and the ESLS's interest free limited recourse loan are set out in Note 34 of the financial statements.

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

Share Options granted

During the financial year, the following share-based payment arrangements were in existence:

Share-based payment	Series	Tranche	Grant date	Expiry date	Grant date average fair value	Number of shares at 31 July 2015	Vesting date	Exercise date
Share option	ESLS[(i),(ii)]	Tranche 1	08/07/2013	N/A	$0.0502	600,000	01/01/2016	01/01/2016
Share option	ESLS[(i),(ii)]	Tranche 2	27/01/2014	N/A	$0.0634	1,500,000	27/01/2017	27/01/2016
Share option	ESLS[(iii)]	Tranche 3a[(i)]	31/07/2015	N/A	$0.0154	13,500,000	31/07/2015	31/07/2018
Share option	ESLS[(i),(ii)]	Tranche 3b	31/07/2015	N/A	$0.0154	3,600,000	31/07/2017	31/07/2018
Share option	Unlisted[(i)]		23/12/2013	10/08/2014	$0.1350	–	23/12/2013	23/12/2013
Share option	Unlisted[(i)]		23/12/2013	31/12/2014	$0.1000	–	23/12/2013	23/12/2013
Share option	Unlisted[(i)]		23/12/2013	31/12/2014	$0.1350	–	23/12/2013	23/12/2013
Total						**19,200,000**		

(i) There are no performance conditions attached to this share option. The only vesting condition is for participants to remain in employment until 1 January 2016 for tranche 1, 6 November 2016 for tranche 2 and 31 July 2017 for tranche 3b. The design of the ESLS is to link Executive compensation with continuing service commitment to Funtastic and growth in shareholder value.

(ii) The expiry date is on the date the employee ceases employment with Funtastic whether vested or not.

(iii) There are no vesting conditions attached to the share options in the Tranches. Options issued vested at the date of grant.

There have been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date.

Shares provided on exercise of remuneration options

No ESOP or ESLS options were exercised during the current financial year or preceding financial year.

Remuneration Report (Audited) continued

Remuneration of Key Management Personnel compensation

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

	Short-term employee benefits			Post-employment benefits	Other long-term employee benefits		Share-based payments		
Year ended 31 July 2015	**Salary and fees $**	**Cash Bonus $**	**Non-monetary benefits $**	**Super-annuation $**	**Long service leave $**	**Termination Benefits $**	**Options $**	**Options Under Employee Share loan scheme $**	**Total $**
Directors									
Shane Tanner	123,600	–	–	–	–	–	–	–	123,600
Craig Mathieson(ii)	47,649	–	–	4,526	–	–	–	–	52,175
Stephen Heath	62,466	–	–	–	–	–	–	–	62,466
Linda Norquay	61,800	–	–	–	–	–	–	–	61,800
Nir Pizmony	479,796	–	–	33,846	8,314	–	136,170	–	658,126
Grant Mackenzie	334,527	–	32,630	34,862	504	–	–	6,330	408,853
Sub-Totals	**1,109,838**	**–**	**32,630**	**73,234**	**8,818**	**–**	**136,170**	**6,330**	**1,367,020**
Executives									
Pedro Sangil Lopez(i)	270,407	20,990	183,698	3,315	–	–	–	21,099	499,509
Sub-Totals	**270,407**	**20,990**	**183,698**	**3,315**	**–**	**–**	**–**	**21,099**	**499,509**
TOTALS	**1,380,245**	**20,990**	**216,328**	**76,549**	**8,818**	**–**	**136,170**	**27,429**	**1,866,529**

(i) Retention payment made under the terms employment contract. No other cash bonuses were granted during 2015.

(ii) Resigned 26 May 2015

Remuneration Report (Audited) continued

Remuneration of Key Management Personnel compensation

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

	Short-term employee benefits			Post-employment benefits	Other long-term employee benefits		Share-based payments		
Year ended 31 July 2014	Salary and fees $	Cash Bonus $	Non-monetary benefits $	Super-annuation $	Long service leave $	Termination Benefits $	Options $	Options Under Employee Share loan scheme $	Total $
Directors									
Shane Tanner	123,600	–	–	–	–	–	–	–	123,600
Stewart Downs	487,750	–	16,378	51,380	(17,735)	328,781	–	(807)	865,747
Craig Mathieson	56,697	–	–	5,261	–	–	–	–	61,958
Nir Pizmony	377,982	–	–	35,072	10,294	–	256,766	–	680,114
Stephen Heath	61,957	–	–	220	–	–	–	–	62,177
Linda Norquay	61,800	–	–	–	–	–	–	–	61,800
Paul Wiegard	321,101	–	–	29,794	6,845	–	–	(403)	357,337
Sub-Totals	**1,490,887**	**–**	**16,378**	**121,727**	**(596)**	**328,781**	**256,766**	**(1,210)**	**2,212,733**
Executives									
James Cody(i)	94,953	–	–	8,652	(1,560)	154,855	–	(403)	256,497
Tim Anderson	317,956	–	797	26,515	6,845	–	–	(403)	351,710
Pedro Sangil Lopez	207,170	53,349	143,281(iii)	2,591	–	–	–	14,760	421,151
Grant Mackenzie(ii)	234,114	–	–	21,748	–	–	–	3,234	259,096
Sub-Totals	**854,193**	**53,349**	**144,078**	**59,506**	**5,285**	**154,855**	**–**	**17,188**	**1,288,454**
TOTALS	**2,345,080**	**53,349**	**160,456**	**181,233**	**4,689**	**483,636**	**256,766**	**15,978**	**3,501,187**

(i) 3 months.

(ii) 9 months

(iii) 2014 has been restated to include non-monetary benefits, which form part of the Executives total remuneration package.

Remuneration Report (Audited) continued

Key management personnel equity holdings

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

Share options

The tables below include balances for both options granted under the Employee Share Loan Scheme and Unlisted options.

Year ended 31 July 2015	Balance at the start of the year	Granted during the year	Options expired during the year	Options forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year(iii)	Vested and unexercisable at the end of the year
Executive Directors							
Nir Pizmony	6,333,333	12,000,000(i)	(6,333,333)	–	12,000,000	–	12,000,000
Grant Mackenzie	300,000	1,500,000(i)	–	–	1,800,000	–	1,800,000
Executives							
Pedro Sangil Lopez	1,200,000	3,600,000(ii)	–	–	4,800,000	–	–
Totals	**7,833,333**	**17,100,000**	**(6,333,333)**	–	**18,600,000**	–	**13,800,000**

(i) The ESLS options were granted in lieu of STI component of management compensation.

(ii) The ESLS options were granted in lieu of retention bonus payable under current employment contract.

(iii) No options were exercised during FY15.

Year ended 31 July 2014	Balance at the start of the year	Granted During the year	Options expired during the year	Options forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year	Vested and unexercisable at the end of the year
Executive Directors							
Stewart Downs	4,600,000	–	(200,000)	(3,066,667)	1,333,333	1,333,333	–
Nir Pizmony	–	6,333,333	–	–	6,333,333	–	–
Paul Weigard	200,000	100,000	–	(300,000)	–	–	–
Executives							
Tim Anderson	200,000	100,000	–	(300,000)	–	–	–
James Cody	1,200,000	–	–	(1,200,000)	–	–	–
Pedro Sangil Lopez	200,000	1,000,000	–	–	1,200,000	–	–
Grant Mackenzie	–	300,000	–	–	300,000	–	–
Totals	**6,400,000**	**7,833,333**	**(200,000)**	**(4,866,667)**	**9,166,666**	**1,333,333**	–

Remuneration Report (Audited) continued

Key management personnel equity holdings continued

Share options continued

Year ended 31 July 2015	No. of options granted at the grant date	Value of options granted at the grant date(i)	No. of options exercised	Value of options exercised at the exercise date(ii)
Executive Directors				
Nir Pizmony	12,000,000	184,800	–	–
Grant Mackenzie	1,500,000	23,100	–	–
Executives				
Pedro Sangil Lopez	3,600,000	55,440	–	–
Totals	**17,100,000**	**263,340**	**–**	**–**

(i) The value of the ESLS options granted during the financial year is calculated as at grant date using the Black Scholes model. This grant date value is allocated to remuneration of key management personnel on a straight-line basis over the period from grant date to vesting/exercise date

(ii) Not applicable as there were no options exercised during the year.

Name	Financial year in which the options were granted	No. of options lapsed during the current year
Nir Pizmony	2014	6,333,333

Performance Share Right holdings

There were no Performance Share Rights held by management personnel of the Group at the beginning and/or during the financial year (2014: nil).

Ordinary shares

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

Year ended 31 July 2015	Balance at the start of the year	Shares purchased privately during the year	Received on exercise of options	Other changes	Balance at the end of the period	Balance held nominally
Directors						
Shane Tanner	500,000	–	–	–	500,000	500,000
Nir Pizmony	29,238,601	1,000,000	–	–	30,238,601	21,504,918
Craig Mathieson(i)	111,382,853	–	–	(111,382,853)	–	–
Steven Heath	666,667	3,786,135	–	–	4,452,802	4,452,802
Linda Norquay	–	–	–	–	–	–
Grant Mackenzie	3,568,405	3,878,571	–	–	7,446,976	1,292,856
Executives						
Pedro Sangil Lopez	3,634,733	–	–	3,887,362	7,522,095	–
Totals	**148,991,259**	**8,664,706**		**(107,495,491)**	**50,160,474**	**27,750,576**

(i) Resigned 26 May 2015. As Craig Mathieson is not a KMP at 31 July 2015, his shareholdings in the Group are no longer disclosed.

Remuneration Report (Audited) continued

Key management personnel equity holdings continued

Ordinary shares continued

Year ended 31 July 2014	Balance at the start of the year	Shares purchased privately during the year	Received on exercise of options	Other changes	Balance at the end of the period	Balance held nominally
Directors						
Shane Tanner	400,000	100,000	–	–	500,000	500,000
Stewart Downs	–	–	–	–	–	–
Nir Pizmony	30,185,131	–	–	(946,530)	29,238,601	21,504,918
Craig Mathieson(i)	111,382,853	–	–	–	111,382,853	–
Steven Heath	666,667	–	–	–	666,667	666,667
Linda Norquay	–	–	–	–	–	–
Paul Wiegard	–	–	–	–	–	–
Executives						
James Cody	–	–	–	–	–	–
Tim Anderson	–	–	–	–	–	–
Pedro Sangil Lopez	–	3,634,733	–	–	3,634,733	–
Grant Mackenzie	–	3,568,405	–	–	3,568,405	1,292,856
Totals	**142,634,651**	**7,303,138**	**–**	**(946,530)**	**148,991,259**	**22,671,585**

Loans to and other transactions with Key Management Personnel

(a) Equity interests in related parties

Equity interests in subsidiaries.

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 31 to the financial statements.

(b) Transactions with Key Management Personnel

Key management personnel compensation

Details of key management personnel compensation are disclosed in Note 35 to the financial statements.

Loans from key management personnel

There are no outstanding loans from key management personnel.

Remuneration Report (Audited) continued

Loans to and other transactions with Key Management Personnel continued

(c) Transactions with key management personnel of the Group

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

	Year ended 31 July 2015 $	Year ended 31 July 2014 $
Consolidated revenue includes the following amounts arising from transactions with key management personnel of the Group or their related parties:		
Gross revenue	1,854	–
Interest revenue	–	–
	1,854	**–**
Consolidated profit includes the following amounts arising from transactions with key management personnel of the Group or their related parties:		
Cost of goods sold	5,823	5,126,923
Interest expense	–	4,225
Other expenses	1,971	969
	7,794	**5,132,117**

	Year ended 31 July 2015 $	Year ended 31 July 2014 $
Total assets arising from transactions with key management personnel or their related parties:		
Current – Other (prepaid expenses)	–	838,353
Current – Inventories	–	1,616
	–	**839,969**

The above transactions were performed at arm's length.

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

- Purchases of $1,645 (2014: $nil) to Annabel Mackenzie a party related to Mr Grant Mackenzie for external consulting
- Purchases of $326 for provision of employment services (2014: $nil) from Sherelle Pizmony a party related to Mr Nir Pizmony;
- Commission revenue of $1,854 and Cost of goods sold of $5,823 for product items that were sold on behalf of The 3 of Us Limited an entity related to Mr Nir Pizmony;

Remuneration Report (Audited) continued

Loans to and other transactions with Key Management Personnel continued

(c) Transactions with key management personnel of the Group continued

Consistent with prior year, Funtastic holds a combined media purchasing arrangement with The Three of Us, which results in advantageous marketing costs. The media purchasing arrangement positions Funtastic to facilitate payment of marketing costs for both Funtastic and The Three of Us, following which The Three of Us reimburses Funtastic for their portion of advertising. A total amount of $2,078,859 (2014: $1,024,968) was passed through to Funtastic in respect to their arrangements. In this respect Funtastic is acting as an agent for the Three of Us, however earning no margin in the process. Given the substance of this arrangement, there is no impact upon the Group's consolidated profit or loss.

(d) Transactions with other related parties

Transactions between Funtastic Limited and other entities in the wholly-owned Group during the financial years ended 31 July 2015 and 31 July 2014, which were eliminated on consolidation, consist of:

- sales made by Funtastic Limited;
- loans advanced and interest charged by Funtastic Limited;
- payments made by KMP on behalf of Funtastic Limited;
- advances made by KMP on behalf of Funtastic Limited;
- management services provided to Funtastic Limited; and
- payment to/from Funtastic Limited for the above services.

