



funtastic
LIMITED

30 September 2017

Manager Company Announcements
ASX Limited
Level 4
20 Bridge Street
Sydney NSW 2000

By E-Lodgement

Funtastic Limited 2017 Appendix 4E

This release contains an announcement to the Australian Stock Exchange (ASX) regarding the following Appendix 4E in accordance with listing rule 4.3A of the ASX Listing Rules.

Your faithfully
Funtastic Limited

Grant Mackenzie
Chief Financial officer and Company Secretary



Appendix 4E (rule 4.3A) – Preliminary Final Report for the year ended 31 July 2017

Name of Entity:	Funtastic Limited
ABN:	94 063 886 199
Current Financial Period Ended:	Year ended 31 July 2017
Previous Corresponding Reporting Period:	Year ended 31 July 2016

Results for Announcement to the Market

		Up/Down	%
Revenue from ordinary activities from continuing operations	55,707	Down	(37%)
Net loss from ordinary activities before tax from continuing operations	(27,997)	Up	(47%)
Net loss from ordinary activities after tax from continuing operations	(29,687)	Up	(44%)
Net loss from ordinary activities after tax from discontinued operations	(3,779)	Up	(16%)
Net loss from ordinary activities after tax from continuing and discontinued	(33,466)	Up	(40%)
Dividend Information	Amount per Share (cents)	Franked amount per Share (cents)	Tax rate for Franking Credit
Interim Dividend – Current reporting period	nil	nil	n/a
Final Dividend – Current reporting period	nil	nil	n/a
Final Dividend Dates			
Ex-dividend date		Not applicable	
Record date		Not applicable	
Payment date		Not applicable	
Details of any dividend reinvestment plan (DRP) in operation		Not applicable	
The last date for receipt of an election notice for participation in any dividend reinvestment plan		Not applicable	
Net Tangible Liabilities	31 July 2017	31 July 2016	
Net tangible assets per security	(7.53) cents	(5.28) cents	
Other information			
This report is based on the consolidated financial statements which are in the process of being audited by Grant Thornton.			
For a brief explanation of any figures above please refer to the Announcement on the results for the year ended 31 July 2017 and the attached Annual Financial Report			

30th September 2017

Funtastic Limited

ABN 94 063 886 199

Preliminary Final Report Announcement of results for the year ended 31 July 2017

Funtastic Limited (ASX: Fun) today released its preliminary results for the year ended 31 July 2017, with reported preliminary net loss after tax (NPAT) of \$33.5m (unaudited). This compares to the previous years' result of a net loss of \$23.9m.

The net loss after tax is \$1.2m lower than the guidance previously provided largely due to the reversal of a previously recognised deferred tax asset. The group has Revenue tax losses of \$97.5m and not expected to pay tax in the medium term. This is a non-cash item.

The Group's Earnings Before Interest, Depreciation and Amortisation (EBITDA) from continuing operations was within guidance and a loss of \$5.6 million before accounting for an impairment charge of \$17.1 million.

The following adverse factors significantly contributed to this lower than expected result:

1. A significant fall in international sales over the second half of the year; and
2. Delay of key product launches due to delayed quality control assessments, now moved into the FY18 financial year.

Key Financials (Continuing Activities)

AUD 'm	FY17	FY16 (restated)	% Change
Revenue	55.7	88.9	↓63%
EBITDA	(22.8)	(11.8)	↓193%
Loss before Tax	(28.0)	(19.1)	↓47%
Net loss after tax	(29.7)	(20.6)	↓44%
Basic EPS (cents)	(4.10)	(3.04)	↓35%
Dividend per share (cents)	N/A	N/A	N/A
ROE ⁽ⁱ⁾	(15.98%)	(11.42%)	↓40%
Net Debt (\$m)	52.1	48.2	↑8%
Gearing ⁽ⁱⁱ⁾	(1.01)	(2.82)	↓64%

⁽ⁱ⁾NPAT/average shareholder equity;

⁽ⁱⁱ⁾Net debt/shareholder equity;

Review of operations

During the past three years, the company embarked on a major turnaround strategy to reduce the reliance on the concentrated retail environment in Australia and its high dependency on agency business. Whilst the market environment has continued to be difficult both domestically and internationally the results have been extremely disappointing. However, four significant achievements have been delivered in the last several months that have finally delivered the platform / foundations we have been working towards and effectively enable the company to better influence and control its own future.

