Appendix 4D

Results for announcement to the market for the half-year ended 31 January 2019

ASX Listing Rule 4.2A.3.

Name of Entity:	**Funtastic Limited**
ABN:	**94 063 886 199**
Reporting Period:	**Financial Half Year ended 31 January 2019**
Previous Corresponding Period:	**Financial Half Year ended 31 January 2018**

Results for Announcement to the Market

	31 JAN 2019 $'000	31 JAN 2018 $'000	UP/DOWN	MOVEMENT
Revenue from ordinary activities from continuing operations	16,078	28,010	Down	-42.6%
Revenue from ordinary activities from discontinued operations	-	107	Down	-100.0%
Net profit from ordinary activities after tax from continuing operations	14,353	35,419	Down	-59.5%
Net loss from ordinary activities after tax from discontinued operations	(9)	(70)	Down	-87.1%
Net profit from ordinary activities after tax attributable to members of Funtastic Limited	14,344	35,349	Down	-59.4%

Dividends

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

Net Tangible Assets (NTA) / Net Tangible Liabilities (NTL) per security

	31 JAN 2019 CENTS	31 JUL 2018 CENTS
NTA / (NTL) per security	0.03	(0.16)

Commentary on the results for the period

Refer to the director's report attached below.

Consolidated Financial Statements

The Consolidated Financial Report for the half-year ended 31 January 2019, which contains the independent auditor's report, is attached below.

FUNTASTIC LIMITED

ABN: 94 063 886 199

FINANCIAL REPORT FOR THE HALF-YEAR

ENDED 31 JANUARY 2019

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Directors

Shane Tanner
Chairman and Independent Non-Executive Director

Stephen Heath
Independent Non-Executive Director (resigned 28 February 2019)

Steven Leighton
Managing Director & Chief Executive Officer (resigned 31 March 2019)

John Tripodi
Independent Non-Executive Director (appointed 25 October 2018)

Nicki Anderson
Independent Non-Executive Director (appointed 25 October 2018)

Chief Executive Officer	Steven Leighton *(resigned 31 March 2019)*
Company Secretary	Howard Abbey
Registered Office	Suite 2.01, 315 Ferntree Gully Road Mount Waverley VIC 3149
Principal Administrative Office	Suite 2.01, 315 Ferntree Gully Road Mount Waverley VIC 3149
Share Registry	Boardroom Limited Grosvenor Place, Level 12, 225 George Street Sydney NSW 2000
Auditors	Grant Thornton Audit Pty Ltd Collins Square, Tower 5, 727 Collins Street Docklands VIC 3008
Bankers	Commonwealth Bank 201 Sussex Street Sydney NSW 2000
Solicitors	K&L Gates Level 25, 525 Collins Street Melbourne VIC 3000
ASX Code	FUN

The Directors of Funtastic Limited present their financial report on the Group consisting of Funtastic Limited and the entities it controlled at the end of, or during, the half-year ended 31 January 2019. 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. Stephen Heath (resigned 28 February 2019)
- Mr. