Appendix 4D (rule 4.2A.3) – Preliminary Final Report for the Half Year ended 31 January 2018

Name of Entity:	Funtastic Limited
ABN:	94 063 886 199
Current Financial Period Ended:	Six months ended 31 January 2018
Previous Corresponding Reporting Period:	Six months ended 31 January 2017

Results for Announcement to the Market

	2018 $'000	Up/Down	% Movement
Revenue from ordinary activities from continuing operations	28,010	Down	-30.95%
Revenue from ordinary activities from discontinued operations	107	Down	-64.80%
Net profit from ordinary activities after tax from continuing operations	35,419	Up	1400.26%
Net loss from ordinary activities after tax from discontinued operations	($70)	Down	-95.82%
Net profit from ordinary activities after tax from continuing and discontinued operations attributable to members of Funtastic Limited	35,349	Up	903.39%

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

Net Tangible Liabilities	31-Jan-18	31-Jul-17
Net tangible assets/ (liabilities) per security cents	(10.95) cents	(188.46) cents

Other information

This report is based on the consolidated financial statements which have been reviewed by Grant Thornton Audit Pty Ltd.

Net Tangible Liabilities calculations for 31 July 2017 has been adjusted for the 25:1 share consolidation that occurred in December 2017

For a brief explanation of any figures above please refer to the Announcement on the results for the six months ended 31 January 2018 and the attached Half Year Report

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Directors

Shane Tanner
Chairman and Independent Non-Executive Director

Nir Pizmony
Independent Non- Executive Director (Resigned 28 September 2017)

Stephen Heath
Independent Non-Executive Director

Grant Mackenzie
Chief Financial Officer/ Chief Operating Officer / Executive Director

Chief Executive Officer

Steven Leighton

Company Secretary	Grant Mackenzie
Registered Office	Level 2 307 Ferntree Gully Road Mount Waverley Victoria 3149
Principal Administrative Office	Level 2 307 Ferntree Gully Road Mount Waverley Victoria 3149
Share Registry	Boardroom Limited Grosvenor Place, Level 12, 225 George Street Sydney NSW 2000
Auditors	Grant Thornton Audit Pty Ltd Collins Square, Tower 1 727 Collins Street Docklands Victoria 3008
Bankers	National Australia Bank 500 Bourke Street Melbourne Vic 3000
Solicitors	Clarendon Lawyers Level 29, 55 Collins Street Melbourne Vic 3000

The Directors of Funtastic Limited submit herewith the financial report of Funtastic Limited and its subsidiaries (the Group) for the half-year ended 31 January 2018. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

The names of the Directors of the Company during or since the end of the half-year are:

- Mr. Shane Tanner
- Mr. Nir Pizmony (resigned 28 September 2017)
- Mr. Stephen Heath
- Mr. Grant Mackenzie

The Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

Review of operations

The table below details the contributions from the Group's continuing operations and the effect on the reported results:

	For the Half-year ended	
	31 January 2018	31 January 2017
	$'000	$'000
Revenue	**28,010**	**40,565**
Earnings before interest, taxation, depreciation, amortisation and debt forgiveness	**2,712**	**914**
Net Profit/(Loss) before tax	**35,419**	**(1,906)**

The Company is starting to see the benefits of a number of the key strategic initiatives that were introduced at the start of the current half year. Despite a fall of 30.9% in revenue, EBITDA has risen 197%. Revenue levels fell due to the partial sale of the International business and the finalisation of agency agreements for both Spinmaster and Leapfrog. The Company is now clearly focussed on its 4 core business streams of; Toys and Plush, Apparel, Tech and Confectionary. New products that recently joined the Funtastic range such as Jo Jo Bows and Twister Tracks performed well during the half year in terms of both strong revenue growth and attractive margins.

In addition, the benefits of the fixed cost reductions, has resulted in the positive turnaround from last year delivering an improvement of $1.8m EBITDA before bank debt forgiveness.

The bank debt restructure has reduced the interest cost for the period (greater impact expected in the second half) and also resulted in a one-off gain of $35m net of costs.

- Revenue reduced 30.9%
- Gross margin increased from 31.9% to 38.8%
- Operating costs down 32.3% with a saving of $4m
- EBITDA has risen 197%

The company has continued its efforts to improve its management of working capital resulting in a 27% ($1.9) reduction in inventory resulting in lower warehousing costs. Whilst trade receivables have increased from 31 July 2017, this is driven by seasonality of sales.