1. Debt Level

As announced to the market the company has been in long negotiations with its Bankers the National Australia Bank with regards to the future and structure of the debt. Thanks to the significant support of the NAB who have been with the company over many years, we concluded on 30th August 2017 a debt restructure resulting in a \$36 million reduction by way of a debt forgiveness. The full impact of this is discussed in the recent Capital Raising documents and will be included in the January 2018 half year accounts.

This is a significant outcome for the company as the structure of the balance sheet now has more appropriate gearing levels for a business of its size and it enables the company to be a smaller and more nimble operation.

2. Capital Raising

The debt restructure has allowed the company to go to the market and successfully raise \$8.2 million in fresh equity, completed on the 19th August 2017. The significance of the restructure has allowed the company to resource its balance sheet more appropriately. We welcome both our existing and new shareholders to the expanded registry.

As outlined in the documents, this capital has been used to finalise the debt restructure, and provide the first significant injection of new working capital into the business for several years.

3. Sale of a part of the International Business

On 31st July 2017, an agreement was entered to sell a segment of the International business for \$2.1 million by way of management buy-out to key personnel based in Hong Kong. This transaction subsequently settled on 7th September 2017. This will result in a general reduction in overheads and major reduction in cash burn of \$3.5 million per annum as the operation has been reduced and streamlined to focus on owned brands and product more aligned to the businesses core values and methods of operation.

4. Reductions in Fixed Costs

The company over the past 18 months has reviewed, refocused and rebuilt its fixed cost base. The changes have included significant staff reductions in head count and exited several leases and long-term contracts that were no longer appropriate and weighed on the businesses bottom line. In June, it relocated its Head Office to smaller premises in Mount Waverly at a cost more appropriate both to the size of the operation and in line with current market conditions. Cumulatively the fixed cost base has been reduced by an annualised \$3.9 million, in addition to the savings from the disposal of the international assets.

The Board's key strategies for FY18 performance include:

1. Enhancing current licencing portfolio by re-establishing key relationships.
2. International foot print to be reset.
3. Strong brand/portfolio management both domestically and internationally.
4. Leverage re-set cost base and balance sheet to attract new business partners for FY19.
5. New and Streamlined Senior management team.

Outlook

Following significant and sustained efforts, the company is now significantly more stable than in previous financial periods, with a better structured Balance Sheet, enhanced internal controls, sound cash management principles, and reduced excess inventories and a significantly lower fixed cost base. The first quarter has started positively and the Board is confident that the company will meet its targets for 2018 as a profitable entity.

As noted last year, the company remains committed to its strategy of re-defining its core business and rightsizing the organisation for the future with the appropriate focus on the right products and markets. The organisation has gone through significant structural changes appointing key people in positions aligned to the company's long-term strategy. This has resulted in increased employee engagement with sound commitment and capabilities supported by appropriate incentive programs.

The company continues to focus on developing a strong, diverse and relevant range of new and innovative products enabling the company to effectively leverage its cost base.

The Directors would like to thank all our staff, shareholders, bankers, suppliers, key agency partners and customers for their ongoing loyalty, support and patience. We look forward to a much more prosperous FY18.

Audit report

While the accounts are in the process of being audited, the accounts are likely to contain an independent audit report that is subject to an emphasis of matter in relation to the material uncertainty related to going concern. Subsequent to the year end the reduction of debt by \$36m and capital raise of \$8.2m significantly mitigates the going concern risk as noted under note 1.

Consolidated Statement of Profit or Loss and other Comprehensive Income for the year ended 31 July 2017

	Note	31 July 2017 \$'000	31 July 2016 Restated \$'000
Revenue	4	55,707	88,888
Cost of Goods Sold		(38,797)	(63,754)
Gross profit		16,910	25,134
Investment Income		439	651
Warehouse and Distribution Expenses		(3,964)	(4,685)
Marketing and Selling Expenses		(6,345)	(10,782)
Administration Expenses		(12,689)	(15,667)
Impairment of Goodwill and Intangible Assets	12/13	(17,144)	(6,424)
Earnings before interest, taxation, amortisation and depreciation (EBITDA)		(22,793)	(11,773)
Finance Costs		(3,559)	(3,794)
Depreciation and Amortisation Expenses		(1,645)	(3,497)
Loss before income tax		(27,997)	(19,064)
Income tax expense	5	(1,690)	(1,533)
Loss for the period from continuing operations		(29,687)	(20,597)
<i>Discontinued operations</i>			
Loss from Discontinued Operations	3	(3,779)	(3,257)
Loss for the year		(33,466)	(23,854)
Other comprehensive income (net of tax)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		212	318
Gain on cash flow hedges taken to equity		131	58
Other comprehensive income for the year (net of tax)		343	376
Total comprehensive loss for the year attributable to the members of Funtastic		(33,123)	(23,478)
Earnings per share			
Basic earnings per share (cents per share)		(4.63)	(3.52)
Diluted earnings per share (cents per share)		(4.63)	(3.52)
Earnings per share - continuing operations			
Basic earnings per share (cents per share)		(4.10)	(3.04)
Diluted earnings per share (cents per share)		(4.10)	(3.04)

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 2017

	Note	31 July 2017 \$'000	31 July 2016 \$'000
Current Assets			
Cash	6	664	764
Receivables	7	2,532	8,684
Inventories	8	7,010	10,340
Other Assets	9	2,744	2,187
		12,950	21,975
Assets classified as held for sale	10	1,653	-
Total Current Assets		14,603	21,975
Non-Current Assets			
Property, Plant and Equipment	11	457	1,455
Goodwill	12	-	14,163
Other Intangibles	13	4,287	7,524
Deferred Tax Asset		-	1,821
Other Assets		29	194
Total Non-Current Assets		4,773	25,157
Total Assets		19,376	47,132
Current Liabilities			
Payables		9,213	9,805
Interest Bearing Liabilities (excluding Bill Finance)	14	24,597	20,950
Bill Finance	14	27,965	27,965
Provisions		671	947
Tax Liabilities		117	236
Other Financial Liabilities		87	313
Other Liabilities	15	5,417	3,752
		68,067	63,968
Liabilities classified as held for sale	10	1,895	-
Total Current Liabilities		69,962	63,968
Non-Current Liabilities			
Provisions		27	60
Provision for Deferred Tax Liabilities		-	37
Other Liabilities		101	165
Total Non-Current Liabilities		128	262
Total Liabilities		70,090	64,230
Net Assets		(50,714)	(17,098)
Equity			
Issued capital	16	209,483	209,483
Accumulated Losses		(259,727)	(227,904)
Reserves		(470)	1,323
Total Equity		(50,714)	(17,098)

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

Consolidated Statement of Changes in Equity for the year ended 31 July 2017

	Issued Capital \$'000	Accumulated Losses \$'000	Foreign Currency Translation Reserve \$'000	Equity- settled Employee Benefits Reserve \$'000	Cash Flow Hedging Reserve \$'000	Total \$'000
Balance at 1 August 2015	208,372	(204,050)	(1,029)	2,099	(277)	5,115
Loss for the year	-	(23,854)	-	-	-	(23,854)
Other comprehensive income	-	-	318	-	58	376
Total comprehensive (loss)	-	(23,854)	318	-	58	(23,478)
Issue of ordinary shares	1,111	-	-	-	-	1,111
Recognition of share based payments	-	-	-	154	-	154
Balance at 31 July 2016	209,483	(227,904)	(711)	2,253	(219)	(17,098)
Loss for the year	-	(33,466)	-	-	-	(33,466)
Other comprehensive income	-	-	212	-	131	343
Total comprehensive (loss)	-	(33,466)	212	-	131	(33,123)
Recognition of share-based payments	-	-	-	(493)	-	(493)
Transfer of share-based payments	-	1,643	-	(1,643)	-	-
Balance at 31 July 2017	209,483	(259,727)	(499)	117	(88)	(50,714)