Service Agreements

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

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

Shane Tanner – Chairman & Independent Non-executive Director

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

Craig Mathieson – Non-executive Director (resigned 26 May 2015)

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

Nir Pizmony – Managing Director and Chief Executive Officer (appointed 1 August 2014)

- Term of the agreement – full-time permanent and no specific term.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to 6 months' base salary.
- Notice period 6 months.

Grant Mackenzie – Executive Director, Chief Financial Officer & Chief Operating Officer (appointed 1 August 2014)

- Term of the agreement – full-time permanent and no specific term.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to 12 weeks base salary.
- Notice period 12 weeks.

Stephen Heath – Non-executive Director

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

Remuneration Report (Audited) continued

Service Agreements continued

Linda Norquay – Non-executive Director

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

Pedro Sangil Lopez – International Manager

- Term of the agreement – full-time permanent and no specified term.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to 6 months base salary.
- Notice period 6 months

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

On behalf of the Directors,

Shane Tanner
Chairman of the Board

Melbourne
30 September 2015

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The Board of Directors
Funtastic Limited
Level 2, Tower 2, Chadstone Place
1341 Dandenong Road,
CHADSTONE VIC 3148

30 September 2015

Dear Board Members

Funtastic Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Funtastic Limited.

As lead audit partner for the audit of the financial statements of Funtastic Limited for the financial year ended 31 July 2015, 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.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Biermann
Partner
Chartered Accountants

Deloitte.

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Independent Auditor's Report to the Members of Funtastic Limited

Report on the Financial Report

We have audited the accompanying financial report of Funtastic Limited, which comprises the statement of financial position as at 31 July 2015, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 36 to 96.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Deloitte.

Auditor's Independence Declaration

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

Opinion

In our opinion:

(a) the financial report of Funtastic Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 July 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 32 of the directors' report for the year ended 31 July 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Funtastic Limited for the year ended 31 July 2015, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Biermann
Partner
Chartered Accountants
Melbourne, 30 September 2015

Directors' Declaration

The Directors declare that:

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

(b) in the Directors' opinion the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 2 to the financial statements;

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

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

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418 and has entered into a deed of cross guarantee as contemplated in that order. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in Note 31 to the financial statements will, as a Group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

On behalf of the Directors,

Shane Tanner
Chairman of the Board

Melbourne
30 September 2015

Consolidated Statement of Profit or Loss and other Comprehensive Income

for the year ended 31 July 2015

	Note	Year ended 31 July 2015 $'000	Year ended 31 July 2014 $'000
Continuing operations			
Revenue	6	105,867	124,589
Cost of goods sold		(77,182)	(90,689)
Gross profit		28,685	33,900
Investment income	7	652	619
Warehouse and distribution expenses		(7,526)	(8,678)
Marketing and selling expenses		(12,110)	(11,579)
Administration expenses		(16,289)	(16,652)
Impairment of Goodwill and Intangible Assets	7	(11,120)	–
Gain on sale of QuickSmart		–	1,570
Earnings before interest, taxation, depreciation and amortisation expenses (EBITDA)		(17,708)	(820)
Finance costs	9	(2,992)	(4,052)
Depreciation and amortisation expenses	7	(3,472)	(4,418)
Loss before income tax		(24,172)	(9,290)
Income tax expense	8	**(9,692)**	**(720)**
Loss for the year from continuing operations		**(33,864)**	**(10,010)**
Discontinued operation			
Loss from discontinued operation, net of tax	5	**(3,669)**	**(25,697)**
Loss for the year		**(37,533)**	**(35,707)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		(53)	37
Loss on cash flow hedges taken to equity		(215)	(359)
Other comprehensive loss for the year (net of tax)		**(268)**	**(322)**
Total comprehensive loss for the year attributable to members of Funtastic		**(37,801)**	**(36,029)**
Earnings per share			
Basic earnings per share (cents per share)	27	(5.63)	(5.39)
Diluted earnings per share (cents per share)	27	(5.63)	(5.39)
Earnings per share – continuing operations			
Basic earnings per share (cents per share)	27	(5.08)	(1.51)
Diluted earnings per share (cents per share)	27	(5.08)	(1.51)

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

Consolidated Statement of Financial Position

as at 31 July 2015

	Note	Year ended 31 July 2015 $'000	Year ended 31 July 2014 $'000 (Restated)
Current Assets			
Cash	32	904	4,909
Trade and other receivables	10	10,136	17,138
Inventories	11	16,563	17,914
Other current assets	12	3,372	6,314
Other financial assets	13	38	–
Current tax assets	8	–	5
Total Current Assets		**31,013**	**46,280**
Non-Current Assets			
Plant and equipment	14	1,750	1,568
Goodwill	15	39,165	49,995
Other intangibles	16	15,427	17,379
Deferred tax assets	8	3,367	12,654
Other investment		–	29
Other assets	12	405	469
Total Non-Current Assets		**60,114**	**82,094**
Total Assets		**91,127**	**128,374**
Current Liabilities			
Trade payables	18	11,615	17,280
Borrowings	19	42,431	29,357
Provisions	20	1,080	884
Tax liabilities	8	195	–
Other liabilities	21	4,632	4,584
Other financial liabilities	22	435	180
Total Current Liabilities		**60,388**	**52,285**
Non-Current Liabilities			
Borrowings	19	26	7,299
Provisions	20	227	485
Deferred tax liabilities	8	254	235
Other liabilities	21	115	310
Total Non-Current Liabilities		**622**	**8,329**
Total Liabilities		**61,010**	**60,614**
Net Assets		**30,117**	**67,760**
Equity			
Issued capital	24	208,372	208,372
Accumulated losses	25	(179,048)	(141,515)
Reserves	26	793	903
Total Equity		**30,117**	**67,760**

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

Statement of Changes in Equity

for the year ended 31 July 2015

	Share Capital	Accumu-lated Losses	Foreign Currency Translation Reserve	Equity-settled Employee Benefits Reserve	Cash Flow Hedging Reserve	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 August 2013	**204,497**	**(102,473)**	**(1,013)**	**1,639**	**297**	**102,947**
Payment of Dividends	–	(3,335)	–	–	–	(3,335)
Loss for the year	–	(35,707)	–	–	–	(35,707)
Other comprehensive (loss) income	–	–	37	–	(359)	(322)
Total comprehensive (loss) income	–	(35,707)	37	–	(359)	(36,029)
Recognition of share-based payments	–	–	–	302	–	302
Issue of ordinary shares re Chill Factor Global acquisition	3,875	–	–	–	–	3,875
Balance at 31 July 2014	**208,372**	**(141,515)**	**(976)**	**1,941**	**(62)**	**67,760**
Loss for the year	–	(37,533)	–	–	–	(37,533)
Other comprehensive loss	–	–	(53)	–	(215)	(268)
Total comprehensive (loss) income	–	(37,533)	(53)	–	(215)	(37,801)
Recognition of share-based payments	–	–	–	158	–	158
Balance at 31 July 2015	**208,372**	**(179,048)**	**(1,029)**	**2,099**	**(277)**	**30,117**

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

Consolidated Statement of Cash Flows

for the year ended 31 July 2015

	Note	Year ended 31 July 2015 $'000	Year ended 31 July 2014 $'000
Cash Flows from Operating Activities			
Receipts from customers		106,768	167,558
Payments to suppliers and employees		(111,576)	(162,268)
Cash (utilised) generated from operations		(4,808)	5,290
Income taxes paid		(50)	(76)
Interest and other costs of finance paid		(3,022)	(3,432)
Net cash (outflow) inflow from operating activities	32(c)	**(7,880)**	**1,782**
Cash Flows from Investing Activities			
Interest and other investment income received		652	619
Payments for acquisition of businesses		–	(529)
Payments for plant and equipment		(1,200)	(198)
Payments for other intangible assets		(1,031)	(2,894)
Proceeds from sale of business	5, 32(d)	–	21,861
Proceeds from sale of plant and equipment		21	–
Net cash outflow (inflow) from investing activities		**(1,558)**	**18,859**
Cash Flows from Financing Activities			
Proceeds from borrowings		8,700	2,700
Repayment of borrowings		(2,899)	(19,469)
Dividends paid to owners of the Company		–	(3,283)
Borrowings transaction costs		–	(130)
Net cash (outflow) inflow from financing activities		**5,801**	**(20,182)**
Net (decrease) increase in Cash Held		**(3,637)**	**459**
Cash and cash equivalents at the beginning of the year		4,909	4,305
Effects of exchange rate changes on the balance of cash held in foreign currencies		(368)	145
Cash and cash equivalents at the end of the year	32(a)	**904**	**4,909**

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

Notes to the Financial Statements

31 July 2015

Note 1: Significant accounting policies

Statement of compliance

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

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

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

The financial statements were authorised for issue by the Directors on 30 September 2015.

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Director's report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Basis of preparation

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

Going concern basis

The loss of $37,533,000 and operating cash outflow of $7,880,000 in the current financial period were primarily driven by softer revenue from international markets due to slower than anticipated release of products as well as from the continued program of clearing excess inventory. Since 31 July 2014, when the group divested its Madman Entertainment business, the Group has restructured its operations such that all assets and resources are managed at a Group level. This has resulted in significant cost savings which have been realised in the second half of the financial year, together with the benefits of improved pricing negotiated with a number of major customers and suppliers and the results expected from the release of new products into new markets including the United States, the benefit for which is expected in FY16. Based on management's forecasts, the Group will return to profit during the first half of the new financial year.

Whilst there is a net current liability position of $29,375,000 (2014: $6,005,000), the financial statements have been prepared on a going concern basis, due to the fact that of the total current borrowings of $42,431,000 (2014: $29,357,000), $22,657,000 (2014: $25,427,000) relate to trade finance facilities that will be available to the Group beyond the next twelve months and a further $11,965,000 relates to long term debt reassigned as short term in the current financial period due to the updated facility agreement not executed until after 31 July 2015.

Based on the Group's forecasts, the revised facility is expected to be sufficient to meet Funtastic's cash flow requirements and no breaches of financial covenants are forecast.

(a) Basis of consolidation

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

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

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

Note 1: Significant accounting policies continued

Going concern basis continued

(b) Income tax

(i) Current tax

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

(ii) Deferred tax

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

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

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

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

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

(iii) Current and deferred tax for the period

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

(iv) Tax Losses

A deferred tax asset in respect to tax losses is only recognised where there is a reasonable certainty that future taxable profits will be guaranteed. Management assesses continuity of ownership bi-annually and based on the expected future profits, for the 2 years following balance date, books a deferred tax asset to reflect the future benefits from tax revenue losses incurred to date. Management are confident that the company will deliver sustainable profits.

(v) Tax Consolidation

The company and its wholly-owned Australian resident entities are part of a tax-consolidated Group under Australian taxation law. Funtastic Limited is the head entity in the tax-consolidated Group. Tax expense/revenue, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated Group are recognised in the separate financial statements of the members of the tax-consolidated Group using the "separate taxpayer within Group" approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

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

(c) Foreign currency translation

(i) Functional and presentation currency

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

Note 1: Significant accounting policies continued

Going concern basis continued

(c) Foreign currency translation continued

(ii) Transactions and balances

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

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

(iii) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each profit or loss presented are translated at the average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

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

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

(d) Cash and cash equivalents

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

(e) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, discounts, rebates and GST paid.

Revenue from the sale of goods is recognised when a Group entity has delivered products to the customer. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer and the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied.

Commission revenue is recorded when the consideration is receivable based on when the goods have been dispatched to a customer by the third party.

Interest income is recognised on a time proportionate basis using the effective interest rate method. Management fee revenue is recognised in accordance with the entitlement to fees for the management services provided and is brought to account on an accrual basis.

(f) Rental Income

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

(g) Plant and Equipment

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

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

Note 1: Significant accounting policies continued

Going concern basis continued

(g) Plant and Equipment continued

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

Plant and equipment:	2.5 – 10 years
Leasehold improvements:	5 Years

(h) Loans and receivables

Trade, loans and other receivables, are measured at amortised cost, less allowance for doubtful debts, rebates and settlement discounts, where appropriate.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount is recognised in the profit or loss.

(i) Inventories

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

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

(j) Trade payables

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

The amounts are unsecured and usually paid within 30 days of recognition.

(k) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

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

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

(l) Leased Non-Current Assets

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

Finance leases are capitalised (Note 23). A leased asset and a liability are established at the lower of fair value and the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense, so as to achieve a constant rate of interest on the remaining balance of the liability.

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

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

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

Note 1: Significant accounting policies continued

Going concern basis continued

(m) Share-based payments

Share-based compensation benefits are provided to employees via the Funtastic Executive Share Option Plan, Employee Performance Share Rights Plan and the Employee Share Loan Scheme.

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

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

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

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

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

(n) Borrowings

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

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

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

(o) Borrowing costs

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

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

(p) Employee benefits

(i) Wages and salaries and annual leave

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

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

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

(ii) Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

(iii) Profit sharing and bonus plans

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

Note 1: Significant accounting policies continued

Going concern basis continued

(p) Employee benefits continued

(iv) Employee benefit on-costs

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

(q) Intangible assets

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

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

• Software	3-7 years
• Patents	20 years
• Trademarks	10-15 years
• Licensed distribution agreements	1-10 years
• Brand names	Indefinite

During the current financial year, management reassessed the useful life of licensed distribution agreements relating to certain brands owned by the company to be 10 years with amortisation commencing from the start of the current financial year.

(r) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units (CGUs), or groups of CGUs, expected to benefit from the synergies of the business combination. CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or groups of CGUs), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or groups of CGUs) and then to the other assets of the CGU (or groups of CGUs) pro-rata on the basis of the carrying amount of each asset in the CGU (or groups of CGUs). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in subsequent periods.

On disposal of an operation within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

(s) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward contracts comprising foreign exchange forward contracts and options and interest rate swaps. Further details of derivative financial instruments are disclosed in Note 34 to the financial statements.