As a result of the debt forgiveness, capital raise and improved working capital the company's net debt has reduced to $17m.

Outlook

The company expects to see continued performance improvements driven by a number of new products, expansion of its Ecommerce opportunities, confectionery and apparel categories resulting in better margins and lower fixed operating costs. International growth and own brands continue to be a key focus for the company.

Dividend

No dividend has been declared.

Bank

During the reporting period a significant restructuring of the bank debt was completed resulting in a net debt forgiveness after costs of $35m. As part of the restructure, the company has re-established its banking facilities through to 30 September 2020 in respect of the Corporate Markets Loan Facility of $2m and the remaining short-term facilities until 30 September 2018 with its primary lender, the National Australia Bank (NAB). The Company is currently in discussions with the bank as part of the annual facilities review and is very confident that the short-term facilities will be renewed and aligned to the ongoing requirements of the business.

The bank has an option to convert the Corporate Markets Loan to equity at a price of 17.5 cents per share exercisable up to the 30 September 2020.

Auditor's independence declaration

The auditor's independence declaration is included on page 7 of the half-year report.

Rounding off of amounts

Funtastic Limited is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities & Investments Commission, relating to the 'rounding off' of amounts in the Directors' and the financial report. Amounts in the Directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Future Developments

At the date of this report, there are no likely developments in the operations of this Company required to be reported in accordance with section 299(1)(e) of the *Corporations Act 2001* other than as mentioned in this report.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001.*

On behalf of the Directors:

Shane Tanner
Chairman
Melbourne, 16th March 2018

Grant Thornton

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Auditor's Independence Declaration to the Directors of Funtastic Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Funtastic Limited for the half-year ended 31 January 2018, I declare that, to the best of my knowledge and belief, there have been:

a No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

B L Taylor
Partner – Audit & Assurance

Melbourne, 16 March 2018

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half-Year Ended 31 January 2018

	Note	For the half-year ended 31 January 2018 $'000	 31 January 2017 $'000
Continuing Operations			
Revenue	2	28,010	40,565
Cost of sales of goods		(17,139)	(27,608)
Gross profit		10,871	12,957
Profit on sale of subsidiary	3	126	-
Other Income		19	217
Warehouse and distribution		(2,208)	(2,293)
Marketing and selling		(1,768)	(3,721)
Administration and finance		(4,328)	(6,246)
Earnings before interest, taxation, depreciation, amortisation and debt forgiveness		2,712	914
Bank debt forgiveness	4	35,003	-
Earnings before interest, taxation, depreciation and amortisation (EBITDA)		37,715	914
Depreciation and amortisation expenses		(1,105)	(817)
Finance costs		(1,191)	(2,003)
Profit/(loss) before income tax		35,419	(1,906)
Income tax (expense)	5	-	(818)
Profit/(loss) for the period from continuing operations		35,419	(2,724)
Discontinued operations			
Loss for the period from discontinued operations	6	(70)	(1,676)
Profit/(loss) for the period		**35,349**	**(4,400)**
Other comprehensive income (net of tax)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		(55)	(2)
Fair value gain on cash flow hedges		88	85
		33	83
Total comprehensive income/(loss) attributable to members of Funtastic Limited		**35,382**	**(4,317)**
Earnings per share		**Cents**	**Cents**
From continuing and discontinued operations			
Basic (cents per share)		45.61	(15.05)
Diluted (cents per share)		**43.22**	**(15.05)**
From continuing operations			
Basic (cents per share)		45.70	(9.32)
Diluted (cents per share)		**43.30**	**(9.32)**

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

Earnings per share for prior year have been adjusted for the 25:1 share consolidation that occurred in December 2017.