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

Notes to the Financial Statements

	Note	Year ended 31 July 2017 \$'000	Year ended 31 July 2016 \$'000
Cash Flows from Operating Activities			
Receipts from customers		64,231	94,773
Payments to suppliers and employees		(63,863)	(98,145)
Cash (utilised) generated from operations		368	(3,372)
Income taxes paid		(25)	(163)
Interest and other costs of finance paid		(3,557)	(3,794)
Net cash outflow from operating activities		(3,214)	(7,329)
Cash Flows from Investing Activities			
Interest and other investment income received		439	651
Payments for plant and equipment		(888)	(884)
Payments for other intangible assets		(313)	(325)
Proceeds from sale of plant and equipment		-	-
Net cash inflow from investing activities		(762)	(558)
Cash Flows from Financing Activities			
Proceeds from borrowings		3,647	7,457
Repayment of commercial bills		-	(1,000)
Proceeds from share issue		-	1,111
Net cash inflow from financing activities		3,647	7,568
Net decrease in Cash Held		(329)	(319)
Cash and cash equivalents at the beginning of the year		764	904
Effects of exchange rate changes on the balance of cash held in foreign currencies		229	179
Cash and cash equivalents at the end of the year	6	664	764

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

Notes to the Financial Statements

NOTE 1: Basis of preparation

This preliminary final report has been prepared in accordance with ASX listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

This preliminary final report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the *Australian Accounting Standards Board and the Corporations Act 2001*.

The preliminary final report covers the consolidated group of Funtastic Limited and its controlled entities (Consolidated Group). Funtastic Limited is a public company, incorporated and domiciled in Australia.

The preliminary final report of Funtastic Limited and its controlled entities complies with all International Financial Reporting Standards (IFRS) in their entirety.

Going concern basis

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

Whilst the EBITDA loss excluding impairment charges was \$5.6m, a net loss for the year of \$33.5m and there is a net asset deficiency of \$50.7m management have made significant changes to the business which is expected to result in improved results going forward. These include:

- An improved debt structure through the permanent reduction of \$36m in bank debt by way of a debt forgiveness subsequent to year end
- Raising further capital of \$8.2 million subsequent to year end
- Changes in the management structure
- Continued focus on cost management
- Sale of the international business which was completed subsequent to year end

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

- Achievement of improved financial results through normal trading and the achievement of budgeted results.
- Continued support of creditors and customers through appropriate trading terms as well as the NAB (National Australia bank).

If these matters are not achieved, there may be uncertainty as to whether the Group will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities in the normal course of business and at the amounts stated in the financial report.

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

Reporting basis and conventions

The preliminary final report has been prepared on an accrual basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which fair value accounting has been applied.

NOTE 2: Segment information

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

Geographical Information

The Group operates in two principal geographical areas (excluding discontinued operations) – Australia and Hong Kong. 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-Jul-17	Restated Year ended 31-Jul-16	Year ended 31-Jul-17	Restated Year ended 31-Jul-16
Revenue from External Customers	\$'000	\$'000	\$'000	\$'000
Australia	45,059	68,457	4,773	22,046
Hong Kong	10,648	20,431	-	1,270
	55,707	88,888	4,773	23,337

Notes to the Financial Statements

Information about major customers

Included in revenues of Australia of \$45,059,000 are revenues of approximately \$34,344,000 (2016: \$56,806,000), which arose from sales to that region's four largest customers.