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

Note 1: Significant accounting policies continued

Going concern basis continued

(s) Derivative financial instruments continued

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

(i) Cash flow hedges

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

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

Note 33 contains details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in the statement of changes in equity.

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

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

(t) Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of the financial asset is under a contract which terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as fair value through profit or loss (FVTPL) which are initially measured at fair value.

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 33.

(i) Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If in a subsequent period the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Note 1: Significant accounting policies continued

Going concern basis continued

(u) Financial instruments issued by the Group

(i) Equity instruments

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

(ii) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner set out in Note 34.

(iii) Other financial liabilities

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

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

(v) Provisions

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

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

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

(w) Onerous contracts

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

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

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

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

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

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

Note 1: Significant accounting policies continued

Going concern basis continued

(y) Discontinued operations

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

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

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier.

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

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

(z) Determination of fair values

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

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

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

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

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

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

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

Note 2: Application of new and revised Accounting Standards

2.1 Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current year and may have affected the amounts reported in these financial statements.

(a) Standards affecting presentation and disclosure

(i) AASB 2012-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'

The amendments to AASB 136 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated, when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by AASB 13 'Fair Value Measurements'. This amendment has been adopted by the Company and reflected in Note 15 to the financial statements.

(ii) AASB 2014-1 'Amendments to Australian Accounting Standards' (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles)

The Annual Improvements 2010-2012 has made number of amendments to various AASBs, which are summarised below.

- The amendments to AASB 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to AASB 2 are effective for share based payment transactions for which the grant date is on or after 1 July 2014.
- The amendments to AASB 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of AASB 9 or AASB 139 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to AASB 3 are effective for after 1 July 2014.
- The amendments to AASB 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.
- The amendments to the basis for conclusions of AASB 13 clarify that the issue of AASB 13 and consequential amendments to AASB 139 and AASB 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is not material.
- The amendments to AASB 124 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Annual Improvements 2011-2013 has made number of amendments to various AASBs. Management have assessed that these improvements do have an impact on the Group.

The application of these amendments does not have any material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

(iii) AASB 1031 'Materiality', AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments' (Part B: Materiality), AASB 2014-1 'Amendments to Australian Accounting Standards' (Part C: Materiality)

The revised AASB 1031 is an interim standard that cross-references to other Standards and the 'Framework for the Preparation and Presentation of Financial Statements' (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations. Once all of these references have been removed, AASB 1031 will be withdrawn. The adoption of AASB 1031, AASB 2013-9 (Part B) and AASB 2014-1 (Part C) does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Note 2: Application of new and revised Accounting Standards continued

2.1 Standards and Interpretations affecting amounts reported in the current period (and/or prior periods) continued

(b) Standards and Interpretations affecting the reported results or financial position

(i) AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'

The amendments to AASB 132 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. The amendments have been applied retrospectively.

The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments does not have any material impact on the amounts recognised in the Group's consolidated financial statements.

2.2 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 *'Financial Instruments'*, and the relevant amending standards(i)	1 January 2018	31 July 2019
AASB 15 *'Revenue from Contracts with Customers'* and AASB 2014-5 *'Amendments to Australian Accounting Standards arising from AASB 15'*	1 January 2018	31 July 2018
AASB 2014-4 *'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'*	1 January 2016	31 July 2017
AASB 2015-1 *'Amendments to Australian counting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'*	1 January 2016	31 July 2017
AASB 2014-9 *'Amendments to Australian counting Standards – Disclosure Initiative: Amendments to AASB 101'*	1 January 2016	31 July 2017
AASB 2014-9 *'Amendments to Australian counting Standards arising from the Withdrawal of AASB 1031 Materiality'*	1 July 2015	31 July 2016
AASB 2014-9 *'Amendments to Australian counting Standards – Investment Entities: Applying the Consolidation Exception'*	1 January 2016	31 July 2017

(i) The AASB has issued the following versions of AASB 9:

- AASB 9 'Financial Instruments' (December 2009) and the relevant amending standard;
- AASB 9 'Financial Instruments' (December 2010) and the relevant amending standards;
- AASB 2013-9 'Amendment to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments', Part C – Financial Instruments
- AASB 9 'Financial Instruments' (December 2014) and the relevant amending standards

All the standards have an effective date of annual reporting periods beginning on or after 1 January 2018. Either AASB 9 (December 2009) or AASB 9 (December 2010) can be early adopted if the initial application date is before 1 February 2015. After this date only AASB 9 (December 2014) can be early adopted.

At the date of authorisation of the financial statements, the following IASB standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

The potential impacts of the above Standards on the reported results or financial position are yet to be assessed.

Note 3: Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

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

(i) Impairment of goodwill in continuing business segments

The Group tests annually or when impairment indicators are identified, whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of the cash-generating units have been determined on a value in use basis. These calculations require the use of assumptions. A significant change to these assumptions may affect the recoverable amount of the cash generating units (refer to Note 15).

(ii) Recoverability of prepaid and committed royalty and license agreements

In order to secure product distribution rights the Group is required to prepay for royalties relating to licensed products. The Group reviews the recoverability of prepaid royalty and license agreements (Note 12) on an annual basis. The Group takes into account current and projected market sell through in assessing the recoverability of royalty commitments.

(iii) Useful life of intangible assets

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

- Software – based on the licence or expected
- Patents and Trademarks – based on the contractual life of the patent
- Licensed distribution agreements – based on the term of the agreement or the expected Brand product life cycle

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

(iv) Recoverability of inventory

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

(v) Recoverability of debtors

The Group periodically assesses the net realisable value of its trade debtors in light of ageing and other market indicators of impairment. Whilst the Group has provided against impaired debts based on its best estimate of the recoverable amount, final amounts recovered may differ to that provided against.

(vi) Taxation losses recognised as asset

The Group has recognised a deferred tax asset in respect to revenue tax losses of approximately 2 years future profits based on the expected future taxable income. The final amount recoverable will depend on losses being available under the "continuity of ownership test", where applicable the "same business test" and the Group achieving further taxable income. Management assesses both "continuity of ownership test" and availability of taxable income at each balance date. Based on the current assessment, Management believe it is appropriate to continue recognising two years of future taxable income, determined using current budget forecasts for FY16. Refer to Note 8 for details of tax losses taken up as at 31 July 2015.

(vii) Discontinued operations

On 31 July 2014, the Group entered into and completed a sale agreement to dispose of Madman Entertainment. Consequently, Madman Entertainment ceased to be a subsidiary of the Group at 31 July 2014. At 31 July 2014, the Company recognised an asset of $3.8m relating to the working capital adjustment due from the Purchaser on final settlement in respect to the Madman sale. During the year, an independent review process was undertaken resulting in a determination that the amount receivable from Madman was $332,000. The Group has written down $3.5m against the receivable to reflect this determination. Whilst a provision has been made, the Group does not agree with the determination and is in the process of an appeal. The Group has received an expert's opinion that it has a high probability of success.

Note 4: Segment information

From 31 July 2014, post the sale of Madman Entertainment, Funtastic restructured the Group and consolidated its business strategy such that the Chief Operating Decision Maker directs assets and resources on a group wide basis. Accordingly, Funtastic have aligned internal reporting to reflect this change which has resulted in the company reducing the number from two segments at 31 July 2014 down to one at 31 July 2015.

Geographical Information

The Group operates in three principal geographical areas – Australia, Hong Kong and USA. The Group's revenue from external customers and information by geographical location is as follows:

	Revenue from External Customers		Non-Current Assets[(i)]	
	Year ended 31 July 2015	Year ended 31 July 2014	31 July 2015	31 July 2014
Revenue from External Customers	**$'000**	**$'000**	**$'000**	**$'000**
Australia	84,363	90,650	55,157	96,874
Hong Kong	21,313	33,299	1,479	968
USA	159	–	24	–
	105,835	**123,949**	**56,660**	**97,842**

(i) Non-current assets exclude financial instruments, deferred tax assets, post-employment benefit assets, and assets arising from insurance contracts. Goodwill and other intangibles have been allocated to Australian geography as this is the Company's main domicile and these assets are not allocated to a level lower than the consolidated group.

Information about major customers

Included in revenues of Australia of $84,363,000, are revenues of approximately $62,434,000 (2014:$34,704,090), which arose from sales to that region's four largest customers.

Included in revenues of Hong Kong of $21,313,000, are revenues of approximately $7,158,000 (2014:14,374,917), which arose from sales to that region's four largest customers.

Total USA revenue for 2015 and 2014, arose from sales to that region's three largest customers.

Note 5: Discontinued operations

On 31 July 2014, Madman Entertainment ceased to be a subsidiary of the Group.

The Group recognised a loss before tax on the sale of the Madman Entertainment operations of $29,441,000 as at 31 July 2014. During the year ended 31 July 2015, the Company recognised further losses in respect to the sale of $3,669,000 relating to accumulated costs incurred for completion ($229,000) and a write down of the deferred consideration recognised at 31 July 2014 ($3,440,000). Whilst the Company has provided for the reduction in the deferred consideration to align with the Independent Accountant's assessment, it is confident that the court appeal process will result in the recovery of a significant portion of the amount, and therefore a future profit being recognised by the Group.

Consideration received	**$'000**
Sale consideration – Madman	21,500
Cash asset – Madman	(1,603)
Total amount received from sale of businesses	**19,897**
Deferred consideration – Madman	332
Total proceeds from sale of businesses	**20,229**
Costs to sell	(1,434)
Net proceeds from sale of businesses	**18,795**

Results of discontinued operation	**Year ended 31 July 2015 $'000**	**Year ended 31 July 2014 $'000**
Revenue	–	37,867
Expenses	(229)	(40,369)
Results from operating activities	(229)	(2,502)
Tax	–	632
Result from operating activities, net of tax	(229)	(1,870)
Loss on sale of discontinued operation	(3,440)	(29,441)
Tax benefit on loss on sale of discontinued operation	–	5,614
Loss for the year from discontinued operations	**(3,669)**	**(25,697)**
Basic earnings per share (cents per share)	(0.55)	(3.88)
Diluted earnings per share (cents per share)	(0.55)	(3.88)

Cash flows from (used in) discontinued operation	**Year ended 31 July 2015 $'000**	**Year ended 31 July 2014 $'000**
Net cash from operating activities	–	2,671
Net cash used in investing activities	–	(1,596)
Net cash flows for the year	**–**	**1,075**

Note 5: Discontinued operations continued

Effect of disposal on the financial position of the Group	Year ended 31 July 2015 $'000	Year ended 31 July 2014 $'000
Trade receivables	–	4,153
Current tax assets	–	121
Inventories	–	3,043
Other assets	–	24,860
Intangible assets	–	1,737
Plant and equipment	–	910
Trade payable	–	(6,606)
Provisions	–	(1,184)
Other liabilities	–	(3,979)
Net assets disposed of	–	23,055
Goodwill relating to Madman (CGU)	–	28,850
Net asset effect of disposal of Madman to the Group	–	51,905
Less: net proceeds from sale of business	3,440	(22,464)
Loss on disposal of Madman Entertainment, before tax	**3,440**	**29,441**

Note 6: Revenue

The following is an analysis of the Group's revenue for the year from continuing operations.

Revenue from the sale of goods	Year ended 31 July 2015 $'000	Year ended 31 July 2014 $'000
Gross revenue	117,252	140,044
Less settlement discounts and rebates	(11,417)	(16,095)
	105,835	**123,949**
Commissions received	42	637
Other	(10)	3
	32	**640**
	105,867	**124,589**

Note 7: Profit for the year

(Loss) profit for the year from continuing operations has been arrived at after charging/(crediting):

Investment Income	Note	Year ended 31 July 2015 $'000	Year ended 31 July 2014 $'000
Interest from bank deposits		10	15
Rental income		642	604
		652	**619**
Impairment of goodwill and intangible assets	15/16	11,120	–
Impairment loss recognised on trade receivables		715	135
Reversal of impairment loss recognised on trade receivables		(261)	–
Depreciation and amortisation expense			
Depreciation of plant & equipment		570	691
Depreciation of leasehold improvements		333	279
Amortisation of other intangible assets		2,305	2,969
Amortisation of product development costs/trademarks		264	479
Total depreciation and amortisation expense		**3,472**	**4,418**
Research costs expensed as incurred		**129**	**884**
Employee benefits expense			
Defined contribution plans		603	806
Equity-settled share-based payments		158	302
Termination benefits		236	558
Other employee benefits		10,358	9,824
Total employee benefits expense		**11,355**	**11,490**

Note 8: Income tax

(a) Income tax expense relating to continuing operations

	Year ended 31 July 2015 $'000	Year ended 31 July 2014 $'000
Tax expense comprises:		
Current tax expense in respect of the current year	187	48
Adjustments recognised in the current year in relation to the current tax expense of prior years	14	–
	201	**48**
Deferred tax expense comprises:		
Effect of reversal of previously recognised and unused tax losses	7,984	1,139
Deferred tax (benefit) expense relating to the origination and reversal of temporary differences	1,428	(734)
Adjustments recognised in the current year in relation to the deferred tax of prior years	134	(75)
Deferred tax reclassified from equity to profit or loss	(55)	342
Total tax expense relating to continuing operations	**9,692**	**720**

(b) Income tax recognised in profit or loss

	Year ended 31 July 2015 $'000	Year ended 31 July 2014 $'000
The expense for the year can be reconciled to the accounting profit as follows:		
Loss from continuing operations	(24,172)	(9,290)
Tax benefit at the Australian tax rate of 30%	**(7,252)**	**(2,787)**
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Expenses that are not deductible in determining taxable loss	4,124	968
Effect of current year's unrecognised and unused tax losses	4,924	3,057
Effect of reversal of previously recognised and unused tax losses	7,984	–
Effect on previously unrecognised and unused capital losses	–	(471)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(212)	28
Other	(10)	–
	9,558	**795**
Adjustments recognised in the current year in relation to the deferred tax of prior years	134	(75)
Income tax expense recognised in profit or loss	**9,692**	**720**