Condensed Consolidated Statement of Financial Position as at 31 January 2018

	Note	As at 31 January 2018 $'000	As at 31 July 2017 $'000
Current Assets			
Cash		193	664
Trade and other receivables		7,332	2,532
Inventories		5,132	7,010
Other		934	2,744
		13,591	12,950
Assets classified as held for sale	3	-	1,653
Total Current Assets		13,591	14,603
Non-Current Assets			
Property, plant and equipment		291	457
Other intangibles	7	3,219	4,287
Other assets		-	29
Total Non-Current Assets		3,510	4,773
Total Assets		17,101	19,376
Current Liabilities			
Trade payables		5,053	9,213
Borrowings	4	15,151	52,562
Provisions		499	671
Other		1,468	5,417
Tax liabilities		116	117
Other financial liabilities		-	87
		22,287	68,067
Liabilities classified as held for sale	3	-	1,895
Total Current Liabilities		22,287	69,962
Non-Current Liabilities			
Provisions		109	27
Borrowings	8	2,000	-
Other Liabilities		-	101
Total Non-Current Liabilities		2,109	128
Total Liabilities		24,396	70,090
Net Assets/(Liabilities)		(7,295)	(50,714)
Equity			
Issued capital	9	217,393	209,483
Accumulated losses		(224,378)	(259,727)
Reserves		(310)	(470)
Total Equity/(Deficiency)		(7,295)	(50,714)

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

Condensed Consolidated Statement of Cash Flows the Half- Year Ended 31 January 2018

	For the half-year ended 31 January 2018 $'000	31 January 2017 $'000
Cash flows from operating activities		
Receipts from customers	**24,970**	**44,216**
Payments to suppliers and employees	**(32,835)**	**(40,865)**
Interest and other costs of finance paid	**(1,105)**	**(2,003)**
Net cash provided by/ (used in) operating activities	**(8,970)**	**1,348**
Cash flows from investing activities		
Payments for property, plant and equipment	**(57)**	**(391)**
Payments for intangible assets	**(34)**	**(236)**
Proceeds from sale of International	**126**	**-**
Net cash provided by/ (used) in investing activities	**35**	**(627)**
Cash flows from financing activities		
Proceeds from borrowings	**554**	**338**
Proceeds from issue of shares	**8,355**	
Costs associated from issue of shares	**(445)**	
Net cash provided by financing activities	**8,464**	**338**
Net increase/(decrease) in cash held	**(471)**	**1,059**
Cash and cash equivalents at the beginning of the half-year	**664**	**764**
Cash and cash equivalents at the end of the half-year	**193**	**1,823**

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

Condensed Consolidated Statement of Changes in Equity for the Half- Year Ended 31 January 2018

	Share 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 2016	**209,483**	**(227,904)**	**(711)**	**2,253**	**(219)**	**(17,098)**
Loss for the period	-	(4,400)	-	-	-	(4,400)
Other comprehensive income	-	-	(2)	-	85	83
Total comprehensive income / (loss)	**-**	**(4,400)**	**(2)**	**-**	**85**	**(4,317)**
Recognition of share-based payments	-	-	-	90	-	90
Balance at 31 January 2017	**209,483**	**(232,304)**	**(713)**	**2,343**	**(134)**	**(21,325)**
Balance at 1 August 2017	**209,483**	**(259,727)**	**(499)**	**117**	**(88)**	**(50,714)**
Profit for the period	-	35,349	-	-	-	35,349
Other comprehensive income	-	-	(55)	-	88	33
Total comprehensive income / (loss)	**-**	**35,349**	**(55)**	**-**	**88**	**35,382**
Recognition of share-based payments	-	-	-	127	-	127
Issue of ordinary shares	7,910	-	-	-	-	7,910
Balance at 31 January 2018	**217,393**	**(224,378)**	**(554)**	**244**	**-**	**(7,295)**

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

NOTE 1: Significant accounting policies

Statement of compliance

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

Basis of preparation

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

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2017 annual financial report for the financial year ended 31 July 2017, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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.

The profit for the period from continuing operations of $35,419,000 includes $35m debt forgiveness (net of costs) and an EBITDA profit (before debt forgiveness) of $2.7m versus $0.9m for the same period last year and prior year second half EBITDA loss of $6.6m (excluding impairment).

The net asset deficiency as at the 31st July 2017 of $50.7m has been reduced to $7,295,000 because of the debt forgiveness, trading profit and capital raise, reducing the risk significantly with a net current liability deficiency of $8,696,000.

Due to the capital structure and operational changes made the business is expected to continue to deliver improved results going forward.

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

- Sustaining the 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).

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.