Included in the revenues of Hong Kong \$10,649,000 are revenues of approximately \$5,243,000 (2016: \$8,184,000), which arose from sales to that regions four largest customers.

Information about products and services

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

NOTE 3: Discontinued operations

USA Operation

After an extensive review, slower than anticipated sales growth and with regards to the costs incurred with servicing the USA market it was decided to close the USA operation in September 2016 and service the existing customer base from the Head Office in Australia.

Madman and Wellington Rd

The Losses resulting from Madman arose from the write-off of the amount receivable and legal costs arising out of the dispute around working capital and warranty claims that were settled in January 2017. The losses from Wellington Rd are the result of make good claims from the Landlord at the expiration of the lease agreement. The Wellington Rd property was a property previously used by Madman and sub-let in 2010. The Company has provided the full amount claimed by the Landlord, and is currently assessing its legal position around this claim.

	Year ended 31 July 2016 \$'000	Year ended 31 July 2016 Restated \$'000
Results of discontinued operation		
Revenue	1,046	1,976
Expenses	(4,825)	(5,233)
Loss before tax	(3,779)	(3,257)
Attributable income tax expense	-	-
Result from operating activities, net of tax	(3,779)	(3,257)
Comprising:		
Discontinued operation – USA	(1,959)	(2,836)
Discontinued operation – Madman & Wellington Rd	(1,820)	(421)
Loss for the year from discontinued operations	(3,779)	(3,257)
Basic loss per share (cents per share)	(0.53)	(0.48)
Diluted loss per share (cents per share)	(0.53)	(0.48)

Notes to the Financial Statements

NOTE 4: Revenue

	Year ended 31 July 2017 \$'000	Year ended 31 July 2016 Restated \$'000
Revenue from the sale of goods		
Gross revenue	60,234	96,231
Less settlement discounts and rebates	(4,986)	(7,899)
	<u>55,248</u>	<u>88,332</u>
Other	459	556
	<u>55,707</u>	<u>88,888</u>

NOTE 5: Income tax

	Year ended 31 July 2017 \$'000	Year ended 31 July 2016 \$'000
(a) Income tax expense relating to continuing operations		
Tax expense comprises:		
Current tax expense in respect of the current year	117	99
Adjustments recognised in the current year in relation to the current tax expense of prior years	-	-
	<u>117</u>	<u>99</u>
Deferred tax expense comprises:		
Effect of reversal of previously recognised and unused tax losses	-	2,177
Deferred tax (benefit) expense relating to the origination and reversal of temporary differences	1,573	(768)
	-	-
Deferred tax reclassified from equity to profit or loss	-	25
Total tax expense relating to continuing operations	<u>1,690</u>	<u>1,533</u>

Tax Losses and temporary differences

As at 31 July 2017 the Australian Group has carried forward revenue tax losses of approximately \$97,527,433 (2016: \$86,363,306). As at 31 July 2017 a deferred tax asset of \$nil (2016: \$nil) has been booked relating to revenue tax losses and deferred assets relating to temporary differences of \$nil (2016: \$nil). 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 and temporary differences, the full balance of tax losses available at 31 July 2017 of \$97,527,433 and net deferred tax asset of \$1,556,000 have not been booked as a deferred tax asset in these financial statements.

Notes to the Financial Statements

NOTE 6: Cash

For the purposes of the 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 2017 \$'000	Year ended 31 July 2016 \$'000
Cash and cash equivalents	664	764

NOTE 7: Current Assets – Trade and Other Receivables

	Year ended 31 July 2017 \$'000	Year ended 31 July 2016 \$'000
Trade receivables	3,470	9,989
Allowance for doubtful debts	(23)	(30)
Allowance for credit notes, rebates & settlement discounts	(1,265)	(1,852)
	2,182	8,107
Other receivables	350	577
Total Current Receivables	2,532	8,684

NOTE 8: Current assets – Inventories

	Year ended 31 July 2017 \$'000	Year ended 31 July 2016 \$'000
Stock at NRV	660	1,898
Stock at cost	6,350	8,442
Finished goods	7,010	10,340