Note 8: Income tax continued

(c) Income tax recognised directly in equity

	Year ended 31 July 2015 $'000	Year ended 31 July 2014 $'000
Deferred Tax/asset:		
Financial instruments treated as cash flow hedges	119	54
Relating to share issue expenses deductible over 5 years	180	315
	299	**369**

(d) Current tax balances

	Year ended 31 July 2015 $'000	Year ended 31 July 2014 $'000
Current tax liabilities and assets		
Income tax payable (receivable) / from tax office:		
Other – overseas subsidiaries	**(195)**	**5**

(e) Deferred tax balances

	Year ended 31 July 2015 $'000	Year ended 31 July 2014 $'000
Deferred tax assets comprises:		
Revenue tax losses	2,177	10,161
Temporary differences	1,190	2,493
	3,367	**12,654**
Deferred tax liabilities comprises:		
Temporary differences	(254)	(235)
Net deferred tax asset	**3,113**	**12,419**
Deferred tax assets/(liabilities) arise from the following:		
Provisions – receivables	78	229
Provisions – employee benefits	219	199
Provisions – onerous contracts	49	153
Revenue tax losses	2,177	10,161
Accruals	117	74
Prepaid royalties	(190)	(180)
Other provisions	399	1,385
Foreign exchange	(64)	(54)
Cash flow hedges	119	54
Section 40 –880 deductions (capital raising)	180	315
Other	29	83
	3,113	**12,419**

Note 8: Income tax continued

(e) Deferred tax balances continued

2015 Temporary differences	Opening Balance	Recognised in Profit & Loss	Recognised in Other Compre-hensive income	Recognised directly in equity	Adjust-ments on divest-ments of Madman	Closing Balance
2015 Gross Deferred Tax Liabilities						
Prepaid royalties	(180)	(10)	–	–	–	(190)
FX on foreign operations	(54)	–	(10)	–	–	(64)
	(234)	**(10)**	**(10)**	**–**	**–**	**(254)**
2015 Gross Deferred Tax Assets						
Provisions	1,966	(1,221)	–	–	–	745
Accruals	74	43	–	–	–	117
Cash flow hedges	54	–	65	–	–	119
Capital Raising (S40-880)	315	–	–	(135)	–	180
Tax Losses	10,161	(7,984)	–	–	–	2,177
Other	84	(55)	–	–	–	29
	12,654	**(9,217)**	**65**	**(135)**	**–**	**3,367**

2014 Temporary differences	Opening Balance	Recognised in Profit & Loss	Recognised in Other Compre-hensive income	Recognised directly in equity	Adjust-ments on divest-ments of Madman	Closing Balance
2014 Gross Deferred Tax Liabilities						
Prepaid royalties	(5,883)	(823)	–	–	6,526	(180)
FX on foreign operations	(207)	146	7	–	–	(54)
	(6,090)	**(677)**	**7**	**–**	**6,526**	**(234)**
2014 Gross Deferred Tax Assets						
Provisions	1,876	855	–	–	(765)	1,966
Accruals	103	39	–	–	(68)	74
Cash flow hedges	(207)	–	261	–	–	54
Capital Raising (S40-880)	509	–	–	(194)	–	315
Tax Losses	10,161	–	–	–	–	10,161
Other	224	(62)	–	–	(78)	84
	12,666	**832**	**261**	**(194)**	**(911)**	**12,654**

Note 8: Income tax continued

(e) Deferred tax balances continued

The following deferred tax assets have not been brought to account as assets:	Year ended 31 July 2015 $'000	Year ended 31 July 2014 $'000
Tax losses – Revenue	66,553	24,463
Tax losses – Capital	53,267	49,598
Unused tax credits	–	–
	119,820	**74,061**

Unrecognised taxable temporary differences associated with investments and interests in subsidiaries

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

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

Tax consolidation

(i) Relevance of tax consolidation to the Group

The Company and its wholly-owned Australian resident entities formed a tax-consolidated Group with effect from 1 January 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated Group is Funtastic Limited. The members of the tax-consolidated Group are identified in Note 31.

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

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

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

Tax Losses

As at 31 July 2015 the Australian Group has carried forward revenue tax losses of approximately $73,791,000 (2014: $57,332,000). As at 31 July 2015 a deferred tax asset of $2,177,000 (2014: $10,161,000) has been booked relating to revenue tax losses of $7,257,000 (2013: $33,873,000). The Company made losses in the current and previous reporting period. Following the assessment of the probability of recovery, having considered forecast future taxable income and current tax legislation with respect to carrying forward revenue tax losses, the full balance of tax losses available at 31 July 2015 of $66,553,000 has not been booked as a deferred tax asset in these financial statements.

The utilisation of deferred tax assets is dependent on the Company generating future taxable profits in excess of the profits arising from the reversal of existing temporary differences. The Company has performed assessment of FY16 forecasts and results to date support the carrying of these losses.

Note 9: Finance costs

	Year ended 31 July 2015 $'000	Year ended 31 July 2014 $'000
Continuing operations		
Interest on bank overdrafts and loans	3,011	4,606
Fair value losses on interest rate swaps designated as cash flow hedges transferred from equity	(19)	(554)
	2,992	**4,052**

Note 10: Current assets – Trade and other receivables

	Year ended 31 July 2015 $'000	Year ended 31 July 2014 $'000
Trade receivables[i]	12,948	21,193
Allowance for doubtful debts	(260)	(763)
Allowance for credit notes, rebates and settlement discounts	(2,891)	(4,242)
	9,797	16,188
Other receivables	339	950
	10,136	**17,138**

(i) The average credit period on sales of goods is 60 days (2014: 56 days). No interest is charged on the trade receivables.

The Group has provided for any receivable considered uncollectible and therefore deemed to be not recoverable.

Included in the Group's trade receivable balance are debtors with a carrying amount of $1,679,000 (2014: $2,797,288) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the Group believes the amounts are recoverable.

Age of receivables that are past due but not impaired	Year ended 31 July 2015 $'000	Year ended 31 July 2014 $'000
30-60 days	1,094	1,954
60-90 days	311	195
90-120 days	274	648
Total	**1,679**	**2,797**
Average age (days)	60	68

The Group does not hold any collateral over these balances.

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

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

Note 10: Current assets – Trade and other receivables continued

Movement in Allowance for doubtful debts, credit notes, rebates and settlement discounts	Doubtful debts $'000	Rebates, credit notes & settlement discounts $'000	Total $'000
2015			
Balance at beginning of year	(763)	(4,242)	(5,005)
Utilised	144	11,025	11,169
Reversed	453	281	734
Provisions raised	(94)	(9,955)	(10,049)
Balance as at 31 July 2015	**(260)**	**(2,891)**	**(3,151)**
2014			
Balance at beginning of year	(461)	(7,855)	(8,316)
Utilised	133	4,131	4,264
Reclassed from accruals	(300)	–	(300)
Provisions raised	(135)	(518)	(653)
Balance as at 31 July 2014	**(763)**	**(4,242)**	**(5,005)**

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 doubtful debts.

Note 11: Current assets – Inventories

	Year ended 31 July 2015 $'000	Year ended 31 July 2014 $'000
Finished goods	**16,563**	**17,914**

The cost of inventories recognised as an expense during the year in respect of continuing operations was $77,182,000 (2014: $90,689,000).

Note 12: Other assets

	Note	Year end 31 July 2015 $'000	Year end 31 July 2014 $'000
Current other assets			
Prepaid royalties		633	716
Prepayments		1,114	1,766
Deferred sale consideration	5	332	3,772
Other		1,293	60
		3,372	**6,314**
Non-current other assets			
Product development costs		103	129
Trademarks		216	130
Other		86	210
		405	**469**

Note 13: Other financial assets

Current	Year ended 31 July 2015 $'000	Year ended 31 July 2014 $'000
Derivatives that are designated and effective as hedging instruments carried at fair value – foreign currency forward contracts	38	–
	38	**–**

These are classified as Level 2 fair value measurement. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risks of various counter parties.

Note 14: Non-current assets – Plant and equipment

	Year ended 31 July 2015 $'000	Year ended 31 July 2014 $'000
Plant and equipment – at cost	3,688	2,805
Less: accumulated depreciation	(2,605)	(2,136)
	1,083	**669**
Leasehold improvements – at cost	1,971	1,773
Less: accumulated depreciation	(1,304)	(874)
	667	**899**
Net book value at 31 July 2015	**1,750**	**1,568**

Note 14: Non-current assets – Plant and equipment continued

Reconciliations

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

31 July 2015	Plant & Equipment $'000	Leasehold Improvements $'000	Total $'000
Cost			
Opening Balance	2,805	1,773	4,578
Additions	1,132	68	1,200
Disposals	(567)	(48)	(615)
Transfers	3	–	3
Net foreign exchange difference	315	178	493
Closing Balance	**3,688**	**1,971**	**5,659**
Accumulated Deprecation			
Opening Balance	(2,136)	(874)	(3,010)
Disposals	516	41	557
Depreciation	(570)	(333)	(903)
Transfers	(6)	–	(6)
Net foreign exchange difference	(409)	(138)	(547)
Closing Balance	**(2,605)**	**(1,304)**	**(3,909)**
Written Down Value			
Opening Balance	669	899	1,568
Closing Balance	**1,083**	**667**	**1,750**
31 July 2014			
Cost			
Opening Balance	4,383	2,206	6,589
Additions	568	124	692
Disposals	(509)	(12)	(521)
De-recognition on disposal of a subsidiary	(1,617)	(545)	(2,162)
Net foreign exchange difference	(20)	–	(20)
Closing Balance	**2,805**	**1,773**	**4,578**
Accumulated Deprecation			
Opening Balance	(2,962)	(708)	(3,670)
Disposals	558	3	561
De-recognition on disposal of a subsidiary	1,031	221	1,252
Depreciation	(784)	(390)	(1,174)
Net foreign exchange difference	21	–	21
Closing Balance	**(2,136)**	**(874)**	**(3,010)**
Written Down Value			
Opening Balance	1,421	1,498	2,919
Closing Balance	**669**	**899**	**1,568**

Note 15: Non-current assets – Goodwill

Carrying amount	Year ended 31 July 2015 $'000	Year ended 31 July 2014 $'000
Balance at the beginning of financial year	49,995	78,845
De-recognition on disposal of a subsidiary	–	(28,850)
Impairment losses for the year	(10,830)	–
Balance at the end of financial year	**39,165**	**49,995**

Since 31 July 2014, post the sale of Madman Entertainment, Funtastic has restructured the operations of the Group and consolidated its business. As a result of this re-structuring, the number of CGU's has reduced from two down to one. Goodwill is allocated to the single CGU in the business.

The CGU is required to perform an impairment test annually on goodwill and other indefinite life intangible assets as required by AASB 136. More frequent reviews are performed for indications of impairment of the CGU, and where an indication of impairment is identified a formal impairment assessment is performed.

In addition to the requirement to perform the annual test, the Group has identified the following Indicators of impairment at 31 July 2015:

- The financial year result was below budget expectations. This is due to lower than anticipated international sales as a result of high international distributor inventory levels and the continued efforts to clear excess inventory at lower margins and cost rationalisation initiatives.
- The market capitalisation has declined during the financial year as a result of the devaluation of share price. This is the result of:
  - Divestment by one of the major institutions.
  - Lower than expected performance and the impact of the turnaround strategies not yet evident to the market.
  - High price volatility due to significant shareholding held by limited number of shareholders resulting in a limited volume of share available for trading.

As a result, the Group assessed the recoverable amount of the CGU and related goodwill and intangibles at 31 July 2015 having regard to the value-in-use approach.

Impairment testing – Value-in-use

In calculating value-in-use, the cash flows include projections of cash inflows and outflows from continuing use of the group of assets making up the CGU. The cash flows are estimated for the assets of the CGU in their current condition and discounted to their present value using a post-tax discount rate that reflects the current market assessments of the risks specific to the CGU. The group uses a 5 year discounted cash flow model with a terminal growth rate for years beyond the 5 year forecast period.

Key assumptions

In determining the value-in-use, the following key assumptions were used:

- EBITDA margin of 5.7% based upon the forecast product, sales and customer mix and assumptions about the fixed cost base;
- The FY16 forecast includes expectations that, between 5%-10% of the Company's revenue will be from the USA. Given the stage of the developments, this revenue has a higher level of uncertainty.
- Terminal growth rate of 1.5% which is materially consistent with long term economic growth in the key markets in which the CGU operates;
- Post-tax discount rate of 11%, which reflects the risks specific to the CGU.

Cash flow forecasts for the CGU are based on forecast sales and gross margins for FY2016. The forecast FY2016 sales forecast assumes that the CGU will achieve higher sales than FY2015 particularly in the international market. Margins used in the forecast are based upon a bottom up forecast approach, historical and anticipated product margins and assumptions on projected sales mix and rebate arrangements.

Note 15: Non-current assets – Goodwill continued

Outcome of assessment

The Directors recognised an impairment of goodwill by an amount of $10,830,000 as at 31 January 2015. This impairment amount represented the lower impairment charge from the value-in-use impairment assessment completed at that date, and the cross check to fair value less cost of disposal (as disclosed in 31 January 2015 Half Year accounts).

The assessment completed at 31 July 2015 has resulted in a recoverable amount of $50,258,434. As such, no additional impairment has been recognised.