New and revised Standards and Interpretations

Amendments to AASBs and the new Interpretation that is mandatorily effective for the current reporting period.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

The adoption of the new and revised Standards has not had any significant impact on the disclosures or the amounts recognised in the Group's condensed consolidated financial statements.

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'*	1 January 2018	31 July 2019
AASB 15 *'Revenue from Contracts with Customers'*	1 January 2018	31 July 2019
AASB 16 '*Leases*'	1 January 2019	31 July 2020
AASB 2016-1 *'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'*	1 January 2017	31 July 2018
AASB 2016-2 *'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'*	1 January 2017	31 July 2018
AASB 2016-3 *'Amendments to Australian Accounting Standards – Clarification to AASB 15'*	1 January 2018	31 July 2019
AASB 2016-5 *'Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions'*	1 January 2018	31 July 2019

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

NOTE 1: Significant accounting policies (continued)

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 period.

➢ *Impairment of other intangible assets*

The Group tests annually or when impairment indicators are identified, whether other intangible assets have suffered any impairment, in accordance with the accounting policy. The recoverable amount of the cash-generating units has been determined based on relief from royalty models. These calculations require the use of assumptions. A significant change to these assumptions as reflected in note 3 may affect the recoverable amount of the cash generating units.

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

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

➢ *Settlement of license audits*

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

➢ *Recoverability of inventory*

The Group regularly assesses whether the net realizable value (NRV) of its inventories is reasonable in light of changing market conditions, particularly the recent softening of the retail industry. 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.

➢ *Taxation losses recognised as asset*

A deferred tax asset in respect to tax losses is only recognised where there is a reasonable certainty that future taxable profits will be guaranteed. Management assesses continuity of ownership test and same business test hurdles bi-annually.

➢ *Intangible assets*

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

• Software	3 years
• Patents	20 years
• Trademarks	5-20 years
• Licenced distribution agreements	1-20 years
• Brand names	5-20 years-indefinite

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

NOTE 2: Segment information

Determination and presentation of operating segments

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

The Group has one reportable segment under AASB 8.

Geographical Information

With the USA now classified as a discontinued operation, the Group operates in two principal geographical areas – 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)**	
	For the half-year ended		**As at**	
	31 January 2018 $'000	*31 January 2017 $'000*	**31 January 2018 $'000**	31 July 2017 $'000
Australia	***27,117***	*33,834*	***3,510***	*4,698*
Hong Kong	***893***	*6,731*	***-***	*75*
Continuing Operations	***28,010***	*40,565*	***3,510***	*4,773*
USA - Discontinued Operation	***107***	*304*	***-***	*-*
	28,117	*40,869*	***3,510***	*4,773*

(i)Non-current assets exclude financial instruments, deferred tax assets, post-employment benefit assets, and assets arising from insurance contracts. Since the partial divestment of the international operations, all non-current assets are located in Australia.

Information about major customers

Included in revenues of Australia of $27,117,000 are revenues of approximately $19,395,000 (2017: $22,052,000), which arose from sales to its three largest customers.

NOTE 3: Profit on sale of subsidiary

The Company concluded the partial sale of the International division during the period. At the conclusion of the 2017 financial year the respective assets and liabilities were classified as held for sale.

NOTE 4: Bank debt forgiveness

After significant and lengthy negotiations, the Group completed a major restructuring of its debt facility with 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. The new facilities have been re-established through to 30 September 2018 in respect of the short- term facilities and 30 September 2020 in respect of Corporate Markets Loan Facility.

	Period ended 31 January 2018 $'000	**Period ended 31 January 2017 $'000**
Gross bank debt forgiveness	**35,965**	-
Expenses	**(962)**	-
Net bank debt forgiveness	**35,003**	-

NOTE 5: Income Tax

As at 31 July 2017 the Australian Group had carried forward revenue tax losses of approximately $97,527,433 which is available for utilisation against the profit for the current reporting period. The debt forgiveness has been treated as a permanent difference which has been utilised against the carried forward tax losses from previous years.

NOTE 6: 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 based operation in September 2016 and service the existing customer base from the Head office in Australia.

Wellington Rd and Madman:
The losses from Wellington Rd are the result of legal costs in relation to the recovery of amounts claimed by the Landlord of Wellington Rd premises, a property previously used by Madman and sub-let in 2010. The Company has provided the full amount claimed by the Landlord in 2017 financial year and currently assessing the legal position around the claim. The prior year 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.