NOTE 9: Other Assets

	Year ended 31 July 2017 \$'000	Year ended 31 July 2016 \$'000
Current other assets		
Prepaid royalties	197	118
Prepayments	550	601
Prepaid inventory	1,997	1,393
Other	0	75
	2,744	2,187
Other non-current assets		
Product development costs	29	194
	29	194

Notes to the Financial Statements

NOTE 10: Assets held for sale

On 31st July 2017, an agreement was entered to sell a segment of the International business for \$2.1 million AUD by way of a management buy-out to key personnel based in Hong Kong. This transaction subsequently settled on 7th September 2017.

	Year ended 31 July 2017 \$'000	Year ended 31 July 2016 \$'000
Current assets		
Receivables	67	-
Inventories	86	-
Other Assets	591	-
Non-current assets		
Property, Plant & Equipment	661	-
Trademarks & Registrations	124	-
Other	124	-
Assets classified as held for sale	<u>1,653</u>	-
Current Liabilities		
Payables	1,816	-
Provisions	79	-
Liabilities classified as held for sale	<u>1,895</u>	-

NOTE 11: Non-current assets – Plant and equipment

	Year ended 31 July 2017 \$'000	Year ended 31 July 2016 \$'000
Plant and equipment – at cost	4,332	4,673
Less: accumulated depreciation	<u>(3,875)</u>	<u>(3,345)</u>
	457	1,328
Leasehold improvements – at cost	1,141	1,485
Less: accumulated amortisation	<u>(1,141)</u>	<u>(1,358)</u>
	-	127
	<u>457</u>	<u>1,455</u>

NOTE 12: Non-current assets – Goodwill

	31 July 2017 \$'000	31 July 2016 \$'000
Carrying Amount		
Balance at the beginning of financial year	14,163	14,163
Impairment losses for the year	<u>(14,163)</u>	-
Balance at the end of financial year	<u>-</u>	<u>14,163</u>

Assessment of carrying amount

As a result of the assessment of the carrying amount and the significant restructuring of the business, the Directors determined that full impairment of goodwill is appropriate.

Notes to the Financial Statements

Note 13: Non-current Assets – Other Intangibles

	Year ended 31 July 2017 \$'000	Year ended 31 July 2016 \$'000
Brand names	1,015	1,015
Accumulated amortisation and impairment	(334)	(290)
	<u>681</u>	<u>725</u>
Software costs	6,214	5,846
Accumulated amortisation and impairment	(5,695)	(5,579)
	<u>519</u>	<u>267</u>
Chill Factor – Trademarks and patents	10,423	10,423
Accumulated amortisation and impairment	(9,666)	(6,681)
	<u>757</u>	<u>3,742</u>
Licenses, trademarks, distribution agreements & supplier relationships	10,945	10,924
Accumulated amortisation and impairment	(8,615)	(8,134)
	<u>2,330</u>	<u>2,790</u>
	<u>4,287</u>	<u>7,524</u>

As impairment indicators were present for intangible assets, AASB136 required performance of an impairment assessment of the various other intangibles. This has been performed, based on the royalty relief method by applying a market related royalty rate to the expected future sales and terminal growth rate, which is a level three valuation in the fair value hierarchy. Projected sales were calculated based on approved FY2018 budget and management's view of longer term performance expectations. The estimated product life cycle was included in the calculation.

Outcome of assessment

Failure to meet budgeted performance expectations in FY17 and a re-assessment of future performance expectations resulted in an impairment charge of \$2,981,000 to the intangibles. (FY16 \$6,424,000)

NOTE 14: Borrowings

	Year ended 31 July 2017 \$'000	Year ended 31 July 2016 \$'000
Secured – at amortised cost		
<i>Current</i>		
Finance lease liabilities	-	23
Trade finance	6,294	17,233
Overdraft	18,303	3,694
Interest bearing liabilities (excluding Bill finance) ⁽ⁱ⁾	24,597	20,950
Bill finance ⁽ⁱ⁾	27,965	27,965
Total Current	<u>52,561</u>	<u>48,915</u>

Subsequent to the end of the financial year a significant restructuring of the bank debt was completed resulting the overall debt being reduced by \$36 million by way of a debt forgiveness.