Sensitivity analysis

Changes in the key assumptions in the table below would have the following approximate impact on the recoverable amount of the CGU at 31 July 2015:

	Change in variable	Effect on recoverable amount $'000
EBITDA margin	+ 0.5%	5,164
	– 0.5%	(5,164)
USA Gross Revenue	+ 30.0%	2,278
	– 30.0%	(4,463)
Post tax discount rate	+ 2.0%	(4,428)
	– 2.0%	5,466

Changes in the assumptions used in the CGU value-in-use model, when considered in isolation, will result in the following impairment impact on the profit or loss.

	Change in variable	Effect on profit or loss $'000
EBITDA margin	– 0.5%	(1,422)
USA Gross Sales	– 30.0%	(721)
Post tax discount rate	+ 1.0%	(686)

It must be noted that each of the sensitivities above assumes that a specific assumption moves in isolation, while the other assumptions are held constant. In reality, a change in one of the aforementioned assumptions could be accompanied by a change in another assumption, which may increase or decrease the net impact.

Note 16: Non-current assets – Other intangibles

	Software	Brand names(i)	Chill Factor Trademarks and patents(iii)	Licenses, distribution agreements and supplier relationships(vii)	Total
	$'000	$'000	$'000	$'000	$'000
Cost					
Balance at 1 August 2014	5,650	1,015	10,423	9,925	27,013
Additions(iv)	106	–	–	556	662
Disposals	–	–	–	–	–
Transfer(vi)	(28)	–	–	–	(28)
Foreign exchange difference	6	–	–	–	6
Balance at 31 July 2015	**5,734**	**1,015**	**10,423**	**10,481**	**27,653**
Balance at 1 August 2013	5,967	1,015	11,341	9,627	27,950
Additions	2,360	–	207	319	2,886
Revaluation adjustment	–	–	(1,125)	–	(1,125)
De-recognition on disposal of a subsidiary	(2,211)	–	–	–	(2,211)
Disposals	(466)	–	–	(21)	(487)
Balance at 31 July 2014	**5,650**	**1,015**	**10,423**	**9,925**	**27,013**
Accumulated amortisation and impairment					
Balance at 1 August 2014	(4,040)	–	(537)	(5,057)	(9,634)
Amortisation expense(ii)	(527)	–	(538)	(1,240)	(2,305)
Impairment expense(v)	–	(290)	–	–	(290)
Transfer(vi)	6	–	–	–	6
Foreign exchange difference	(3)	–	–	–	(3)
Balance at 31 July 2015	**(4,564)**	**(290)**	**(1,075)**	**(6,297)**	**(12,226)**
Balance at 1 August 2013	(3,814)	–	–	(3,087)	(6,901)
Amortisation expense	(972)	–	(537)	(1,970)	(3,479)
Net foreign exchange difference	(4)	–	–	–	(4)
De-recognition on disposal of a subsidiary	474	–	–	–	474
Disposals	276	–	–	–	276
Balance at 31 July 2014	**(4,040)**	–	**(537)**	**(5,057)**	**(9,634)**
Net book value					
As at 31 July 2014	1,610	1,015	9,886	4,868	17,379
As at 31 July 2015	**1,170**	**725**	**9,348**	**4,184**	**15,427**

Note 16: Non-current assets – Other intangibles continued

(i) Brand names acquired and separately identified as part of the acquisition of Mike & Jack confectionery in May 2006. The Group intends to continue the use of the brand names for an indefinite period and are therefore not amortised but are subject to an annual test for impairment. The key assumptions used in the fair value less cost to sell calculations are stated in Note 15.

(ii) The amortisation expense has been included in the line item 'amortisation' in the statement of profit or loss and other comprehensive income. Useful lives used in the calculation of amortisation of computer software costs are between 3 and 7 years. Distribution agreements have useful lives in the range of 1-10 years.

(iii) Chill Factor trademarks and patents were acquired on 31 July 2013. The useful lives have been assessed as being between 10-15 years for trademarks and 20 years for patents in accordance with the contractual live of the asset.

(iv) On 30 January 2015, Funtastic acquired the remaining 25% of equity in Safety Products International Pty Limited for the amount of $277,000. This resulted in Funtastic currently having 100% ownership over the subsidiary.

(v) During the year, the Group assessed the recoverable value of its other intangible assets. As a result of the impairment assessment, the Directors have determined to impair Brand names by an amount of $290,000.

(vi) Software transfers relate to reclassification of intangibles to PPE.

(vi) Licenses, distribution agreements and supplier relationships include the Pillow Pets and Floaties Brands which are now wholly owned and no longer licenced from third parties.

Reassessment of Useful life

The company reassessed the useful life of intangibles in respect to certain Brands. The useful lives of these particular intangibles were assessed to be 10 years, with amortisation commencing 1 August 2014. The impact of this reassessment on the results for FY15, and for each future period ending 31 July 2024, is an amortisation charge of $407,000 per annum.

Impairment testing – Other Intangibles (Brands)

The brands recoverability has been assessed based on the royalty method by applying a market related royalty rate to the expected future sales and terminal growth rate. Projected sales were calculated based on historical sales, current budgets and long term forecasts. The estimated product life cycle of the intangible was also included in the calculation. Projected sales forecasts are consistent with forecasts used in the assessment of goodwill. Assets designated as Brand names are not amortised as they are considered to have an indefinite useful life.

Key assumptions

The following key assumptions were used:

- Royalty rates based on comparative rates and adjusted for key brand attributes;
- Terminal growth rate of 2.5%, and
- Pre-tax discount rate of 13.5%, which reflects the risk specific to brands.
- Included in the cash flow forecast is revenue expected from the Company's distribution expansion in to the USA. Management is expecting between 5%-10% of the Company's revenue from this market, which given its stage of development, has a higher level of uncertainty.

Outcome of assessment

The Group assessed the recoverable value of its other intangible assets at 31 January and 31 July 2015. As a result of this impairment assessment, the Directors impaired the confectionery Brand by an amount of $290,000 as at 31 January 2015. This impairment has arisen based upon an assessment of the discounted future earnings, determined by applying a market related royalty rate to expected future sales and terminal growth rate. No additional impairment is deemed necessary based on an impairment assessment conducted as at 31 July 2015.

Note 17: Assets pledged as security

In accordance with the security arrangements of liabilities as disclosed in Note 19 to the financial statements, all assets of the Group, except goodwill and deferred tax assets, have been pledged as security. The Group does not have the right to sell or re-pledge the assets.

Note 18: Current Liabilities – Trade payables

	Year ended 31 July 2015	Year ended 31 July 2014
	$'000	$'000
Trade payables(i)	11,615	17,280

(i) The average credit period on purchases of certain goods from international suppliers ranges from 4 weeks to 4 months. There is no interest charged on trade payables. The Group has financial risk management policies in place to ensure that, as often as possible, all payables are paid within a reasonable timeframe.

Note 19: Borrowings

Secured – at amortised cost	*Note*	Year ended 31 July 2015 $'000	Year ended 31 July 2014 $'000
Current			
Bill finance		15,965	3,665
Debtors finance		-	4,783
Finance lease liabilities	23	130	265
Trade finance		22,657	20,644
Overdraft		3,679	-
Total Current		**42,431**	**29,357**
Non-current			
Bill finance		-	7,000
Finance lease liabilities	23	26	299
Total Non-current		**26**	**7,299**
Current borrowings		42,431	29,357
Non-current borrowings		26	7,299
		42,457	**36,656**

The Trade finance, Bill finance and Overdraft facilities are secured by a first ranking registered mortgage debenture over all assets and undertakings of the Group. See Note 17.

Post 31 July 2015 the overall facilities were extended to 31 December 2016. Due to the nature of the debtor and trade finance facilities, amounts are continually repaid and redrawn based on normal trade debtor and trade creditor terms. Amounts due at 31 December 2016 in respect of these facilities have been disclosed as current borrowings in the statement of financial position.

Financing Arrangements

Post the Group's financial year end the Group's senior lender, National Australia Bank, agreed to vary the terms of the existing facilities agreement to vary the timing of the 2015/2016 borrowing repayments. On 29 September 2015 the Group finalised an extension to the existing facilities to 31 December 2016.

The current interest rates are 8.45% on the trade finance facility and 7.14% on the bill finance facility (2014: 7.49% and 5.97% respectively, and debtors finance facility 5.78%)

Financing Arrangements – Controlled Entities

All facilities are secured by a first ranking mortgage debenture of the Group. Refer to Note 33 Financial Instruments for further details regarding the lending covenants associated with the borrowings.

Note 20: Provisions

	Note	Year ended 31 July 2015 $'000	Year ended 31 July 2014 $'000
Current			
Employee benefits(i)		787	526
Onerous lease contracts(ii)	30	188	236
Licensor audits(iii)		105	122
Total Current		**1,080**	**884**
Non-current			
Employee benefits(i)		83	213
Onerous lease contracts(ii)	30	144	272
Total Non-current		**227**	**485**
		1,307	**1,369**

	Onerous lease contracts(ii) $'000	Licensor Audits(iii) $'000	Total $'000
Balance at 1 August 2014	508	122	630
Reductions resulting from re-measurement or settlement without cost	–	(17)	(17)
Reductions arising from payments/other sacrifices of future economic benefits	(176)	–	(176)
Balance at 31 July 2015	**332**	**105**	**437**
Balance at 1 August 2013	867	421	1,288
Additional provisions recognised	–	54	54
Reductions resulting from re-measurement or settlement without cost	(359)	(353)	(712)
Balance at 31 July 2014	**508**	**122**	**630**

(i) The provision for employee benefits represents annual leave and long service leave entitlements accrued and compensation claims made by employees.

(ii) Represents the present value of the Directors' best estimate of the future outflow of economic benefits that will be required to satisfy obligations in respect to onerous lease contracts (Note 30).

(iii) Product license agreements contain audit rights for licensors. At year end, in respect of licensor audits the Group has provided for the best estimate of amounts payable. The final amounts payable will be subject to negotiation with the licensor and may differ to the amounts provided in the annual report.

Note 21: Other Liabilities

	Note	Year ended 31 July 2015 $'000	Year ended 31 July 2014 $'000
Current			
Accrued royalties		1,031	924
GST payable		63	–
Lease incentives	30	182	160
Payroll accruals		126	367
Other creditors		189	125
Other accrued expenses		1,777	3,008
Sales deposits(i)		1,264	–
		4,632	**4,584**
Non-current			
Lease incentives	30	100	310
Other Creditors		15	–
		115	**310**

(i) Relates to deposits received for prepaid international sales for the period post 31 July 2015.

Note 22: Other financial liabilities

	Note	Year ended 31 July 2015 $'000	Year ended 31 July 2014 $'000
Current			
Derivatives that are designated and effective as hedging instruments carried at fair value:			
Foreign currency forward contracts		–	44
Interest rate swaps		435	136
		435	**180**
Disclosed in the financial statements as:			
Current other financial liabilities	33	**435**	**180**

These are classified as Level 2 fair value measurement. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risks of various counter parties.

Note 23: Leasing arrangements

The Group leases certain equipment under finance lease arrangements. The average lease term is 5 years. Of the three leases the Group has an option to purchase the equipment at the end of the lease terms in respect to one of the contracts. The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 4.67% to 5.1% (2014: 0.0% to 8.9%) per annum.

Finance lease liabilities

	Minimum Lease payments		Present value of minimum lease payments	
	Year ended 31 July 2015	Year ended 31 July 2014	Year ended 31 July 2015	Year ended 31 July 2014
	$'000	$'000	$'000	$'000
Not later than one year	130	272	130	265
Later than one year and not later than five years	29	318	26	299
	159	**590**	**156**	**564**
Less: Future finance charges	(3)	(26)	–	–
Present value of minimum lease payments	**156**	**564**	**156**	**564**

		Year ended 31 July 2015	Year ended 31 July 2014
	Note	**$'000**	**$'000**
Included in the consolidated financial statements:			
Current borrowings	19	130	265
Non-current borrowings	19	26	299
		156	**564**

Note 24: Issued Capital

	Year ended 31 July 2015	Year ended 31 July 2014
Included in the Company and consolidated financial statements	**$'000**	**$'000**
Share Capital		
667,169,723 fully paid ordinary shares (2014: 667,169,723)	**208,372**	**208,372**

Fully paid ordinary shares carry one vote per share.

Note 24: Issued Capital continued

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

	2015		2014	
	Number of shares[(i)]	Share capital $'000	Number of shares[(i)]	Share capital $'000
Opening balance 1 August	669,869,723	208,372	644,569,723	204,497
Chill Factor Global (October 2013)	–	–	25,000,000	3,875
ESLS 1 forfeiture in November 2013	–	–	(200,000)	–
Shares issued under ESLS 2 in January 2014	–	–	2,200,000	–
ESLS 1 cancellations on 31 July 2014	–	–	(1,200,000)	–
ESLS 2 cancellations on 31 July 2014	–	–	(500,000)	–
ESLS 1 cancellation during in December 2014	(400,000)	–	–	–
ESLS 2 cancellation during in January 2015	(200,000)	–	–	–
Shares issued under ESLS 3a in July 2015	13,500,000	–	–	–
Shares issued under ESLS 3b in July 2015	3,600,000	–	–	–
Closing balance 31 July	**686,369,723**	**208,372**	**669,869,723**	**208,372**
Treasury shares	(19,200,000)	–	(2,700,000)	–
Adjusted closing balance	**667,169,723**	**208,372**	**667,169,723**	**208,372**

(i) Includes shares issued under the Employee Share Loan Scheme through the Employee Share Plan Rules

Dividend Reinvestment Plan

The company has a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than being paid in cash.