	Period ended 31 January 2018 $'000	Period ended 31 January 2017 $'000
(Loss) / Profit for the period from Discontinued Operations		
Revenue	**107**	304
Expenses	**(177)**	(1,980)
Loss before tax	**(70)**	(1,676)
Attributable income tax expense	**-**	-
Loss for the period from discontinued operations (attributable to owners of the Company)	**(70)**	(1,676)
Loss for the period relating to USA discontinued operations	**(9)**	(1,093)
Loss for the period relating to Wellington Rd and Madman discontinued operations	**(61)**	(583)
	(70)	(1,676)
Cash flows used in discontinued operations		
Net cash inflows / (outflows) relating to discontinued operations	**(12)**	30

NOTE 7: Non-current assets – Intangibles

	31 January 2018 $'000	31 July 2017 $'000
Software	**379**	519
Brand names	**681**	681
Chill Factor Trademarks and patents	**108**	757
Licenses, distribution agreements and supplier relationships	**2,051**	2,330
Net book value - Intangibles	**3,219**	4,287

Impairment testing – Other Intangibles (Brands)

The brand recoverability has been assessed based on the royalty relief method by applying a market related royalty rate to the expected future sales and terminal growth rate, which is a level three valuation in the fair value hierarchy. Projected sales were calculated based on current forecasts and management's view of longer term performance expectations. The estimated product life cycle was also included in the calculation. Following impairment charges of $2,981,000 in FY2017 and a shorter estimated product life cycle resulting in higher annual amortisation charges, no further impairment was considered necessary.

NOTE 8: Corporate Markets Loan Facility

The Corporate Markets Loan of $2m has an option to convert the loan to equity at a share price of 17.5 cents per share. This option expires on the 30 September 2020, the expiration date of the facility.

NOTE 9: Issued capital

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

	Number of shares (pre-share consolidation)	Number of shares (post 25:1 share consolidation)	Share capital $'000
Opening balance 1 August 2017	**737,094,723**	**29,484,124**	**209,483**
Shares cancelled ESLS during the period	**(400,000)**	**(16,000)**	**-**
Share issued during the period	**1,670,998,391**	**66,840,703**	**7,910**
Closing balance 31 January 2018	**2,407,693,114**	**96,308,827**	**217,393**
Treasury shares	**(7,075,000)**	**(283,000)**	**-**
Closing balance at 31 January 2018	**2,400,618,114**	**96,025,827**	**217,393**

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

Prior year shares and shares issued during the period have been adjusted for the 25:1 share consolidation that occurred in December 2017.

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NOTE 10: Employee Rights

During the reporting period the company entered into an employment contract with the new CEO, Mr Steven Leighton. Included in the remuneration are service rights and performance rights.

	Date of grant	Last exercise date	First vesting date	Exercise price	Number of rights
Service rights	26 October 2017	31 December 2021	31 October 2018	$0.00	1,643,836
Performance rights	26 October 2017	31 December 2021	31 October 2018	$0.00	1,800,000

NOTE 11: Commitments

There have been no material changes to the commitments disclosed in the most recent annual report.

NOTE 12: Subsequent events

There have been no material subsequent events.

The directors declare that:

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

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group and complying with accounting standard AASB 134 *Interim Financial Reporting*.

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

Shane Tanner

Chairman

Melbourne, 16, March 2018

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Independent Auditor's Review Report to the Members of Funtastic Limited

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of Funtastic Limited (the Company) and its subsidiaries (the Group), which comprises the condensed consolidated statement of financial position as at 31 January 2018, and the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Funtastic Limited does not give a true and fair view of the financial position of the Group as at 31 January 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial reporting*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial report, which indicates that the Group incurred a profit from continuing operations of $35,419,000 during the half year ended 31 January 2018 and, as of that date, the Group's current liabilities exceeded its current assets by $8,696,000 with a net asset deficiency of $7,295,000. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business, and at amounts stated in the financial report. Our conclusion is not modified in respect of this matter.

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Directors' Responsibility for the Half Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 January 2018 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Funtastic Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.*

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

B L Taylor
Partner - Audit & Assurance

Melbourne, 16 March 2018