- (i) Although the Company's facilities with National Australia Bank (excluding Overdraft facility which expires in June 2018) do not expire until November 2018, they have been classified as current in accordance with accounting standards as there is a review in November 2017. The bill finance of \$27,965,000 would otherwise have been classified as long term.

Notes to the Financial Statements

NOTE 15: Other Liabilities

	Note	Year ended 31 July 2017 \$'000	Year ended 31 July 2016 \$'000
<i>Current</i>			
Accrued royalties		1,652	1,310
GST payable		21	123
Lease incentives		-	91
Payroll accruals		77	70
Other creditors		75	238
Other accrued expenses		3,018	1,441
Accrued revenue / Sales Deposits		574	479
Total Current		5,417	3,752
<i>Non-current</i>			
Lease incentives		101	165
Total Non-current		101	165

NOTE 16: Issued Capital

Group	Year ended 31 July 2017 \$'000	Year ended 31 July 2016 \$'000
Share Capital		
723,286,390 fully paid ordinary shares (2016: 723,286,390)	209,483	209,483

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

Details	31-Jul-17		31-Jul-16	
	Number of Shares	Share Capital \$'000	Number of Shares	Share Capital \$'000
Movements in Ordinary Share Capital				
Opening balance	762,234,723	209,483	686,369,723	208,402
ESLS 1 cancellations	(200,000)	-	-	-
ESLS 2 cancellations	(1,000,000)	-	-	-
ESLS 3 cancellations	(3,600,000)	-	(13,500,000)	-
ESLS 4 cancellations	(4,840,000)	-	(995,000)	(30)
ESLS 5 cancellations	(15,500,000)	-	-	-
Unlisted options	(6,333,333)	-	-	-
Shares issued under ESLS 4 19th October 2015	-	-	9,110,000	-
Shares issued under ESLS 5 23rd December 2015	-	-	18,800,000	-
Shares issued as part of the Institutional Placement (net of share issue costs)	-	-	62,450,000	1,111
Closing balance	730,761,390	209,483	762,234,723	209,483
Treasury Shares (ESLS)	(7,475,000)	-	(38,948,333)	-
	723,286,390	209,483	723,286,390	209,483

Capital Raising

Post Balance date the company undertook a capital raising of \$8.2 million comprising of a pro-rata renounceable Entitlement Offer, underwritten by Institutional and private Investors. The funds raised will go towards the reduction of short term interim funding from NAB which was advanced to the Company whilst it completed the Capital Raising and Debt Restructure, and additional working capital for the Company.

Notes to the Financial Statements

NOTE 17: Earnings per share

	31 July 2017 Cents per share	31 July 2016 Restated Cents Per share
Basic loss per share		
From continuing operations	(4.10)	(3.04)
From discontinued operations	(0.53)	(0.48)
<i>Total Earnings per share</i>	<u>(4.63)</u>	<u>(3.52)</u>
Diluted loss per share		
From continuing operations	(4.10)	(3.04)
From discontinued operations	(0.53)	(0.48)
<i>Total loss per share</i>	<u>(4.63)</u>	<u>(3.52)</u>
Basic earnings per share calculation:		
	31 July 2017 \$'000	31 July 2016 Restated \$'000
Net loss after tax for the year – continuing operations	(29,687)	(20,597)
Net loss after tax for the year – discontinued operations	(3,779)	(3,257)
Loss used in the calculation of total basic EPS	<u>(33,466)</u>	<u>(23,854)</u>
	2017 No. '000	2016 Restated No. '000
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	<u>723,286</u>	676,988
Diluted earnings per share calculation:		
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	723,286	676,988
Add: Shares deemed to be issued for no consideration in respect of:		
Employee Share Loan Scheme	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u>723,286</u>	<u>676,988</u>

- (i) The potential shares relating to the Employee Share Loan Scheme are anti-dilutive and therefore excluded from the weighted average number of potential ordinary shares.