Share Purchase Plan

There were no Share Purchase Plans offered to shareholders during the current year.

Options

Executive Share Option Plan

As at 31 July 2015, no options were on issue under the Executive Share Option Plan (2014: 9,333,333 over ordinary shares of the company). 1,333,333 share options expired on 10 August 2014.

Employee Share Loan Schemes

On 31 July 2015, Funtastic Limited granted 17,100,000 options over ordinary shares of the Company under the Employee Share Loan Scheme (ESLS). Tranche 3b (3,600,000) options vest on 31 July 2018, conditional upon continued employment with Funtastic at that date. The remaining 13,500,000 options (Tranche 3a) vested on grant date.

The ESLS Trust was established for the purpose of purchasing and holding shares on behalf of participants. The trust is consolidated into the group financial statements at each report date. Upon acceptance of the ESLS invitation, these shares are granted to participants and held by the trust to satisfy Funtastic's obligation under the ESLS. The share issue in respect of the ESLS shares is represented by treasury shares taken out of authorised unissued shares. Further details of the ESLS are set out in Note 34.

Note 25: Accumulated losses

	Year ended 31 July 2015	Year ended 31 July 2014
	$'000	**$'000**
Opening balance	(141,515)	(102,473)
Net loss after tax for the year	(37,533)	(35,707)
Dividends paid	–	(3,335)
Balance at the end of financial year	**(179,048)**	**(141,515)**

Note 26: Reserves

	Year ended 31 July 2015	Year ended 31 July 2014
	$'000	**$'000**
Foreign currency translation reserve	(1,029)	(976)
Equity-settled benefits reserve	2,099	1,941
Cash flow hedging reserve	(277)	(62)
	793	**903**
Foreign currency translation reserve		
Balance at the beginning of the period	(976)	(1,013)
Income tax related to translation of foreign operations	10	(7)
Translation of foreign operations	(63)	44
	(1,029)	**(976)**

Exchange differences relating to the translation from United States dollars and Hong Kong dollars, being the functional currencies of the Group's foreign controlled entities in USA and Hong Kong/China (neither of which are principal places of business), into Australian dollars, are brought to account by entries made directly to the foreign currency translation reserve.

	Year ended 31 July 2015	Year ended 31 July 2014
Equity settled benefit reserve	**$'000**	**$'000**
Balance at the beginning of the period	1,941	1,639
Share based payments expense	158	302
	2,099	**1,941**

The equity-settled benefit reserve arises on the grant of share options and performance share rights to Executives and other beneficiaries under the Executive Share Option (ESOP), Employee Performance Share Rights Plans (EPSR) and Employee Share Loan Scheme (ESLS). The Company's ESOP and EPSR were replaced by the ESLS established during the 2013 financial year. As at the 31st July 2015 all options relating to the ESOP and EPSR had expired.

Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share-based payments is made in Note 34 to the financial statements.

Note 26: Reserves continued

Cash flow hedging reserve	Year ended 31 July 2015 $'000	Year ended 31 July 2014 $'000
Balance at the beginning of the period	(62)	297
Gain recognised:		
Forward exchange contracts	417	983
Interest rate swaps	(177)	727
Transferred to profit or loss(i):		
Forward exchange contracts	–	564
Interest rate swaps	–	(644)
Transferred to initial carrying amount of hedged item:		
Forward exchange contracts	(334)	(2,379)
Interest rate swaps	(186)	129
Deferred tax liability arising on hedges	65	261
	(277)	**(62)**

(i) Gains and losses from Interest swaps, transferred from equity to profit or loss during the period are included in Finance costs in the Statement of Profit or Loss and Other Comprehensive Income. Gains and losses from Forward exchange contracts, transferred from equity to profit or loss during the period are included in the Cost of Goods Sold in the Statement of Profit or Loss and other Comprehensive Income.

	Year ended 31 July 2015 $'000	Year ended 31 July 2014 $'000
Net gain on forward exchange contracts, recognised in Cost of Goods Sold	418	564
Transfer against Finance income	(19)	(554)
	399	10

Note 27: Earnings per share

	31 July 2015	31 July 2014
	Cents per share	**Cents per share**
Basic earnings per share		
From continuing operations	(5.08)	(1.51)
From discontinued operations	(0.55)	(3.88)
Total Earnings per share	**(5.63)**	**(5.39)**
Diluted earnings per share		
From continuing operations	(5.08)	(1.51)
From discontinued operations	(0.55)	(3.88)
Total Earnings per share	**(5.63)**	**(5.39)**

Basic earnings per share calculation:

The earnings and weighted average number of ordinary shares used in the calculation of earnings per share are as follows:

	31 July 2015	31 July 2014
	$'000	**$'000**
Net loss after tax for the year – continuing operations	(33,864)	(10,010)
Net loss after tax for the year – discontinued operations	(3,669)	(25,697)
Loss used in the calculation of total basic EPS from continuing operations	**(37,533)**	**(35,707)**

	2015	2014
	No. '000	**No. '000**
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	**667,170**	**662,740**

Diluted earnings per share calculation:

	2015	2014
	No. '000	**No. '000**
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	667,170	662,740
Add: Shares deemed to be issued for no consideration in respect of:		
Employee Share Loan Scheme	–(i)	–(i)
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**667,170**	**662,740**

(i) The following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share calculation. Potential ordinary shares are anti-dilutive when their conversion to ordinary shares would increase earnings per share or decrease loss per share from continuing operations.

Note 27: Earnings per share continued

	31 July 2015	31 July 2014
	No. '000	No. '000
Potential options – non-dilutive	–	7,667
	–	**7,667**

Potential options at 31 July 2014 – non-dilutive is made up of: ESOP 1,333,333 shares; and Unlisted options 6,333,333 shares.

Note 28: Dividends on equity instruments

	Year ended 31 July 2015		Year ended 31 July 2014	
	Cents per Share	Total $'000	Cents per share	Total $'000
Recognised amounts				
Fully paid ordinary shares				
Interim dividend	–	–	0.5	3,335
	–	**–**	**0.5**	**3,335**

	Year ended 31 July 2015	Year ended 31 July 2014
	$'000	$'000
Adjusted franking account balance	19,302	19,302
Impact on franking account balance of dividends not recognised	–	–

The above amount represents the balances of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment / (refund) of income tax payable as at the end of the year;
- franking debits that will arise from the payment of dividends proposed as at the end of the year; and
- franking credits that may be prevented from being distributed in the subsequent financial year.

Note 29: License guarantee commitments

License guarantee commitments

Under the terms of various License Agreements the company guarantees the minimum levels of royalty payments. The commitment in relation to these guarantees is as follows:

	Year ended 31 July 2015	Year ended 31 July 2014
	$'000	$'000
Not later than one year	1,121	513
Later than one year but not later than two years	760	286
	1,881	**799**

Note 30: Operating Leases

The operating leases are non-cancellable leases with respect to office and warehouse premises with lease terms of between six months and six years, some with options to extend. All operating leases with options to extend contain market review clauses in the event that the Group exercises its option to renew. The Group does not have an option to purchase the leased asset at the expiry of the leased period. The Group has entered into a non-cancellable sub-lease arrangement in respect to a warehouse premise.

Minimum lease payments recognised as an expense:

	Year ended 31 July 2015	Year ended 31 July 2014
	$'000	**$'000**
Minimum lease payments	2,305	1,515
Sub-lease payments received	(607)	(604)
	1,698	**911**
Commitments in relation to non-cancellable operating leases contracted for but not capitalised in the accounts are payable as follows:		
No later than 1 year	2,490	3,725
Later than 1 but not later than 5 years	1,531	5,444
Later than 5 years	–	–
	4,021	**9,169**
Sub-lease receivables in relation to non-cancellable operating leases contracted for but not capitalised in the accounts are receivable as follows:		
No later than 1 year	(607)	(607)
Later than 1 but not later than 5 years	(530)	(1,176)
	(1,137)	**(1,783)**
Net commitments payable under non-cancellable operating leases contracted for but not capitalised in the accounts:		
No later than 1 year	1,883	3,118
Later than 1 but not later than 5 years	1,001	4,268
	2,884	**7,386**

Liabilities recognised in respect of non-cancellable operating leases

		Year ended 31 July 2015	Year ended 31 July 2014
	Note	**$'000**	**$'000**
Onerous lease contracts:			
Current	20	188	236
Non-current	20	144	272
Lease incentives:			
Current	21	182	160
Non-current	21	100	310
		614	**978**

Note 31: Subsidiaries

Name of Entity	Country of Incorporation	Equity Holding Year ended 31 July 2015 %	Equity Holding Year ended 31 July 2014 %
Company			
Funtastic Limited(i),(iii)	Australia	100	100
Subsidiaries			
JNH Australia Pty Limited(ii),(iii)	Australia	100	100
Fun International Limited	Hong Kong	100	100
Funtastic International Limited	Hong Kong	100	100
Funtastic (NZ) Pty Limited(ii),(iii)	Australia	100	100
Dorcy Irwin Pacific Pty Limited(iii)	Australia	100	100
Funtastic Employee Share Loan Scheme Trust(iv)	Australia	100	100
Dorcy Investments Pty Limited(iii)	Australia	100	100
Irwin Pacific Pty Limited(ii)	Australia	100	100
Dorcy NZ Pty Limited(v)	New Zealand	50	50
Funtastic USA Pty Limited (formerly Judius Pty Limited)(ii),(iii)	Australia	100	100
Funtastic America Inc. (formerly My Paint Box Inc.)	USA	100	100
NSR (HK) Limited(iii)	Hong Kong	100	100
Hkeepod (HK) Limited	Hong Kong	100	100
Safety Products International Pty Limited(ii),(v),(vi)	Australia	100	75
Chill Factor Global Pty Limited(ii),(iii)	Australia	100	100
Hydro-Turbine Developments Pty Limited(ii),(iii)	Australia	100	100
Fun Toy Products Consulting (Shenzhen) Company Limited	China	100	100

(i) Funtastic Limited is the head entity within the tax consolidated Group.

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

(iii) These wholly-owned subsidiaries have entered into a deed of cross guarantee with Funtastic Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report. The subsidiaries became a party to the deed of cross guarantee on 23 July 2008.

(iv) During 2013 the Board established the Funtastic Employee Share Loan Scheme Trust for the purpose of purchasing and holding shares on behalf of participants in accordance with ESLS Rules. The assets of the scheme are held separately from those of the Company and are administered by trustees appointed by the Company. The Trust is consolidated into the Group financial statements at each reporting date.

(v) The value attributed to the minority interest is $nil (2014: $nil).

(vi) On 30 January 2015, Funtastic acquired the remaining 25% of equity in Safety Products International Pty Limited for the amount of $277,000. This resulted in Funtastic currently having 100% ownership over the subsidiary.

Note 31: Subsidiaries continued

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

Statement of profit or loss and other Comprehensive Income	Year ended 31 July 2015 $'000	Year ended 31 July 2014 $'000
Continuing operations		
Revenue	105,867	123,269
Cost of goods sold	(77,288)	(89,894)
Gross profit	28,579	33,375
Investment income	652	619
Warehouse and distribution expenses	(7,397)	(10,083)
Marketing and selling expenses	(10,149)	(11,490)
Administration expenses	(12,889)	(15,815)
Impairment of Goodwill and other intangible assets	(11,120)	
Gain on sale of QuickSmart	–	1,572
Earnings before interest, taxation, depreciation and amortisation expenses (EBITDA)	(12,324)	(1,822)
Finance costs	(2,575)	(3,689)
Depreciation and amortisation expenses	(3,194)	(4,108)
Loss before income tax	**(18,093)**	**(9,619)**
Income tax (charge)/benefit	(9,316)	632
Loss for the year from continuing operations	**(27,409)**	**(8,987)**
Loss from discontinued operations	**(3,669)**	**(24,291)**
Loss for the year	**(31,078)**	**(33,278)**
Other comprehensive income		
Items that subsequently may be reclassified to profit or loss:		
Profit on equity settled benefits transferred from/taken to equity	(158)	(302)
Loss on cash flow hedges taken to equity	268	(322)
Other comprehensive income (loss) for the year (net of tax)	90	(624)
Total comprehensive loss for the year	**(30,988)**	**(33,902)**

Note 31: Subsidiaries continued

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

Statement of Financial Position	Year ended 31 July 2015[(i)] $'000	Year ended 31 July 2014 $'000
Current Assets		
Cash	531	4,797
Trade and other receivables	9,927	15,813
Inventories	16,723	16,095
Other assets	16,438	15,349
Other financial assets	38	–
Total Current Assets	**43,657**	**52,054**
Non-current Assets		
Property, plant and equipment	1,482	1,276
Goodwill	39,165	49,995
Other intangibles	14,950	17,351
Other investments	–	29
Deferred tax assets	3,367	12,876
Other assets	358	–
Total Non-current Assets	**59,322**	**81,527**
Total Assets	**102,979**	**133,581**
Current Liabilities		
Trade and other payables	11,596	16,189
Borrowings	42,431	29,357
Provisions	756	782
Other liabilities	4,462	3,784
Other financial liabilities	435	180
Total Current Liabilities	**59,680**	**50,292**
Non-current Liabilities		
Borrowings	26	7,299
Provisions	98	1,002
Deferred tax liabilities	254	235
Other liabilities	242	541
Total Non-current Liabilities	**620**	**9,077**
Total Liabilities	**60,300**	**59,369**
Net Assets	**42,679**	**74,212**
Equity		
Issued capital	208,372	208,372
Accumulated losses	(167,118)	(136,040)
Reserves	1,425	1,880
Total Equity	**42,679**	**74,212**

(i) From and at 31 July 2014, the Deed excludes Madman Entertainment Group.

Note 32: Notes to the cash flow statements

(a) Reconciliation of cash and cash equivalents

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

	Year ended 31 July 2015	Year ended 31 July 2014
	$'000	**$'000**
Cash and cash equivalents	**904**	**4,909**

(b) Financing facilities

	Year ended 31 July 2015	Year ended 31 July 2014
	$'000	**$'000**
Total Financing Facilities Available		
National Debtor Finance Facility	–	8,000
Overdraft	3,700	–
Trade Refinance Facility	–	22,000
Combined Trade Refinance Facility and Letter of Credit i)	31,000	–
Commercial Bill Facility	15,965	10,665
Letters of Credit	–	11,000
Bank Guarantees	3,300	3,300
Other Facilities	1,250	1,250
	55,215	**56,215**
Reconciliation of Total Financing Facilities		
Facilities Used at Balance Date		
National Debtor Finance Facility	–	4,783
Overdraft	3,679	–
Trade Refinance Facility	–	20,644
Combined Trade Refinance Facility and Letter of Credit i)	30,935	–
Commercial Bill Facility	15,965	10,665
Letters of Credit	–	7,726
Bank Guarantees	2,199	2,199
Other facilities	3	38
	52,781	**46,055**
Facilities Unused at Balance Date		
National Debtor Finance Facility	–	3,217
Overdraft	21	–
Trade Refinance Facility	–	1,356
Combined Trade Refinance Facility and Letter of Credit i)	65	–
Letters of Credit	–	3,274
Bank Guarantees	1,101	1,101
Other Facilities	1,247	1,212
	2,434	**10,160**
Total Financing Facilities	**55,215**	**56,215**

(i) On 30 April 2015 the Trade Refinance Facility and Letter of Credit line were combined into one joint facility.

Note 32: Notes to the cash flow statements continued

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

	Year ended 31 July 2015	Year ended 31 July 2014
	$'000	**$'000**
Loss after income tax	(37,533)	(35,707)
Income tax expense recognised in profit or loss	9,692	89
Impairment	11,120	
Amortisation	2,569	3,963
Depreciation	903	1,173
Finance Costs recognised in profit or loss	2,992	4,052
Share options expense	158	302
Loss on sale of non-current assets	38	90
Impairment loss (reversed) recognised on trade receivables	(453)	135
Interest revenue	(652)	(619)
Net loss on assets designated as held for sale	–	23,825
Loss for the year from discontinued operations	3,440	–
Gain on QuickSmart sale and other	–	(1,570)
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
Decrease in trade and other receivables	6,413	14,892
Decrease in inventories	1,351	4,470
Decrease in prepayments and other current assets	3,220	35
Decrease in trade creditors	(7,809)	(12,972)
Decrease in provisions	(62)	(370)
(Decrease)/increase in other liabilities	(195)	3,502
Cash (utilised) generated from operations	**(4,808)**	**5,290**
Income tax paid	(50)	(76)
Interest Paid	(3,022)	(3,432)
Net cash (outflow) inflow from operating activities	**(7,880)**	**1,782**

(d) Cash consideration received on sale of businesses

		Year ended 31 July 2015	Year ended 31 July 2014
	Note	**$'000**	**$'000**
Madman Entertainment	5	–	19,897
QuickSmart		–	1,964
Net cash received on sale of businesses		–	**21,861**

Note 33: Financial Instruments

Capital risk management

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

The capital structure of the Group consists of debt, which comprises the borrowings detailed in Note 19, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, accumulated losses and reserves as disclosed in Notes 24, 25 and 26 respectively.

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.

Whilst the company has been in the process of finalising the appropriate financing structure, post the sale of Madman Entertainment on 31 July 2014, the Company received waivers in relation to a number of breaches to covenants.

Significant accounting policies

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

	Year ended 31 July 2015	Year ended 31 July 2014
Categories of financial instruments	**$'000**	**$'000**
Financial assets		
Derivative instruments in designated hedge accounting relationships	38	–
Cash and cash equivalents	904	4,909
Loans and receivables	11,883	18,589
Financial liabilities		
Derivative instruments in designated hedge accounting relationships	435	180
Non-derivative financial liability	58,717	58,289

Financial risk management objectives

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

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

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

Market risk

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

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

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

In 2015, while there has been a recent stabilisation of low variable interest rates there has been no material change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

Note 33: Financial Instruments continued

Foreign currency risk management

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

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

	Liabilities		Assets	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
US dollars	8,698	12,798	5,523	8,199
Euro	–	257	–	–
Other	–	–	363	115

Foreign currency sensitivity

The Group is mainly exposed to the US dollar, Euro and the HK dollar. The following table details the Group's sensitivity to a 5% increase and 15% decrease in the Australian dollar against the relevant foreign currencies. 5/15% 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 15% change in foreign currency rates. A positive number indicates an increase in profit or loss where the Australian dollar strengthens against the respective currency. For a weakening of the Australian dollar against the respective currency there would be an equal and opposite impact on profit or loss and the balances below would be equal and opposite. A positive number indicates an increase in other equity where the Australian dollar weakens against the respective currency. For a strengthening of the Australian dollar against the respective currency there would be an equal and opposite impact on other equity and the balances below would be negative.

	USD Impact		EURO Impact	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
5% increase in AUD against foreign currency				
Profit or Loss(i)	135	560	–	(23)
Other equity(ii)	23	415	–	–
15% decrease in AUD against foreign currency				
Profit or Loss(i)	(502)	(685)	–	29
Other equity(ii)	(85)	(296)	–	–

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

(ii) This is mainly as a result of the changes in fair value of derivative instruments designated as cash flow hedges.

Note 33: Financial Instruments continued

Forward foreign exchange contracts

The settlement dates, dollar amounts to be received/(paid) and contractual rates of the Group's outstanding contracts at balance date are:

	Average Exchange Rate		Foreign Currency		Contract Value		Fair Value	
Outstanding contracts	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Buy US dollar		**AUD/USD**	**US$'000**	**US$'000**	**A$'000**	**A$'000**	**A$'000**	**A$'000**
0-12 months	0.7826	0.9094	500	3,500	639	3,849	677	3,804

The Group has entered into contracts to purchase inventory from overseas suppliers. These forward foreign exchange contracts are for terms not exceeding 12 months to hedge the exchange rate risk arising from these anticipated future purchases, which are designated into cash flow hedges.

At balance date these purchase contracts were assets of the Group of $38,000 (2014: $44,000 liability).

During the year ended 31 July 2015 a gain on hedging instruments for the Group of $418,000 (31 July 2014: gain $983,000) has been brought to account in other current financial assets (Note 13) and liabilities (Note 22). An amount, net of tax, was transferred to equity (Note 26). It is anticipated these purchases will take place during the year to 31 July 2016 at which stage the amount deferred in equity will be included in the carrying amount of the finished goods inventory. It is anticipated that the finished goods inventory will be sold within 12 months after purchase at which stage the amount deferred in equity will impact profit or loss.

Interest rate risk management

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

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

Interest rate sensitivity

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

At reporting date, if interest rates had been 25 basis points higher or 25 basis points lower and all other variables were held constant, the Group's:

- Net profit after taxation would increase/(decrease) by $147,000/($147,000) respectively (2014: $386,000/($386,000)). This is mainly due to the Group's exposure to interest rates on its variable rate borrowings; and
- Equity would increase by $168,000/$75,000 (2014: $28,000/$23,000 increase). This is due to the Group's interest rate swap entered into on 4 November 2014.

Interest Rate Swap Contracts

Bank loans of the Group currently bear an average variable interest rate of 7.64% (2014: 6.82%). It is the Group's policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into an interest rate swap contract under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. The contract is settled on a net basis and the net amount receivable or payable at the reporting date is included in financial assets/liabilities.

The floating rate on the interest rate swap is the Australian bank bill swap rate (BBSW).

The contract requires settlement of net interest receivable or payable quarterly. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

The swap currently in place covers 59% of the total debt outstanding with its senior lender and is timed to expire on 1 December 2017 (2014: swap in place covered 73% of the long term loan principal outstanding). The fixed interest rate is 3.09% (2014: 4.02%) and the variable rate is the bank bill rate of the term of the underlying bill which at balance date was 2.11% (2014: 2.71%).

Note 33: Financial Instruments continued

Interest Rate Swap Contracts continued

As at 31 July 2015, the notional principal amounts and the periods of expiry of the interest rate swap contracts for the Group were as follows:

	Average contracted fixed interest rate		Notional principal amount		Fair value	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
	%	**%**	**$'000**	**$'000**	**$'000**	**$'000**
Less than 1 year	–	4.02	–	30,000	–	(136)
1-2 years	3.09	–	25,000	–	(435)	–
	3.09	**4.02**	**25,000**	**30,000**	**(435)**	**(136)**

The interest rate swap contract exchanging floating rate interest amounts for fixed rate interest amounts is designated as a cash flow hedge in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swap and the interest payments on the loan occur simultaneously and the amount deferred in equity is recognised in profit or loss over the loan period.

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 continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

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

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

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

Liquidity risk management

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

Note 33: Financial Instruments continued

Liquidity and interest tables – financial liabilities

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

	Weighted average effective interest rate	Less than 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	5+ years	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000
2015							
Non-interest bearing	–	2,449	9,292	4,519	–	–	16,260
Variable interest rate instruments	7.64	3,529	6,206	2,379	3,780	–	15,894
Fixed interest rate instruments	7.79	5,335	11,486	2,996	9,038	–	28,855
		11,313	**26,984**	**9,894**	**12,818**	**–**	**61,009**
2014							
Non-interest bearing	–	3,823	13,824	3,986	–	–	21,633
Variable interest rate instruments	6.82	2,558	6,256	–	2,131	–	10,945
Fixed interest rate instruments	7.87	5,990	14,643	208	5,302	–	26,143
		12,371	**34,723**	**4,194**	**7,433**	**–**	**58,721**

Liquidity and interest tables – financial assets

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

	Weighted average effective interest rate	Less than 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	5+ years	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000
2015							
Non-interest bearing	–	2,027	8,109	1,747	–	–	11,883
Variable interest rate instruments	2.10	904	–	–	–	–	904
		2,931	**8,109**	**1,747**	**–**	**–**	**12,787**
2014							
Non-interest bearing	–	3,413	13,653	1,523	–	–	18,589
Variable interest rate instruments	2.71	4,909	–	–	–	–	4,909
		8,322	**13,653**	**1,523**	**–**	**–**	**23,498**

Note 33: Financial Instruments continued

Fair value of financial instruments

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

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

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

Fair value measurements recognised in the consolidated statement of financial position

Fair value measurements are discussed in Note 3 and in the notes specific to that asset or liability.

Note 34: Share-based payments

Executive Share Option Plan (ESOP)

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

The following reconciles the outstanding share options granted under the Executive Share Option Plan at the beginning and end of the financial year:

	2015		2014	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Opening balance 1 August	1,333,333	0.161	5,200,000	0.161
Granted during the financial year	–	–	–	–
Forfeited during the financial year	–	–	(3,666,667)	–
Exercised during the financial year	–	–	–	–
Expired during the financial year	(1,333,333)	–	(200,000)	–
Closing balance at 31 July	–	–	1,333,333	–
Exercisable at end of year	–	–	1,333,333	0.161

There has been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date.

Employee Performance Share Rights

As at 31 July 2015, there were no EPSR Balances outstanding.

No rights were granted under the plan during the current financial year or preceding financial year. The Employee Performance Share Rights (EPSR) was replaced by the Employee Share Loan Scheme (ESLS) established during the 2013 financial year.

Note 34: Share-based payments continued

Employee Performance Share Rights continued

The following reconciles the outstanding EPSRs granted under the Employee Performance Share Rights Option Plan at the beginning and end of the financial year:

	Year Ended 31 July 2015		Year ended 31 July 2014	
	Number of EPSRs	Weighted average exercise price $	Number of EPSRs	Weighted average exercise price $
Balance at the beginning of the financial year	–	–	10,000	–
Granted during the financial year	–	–	–	–
Forfeited during the financial year	–	–	–	–
Exercised during the financial year	–	–	–	–
Expired during the financial year	–	–	(10,000)	–
Balance at the end of the financial year	–	–	–	–
Exercisable at the end of the financial year	–	–	–	–

Unlisted Share Options

As at 31 July 2015, there were no unlisted share option balances outstanding. No options were granted under the plan during the current financial year or preceding financial year.

The following reconciles the outstanding Unlisted share options granted at the beginning and end of the financial year:

	Year Ended 31 July 2015		Year ended 31 July 2014	
	Number of unlisted share options	Weighted average exercise price $	Number of unlisted share options	Weighted average exercise price $
Balance at the beginning of the financial year	6,333,333	0.121	–	–
Granted during the financial year	–	–	6,333,333	0.121
Forfeited during the financial year	–	–	–	–
Exercised during the financial year	–	–	–	–
Expired during the financial year	(6,333,333)	–	–	–
Balance at the end of the financial year	–	–	6,333,333	0.121
Exercisable at the end of the financial year	–	–	–	–

Employee Share Loan Scheme

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

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

Note 34: Share-based payments continued

Employee Share Loan Scheme continued

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

The shares are eligible to participate in dividends declared by the Company. Any dividends paid will be utilised to reduce the carrying value of each scheme participant's individual loan balance on the dividend payment date.

In the event that the loan balance is greater than the sale proceeds, a participant may request Funtastic to transfer the shares which secure the loan to the participant provided that the participant remits any outstanding balance of the loan to Funtastic as repayment of the loan.