NOTE 18: Dividends on equity instruments

There were no dividends declared or paid during the financial year (2016: nil). The franking account balance at 31 July 2017 is \$19,302 (2016: \$19,302).

Notes to the Financial Statements

NOTE 19: Subsidiaries	Name of Entity	Country of Incorporation	Equity Holding	
			Year ended 31 July 2016 %	Year ended 31 July 2015 %
	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
	Safety Products International Pty Limited ^{(ii), (v)}	Australia	100	100
	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 ELS 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).

NOTE 20: Subsequent Events

Sale of international – The sale of a significant segment of the International business by way of a management buyout was made on 31st July 2017 with settlement effected on 7th September 2017.

Bank debt restructure – After significant and lengthy negotiations, the Group completed a major restructuring of its debt facility with its bankers the National Australia Bank effective on 30th August 2017. The impact of this was a reduction of debt by \$36 million by way of a debt forgiveness.

Capital raising – the company undertook a successful capital raising of \$8.2 million which was completed on 20th September 2017.

The combination of the above and continued overhaul of the fixed cost base has significantly restructured and strengthened the groups balance sheet for the future.

Notes to the Financial Statements

NOTE 21: General Information

Funtastic limited (the Company) is a limited company incorporated in Australia.

Distribution of equity securities as at 29th September 2017.

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

Range	Ordinary Shares		
	Holders	Options	Performance share rights
1-1,000	693	-	-
1,001-5,000	1,112	-	-
5,001-10,000	504	-	-
10,001-100,000	819	-	-
100,001 and over	556	9	-
	3,684	9	-

Twenty largest quoted equity security holders

	Shares	%
1 MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	280,993,966	11.561%
2 G HARVEY NOMINEES PTY LTD <HARVEY 1995 DISCRETIONARY AC>	276,420,014	11.373%
3 RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD <VFA A/C>	221,231,905	9.102%
4 PHILRENE PTY LTD <PHILRENE SUPER FUND A/C>	144,439,706	5.943%
5 KOOYONGKOOT PTY LIMITED <L MATHIESON FAMILY A/C>	97,398,724	4.007%
6 MRS ANNABEL JANE MACKENZIE	83,129,958	3.420%
7 JASZAC INVESTMENTS PTY LTD <JASON SOURASIS INVESTMNT A/C>	53,493,968	2.201%
8 BT PORTFOLIO SERVICES LIMITED <LPS INVESTMENT CO UNIT A/C>	51,800,000	2.131%
9 BELL POTTER NOMINEES LTD <BB NOMINEES A/C>	50,190,414	2.065%
10 MR SHANE FRANCIS TANNER & MS LISA JANE WHEELER <TANNER SUPER FUND A/C>	44,195,175	1.818%
11 MR STEVEN DOUGLAS LEIGHTON <THE S F & G FAMILY A/C>	40,000,000	1.646%
12 CITICORP NOMINEES PTY LIMITED	39,968,467	1.644%
13 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	37,528,971	1.544%
14 MR ANTON WHITEHEAD	36,871,984	1.517%
15 AET SFS PTY LTD <FUNASTIC ESLP A/C>	29,925,000	1.231%
16 HEATH NOMINEES (AUST) PTY LTD <THE HEATH FAMILY A/C>	28,746,554	1.183%
17 BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	28,679,559	1.180%
18 PIZ BY PIZ PTY LTD	27,853,448	1.146%
19 B4 SNOW PTY LTD <B4 SNOW SUPER FUND A/C>	25,000,000	1.029%
20 VISION TECH NOMINEES PTY LTD	24,000,000	0.987%

Unquoted equity securities	Number on Issue	Number of holders
Options issued under the Employee Share Loan Plan	7,475,000	9

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.