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

No performance conditions are attached to the ESLS and the only vesting condition is a service condition which requires participants to remain in employment until 1 January 2016 for Tranche 1 and 6 November 2016 for Tranche 2. Although there are no performance conditions attached to the ESLS, eligible employees benefit from the scheme through improvements in the share price of the company, which results from improved performance. The options become exercisable only when the vesting conditions are met. The expiry date of the ESLS options is on the date the employee ceases employment with Funtastic. Further details on the ESLS, the ESLS Trust and the ESLSs interest free limited recourse loan are set out in Note 34 of the financial statements.

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

ESLS shares outstanding at the end of the financial year

Tranche	Vesting Date	Grant date	Exercise date	Exercise price[ii]	Fair value at grant date	Balance at end of Financial year
2015						
Tranche 1[i]	01/01/2016	8/07/2013	01/01/2016	$0.1599	$0.0502	600,000
Tranche 2[i]	27/01/2017	27/01/2014	27/01/2017	$0.1660	$0.0634	1,500,000
Tranche 3a[iii]	31/07/2015	31/07/2015	31/07/2015	$0.0244	$0.0154	13,500,000
Tranche 3b[i]	31/07/2017	31/07/2015	31/07/2018	$0.0244	$0.0154	3,600,000
						19,200,000
2014						
Tranche 1	01/01/2016	8/07/2013	01/01/2016	$0.1599	$0.0502	1,000,000
Tranche 2	27/01/2017	27/01/2014	27/01/2017	$0.1660	$0.0634	1,700,000
						2,700,000

(i) The expiry date is the date the employee ceases employment with Funtastic whether vested or not. The options granted under the ESLS do not have an expiry date and can be exercised at any date after vesting conditions have been met.

(ii) The exercise price represents the issue price per share offered to participants upon invitation to participate in the ESLS. As part of the ESLS, an interest-free, limited recourse loan to each participant was offered for the purpose of acquiring shares in Funtastic. Further details on the loan are set out above. Dividends paid or payable if any, (less the estimated net tax payable on such dividends) are used or will be used to repay the principal of the loan granted to the participant. No dividends have been paid or are currently payable in relation to the ESLS since the inception of the scheme.

(iii) The vesting date for the 13,500,000 ESLS options in Tranche 3a is the grant date, as there are no vesting conditions attached to the options.

Note 34: Share-based payments continued

Fair value of ESLS options granted

Fair values have been determined in accordance with AASB 2 'Share-based Payments' where the value of options is determined at grant date and are included in remuneration on a proportionate basis from grant date to vesting date. ESLS options are valued using a Black Scholes option pricing model. The model inputs for options granted include:

Option Number	Tranche 1	Tranche 2	Tranche 3a	Tranche 3b
Grant date	8/07/2013	27/01/2014	31/07/2015	31/07/2015
Vesting date	01/01/2016	27/01/2017	31/07/2015	31/07/2017
Expiry date	N/A	N/A	N/A	N/A
Exercise price	$0.1599	$0.1660	$0.0244	$0.0244
Stock price at issue	$0.1599	$0.1660	$0.0290	$0.0290
Expected life (years)[i]	N/A	N/A	N/A	N/A
Volatility	55.55%	55.55%	72.60%	72.60%
Risk free rate	3.00%	3.00%	1.90%	1.90%
Dividend yield	N/A	N/A	N/A	N/A
Vesting period (years)	0.4	2.5	3.0	3.0
Average fair value at Grant date	$0.0502	$0.0634	$0.0154	$0.0154

The following reconciles the outstanding share options granted under the Employee Share Loan Scheme at the beginning and end of the financial year:

	2015		2014	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at the beginning of the financial year	2,700,000	$0.1637	2,400,000	$.01599
Granted during the financial year	17,100,000	$0.0244	2,200,000	$0.1660
Forfeited during the financial year	(600,000)	–	(1,900,000)	–
Exercised during the financial year	–	–	–	–
Expired during the financial year	–	–	–	–
Balance at the end of the financial year	19,200,000	–	2,700,000	–
Exercisable at the end of the financial year	–	–	–	–

During the year, 17,100,000 ESLS options were granted to employees. Of the 17,100,000, 13,500,000 ESLS options vested at the date of issue, with the remaining shares vesting at 31 July 2017.

The average remaining contractual life of the share options outstanding as at 31 July 2015 is 2.7 years.

Aggregate proceeds received from employees on the exercise of options and recognised as issued capital in the financial period was $nil.

Market value of shares issued to employees on the exercise of options as at their issue date in the financial period was $0.0290.

Note 35: Key management personnel compensation

Details of key management compensation

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

	Year ended 31 July 2015	Year ended 31 July 2014
	$	**$**
Short-term employee benefits	1,617,563	2,558,885
Post-employment benefits	76,549	181,233
Other long-term benefits	8,818	4,689
Termination benefits	–	483,636
Share-based payments	163,599	272,744
	1,866,529	**3,501,187**

Note 36: 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 31 to the financial statements.

(b) Transactions with Key Management Personnel

Key management personnel compensation

Details of key management personnel compensation are disclosed in Note 35 to the financial statements.

Loans from key management personnel

There are no outstanding loans from key management personnel.

(c) Transactions with key management personnel of the Group

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

	Year ended 31 July 2015	Year ended 31 July 2014
	$	**$**
Consolidated revenue includes the following amounts arising from transactions with key management personnel of the Group or their related parties:		
Gross revenue	1,854	–
Interest revenue	–	–
	1,854	–
Consolidated profit includes the following amounts arising from transactions with key management personnel of the Group or their related parties:		
Cost of goods sold	5,823	5,126,923
Interest expense	–	4,225
Other expenses	1,971	969
	7,794	**5,132,117**

Note 36: Related party transactions continued

(c) Transactions with key management personnel of the Group continued

	Year ended 31 July 2015	Year ended 31 July 2014
	$	$
Total assets arising from transactions with key management personnel or their related parties:		
Current – Other (prepaid expenses)	–	838,353
Current – Inventories	–	1,616
	–	**839,969**

The above transactions were performed at arm's length.

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

- Purchases of $1,645 (2014: $nil) to Annabel Mackenzie a party related to Mr Grant Mackenzie for external consulting;
- Purchases of $326 for provision of employment services (2014: $nil) from Sherelle Pizmony a party related to Mr Nir Pizmony;
- Commission revenue of $1,854 and Cost of goods sold of $5,823 for product items that were sold on behalf of The 3 of Us Limited an entity related to Mr Nir Pizmony;
- Consistent with prior year, Funtastic holds a combined media purchasing arrangement with The Three of Us, which results in advantageous marketing costs. The media purchasing arrangement positions Funtastic to facilitate payment of marketing costs for both Funtastic and The Three of Us, following which The Three of Us reimburses Funtastic for their portion of advertising. A total amount of $2,078,859 (2014: $1,024,968) was passed through to Funtastic in respect to their arrangements. In this respect Funtastic is acting as an agent for the Three of Us, however earning no margin in the process. Given the substance of this arrangement, there is no impact upon the Group's consolidate profit or loss.

(d) Transactions with other related parties

Transactions between Funtastic Limited and other entities in the wholly-owned Group during the financial years ended 31 July 2015 and 31 July 2014, which were eliminated on consolidation, consist of:

- sales made by Funtastic Limited;
- loans advanced and interest charged by Funtastic Limited;
- payments made by KMP on behalf of Funtastic Limited;
- advances made by KMP on behalf of Funtastic Limited;
- management services provided by Funtastic Limited;
- management services provided to Funtastic Limited; and
- payment to/from Funtastic Limited for the above services.

Note 37: Remuneration of Auditors

	Year ended 31 July 2015	Year ended 31 July 2014
	$	$
Auditor of the parent entity		
Audit and review of the financial reports of the entity	280,000	230,000
Audit of the financial report of overseas subsidiary[(i)]	20,000	30,000
Preparation of tax return	35,000	53,000
General taxation services	15,132	–
Other advisory services	100,540	268,048
	450,672	**581,048**

The auditor of Funtastic Limited is Deloitte Touche Tohmatsu.

(i) Related practice of parent entity auditor.

Note 38: Parent entity disclosures

	Year ended 31 July 2015	Year ended 31 July 2014
Financial Position	**$'000**	**$'000**
Assets		
Current assets	28,693	39,145
Non-current assets	59,218	81,278
	87,911	**120,423**
Liabilities		
Current liabilities	(57,822)	(51,998)
Non-current liabilities	(620)	(8,296)
	(58,442)	**(60,294)**
Equity		
Issued capital	(208,372)	(208,372)
Accumulated losses prior to 31 July 2011	123,755	123,755
Loss reserved from 1 August 2011	56,970	26,368
Reserves:		
Equity-settled benefits	(2,099)	(1,941)
Cash flow hedging	277	62
	(29,469)	**(60,128)**

Note 38: Parent entity disclosures continued

Financial Performance	Year ended 31 July 2015 $'000	Year ended 31 July 2014 $'000
(Loss)/profit for the year – continuing operations	(26,933)	7,266
Loss for the year – discontinued operations	(3,669)	(21,827)
Other comprehensive income/(loss)	110	(624)
Total comprehensive loss	(30,492)	(15,185)

Commitments for expenditure

There were no commitments to acquire property, plant and equipment at 31 July 2015. Contingent liabilities as disclosed in Note 40 relate to the parent entity as well as the Group.

Note 39: Subsequent Events

There has not been any matter or circumstance occurring subsequent to the end of the financial period, not already covered in the financial statements, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Note 40: Contingent Liabilities and Assets

Contingent Liabilities	Year ended 31 July 2015 $'000	Year ended 31 July 2014 $'000
Legal proceedings	–	**1,031**

In 2014, the Company was subject to a royalty claim, in respect to disputed IP ownership on a product line. The Company has since (14 August 2015) reached an agreement, whereby a full and final payment of US$350,000 will be made. Accordingly, a provision has been made as at 31 July 2015 in respect to this claim in the financial statements. And no contingent liability is required.

Contingent Assets	Year ended 31 July 2015 $'000	Year ended 31 July 2014 $'000
Final Madman working capital adjustment	**3,042**	–

As part of the share sale agreement the Company were required to provide final completion accounts and where an objection is received have a period in which to resolve any amount in dispute. Subsequent to the dispute, an independent accountant was appointed to adjudicate the claims. The Independent Accountant concluded in their final report, that an adjustment amount of $332,000 in Funtastic's favour was payable by MFM.

Funtastic has since sought external opinions on the Independent Accountant's report from a number of reputable independent sources. All opinions are materially consistent with Management's view on the appropriate classification of the disputed adjustments.

The Company has further filed a Statement of Claim, declaring the Independent Accountant made a manifest error in its findings and that the final decision of the Independent Accountant is not conclusive or binding on the parties for the purposes of determining adjustments to the draft completion accounts. Based on current advice, management have written down the deferred consideration receivable to $332,000. However, Management maintains the position that the amount of $3.38m as previously reported at January 2015 is fully recoverable.

Note 41: General Information

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

Additional stock exchange information

as at 24 September 2015

Distribution of equity securities

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

	Ordinary Shares		
Range	**Holders**	**Options**	**Performance share rights**
1 – 1,000	754	–	–
1,001 – 5,000	1,348	–	–
5,001 – 10,000	642	–	–
10,001 – 100,000	1,160	–	–
100,001 and over	457	5	–
	4,352	**5**	–

Substantial Shareholders

Substantial Shareholders holders in the Company are set out below:

	Shares	**%**
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	100,257,329	14.607
CITICORP NOMINEES PTY LIMITED	54,459,699	7.934
BELL POTTER NOMINEES LTD <BB NOMINEES A/C>	50,190,414	7.312
J P MORGAN NOMINEES AUSTRALIA LIMITED	45,049,653	6.563
G HARVEY NOMINEES PTY LIMITED	26,470,587	3.857

Twenty largest quoted equity security holders

		Shares	%
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	100,257,329	14.607
2	CITICORP NOMINEES PTY LIMITED	54,459,699	7.934
3	BELL POTTER NOMINEES LTD <BB NOMINEES A/C>	50,190,414	7.312
4	J P MORGAN NOMINEES AUSTRALIA LIMITED	45,049,653	6.563
5	G HARVEY NOMINEES PTY LIMITED	26,470,587	3.857
6	B4 SNOW PTY LTD <B4 SNOW SUPER FUND A/C>	25,000,000	3.642
7	AET SFS PTY LTD <FUNTASTIC ESLP A/C>	19,200,000	2.797
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	16,444,592	2.396
9	G HARVEY NOMINEES PTY LTD <HARVEY 1995 DISCRETIONARY AC>	13,820,687	2.014
10	PHILRENE PTY LTD <PHILRENE SUPER FUND A/C>	12,852,704	1.873
11	Mr HOD PIZEM	11,760,234	1.713
12	PIZ BY PIZ PTY LTD	11,401,470	1.661
13	Mr NIR PIZMONY & MRS MARIA LUTGARDA PIZMONY <PIZMONY FAMILY S/F A/C>	8,733,683	1.272
14	CJ PRODUCTS LLC	6,959,137	1.014
15	NATIONAL NOMINEES LIMITED	6,805,438	0.992
16	Mr ALFIO BUCCERI	6,691,000	0.975
17	RENSH PTY LTD	6,000,000	0.874
18	Mr GRANT MACKENZIE & MRS ANNABEL MACKENZIE	5,854,120	0.853
19	DDVM SUPERANNUATION NOMINEES PTY LTD <DDVM SUPERANNUATION FUND A/C>	5,700,438	0.831
20	Mr JASON SOURASIS	4,575,025	0.667

Unquoted equity securities

	Number on Issue	Number of holders
Options issued under the Employee Share Loan Plan	19,200,000	10
Unissued options issued as incentive component of Executive Remuneration	–	–

Voting Rights

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

Ordinary shares

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

Options and Performance Share Rights

No voting rights.

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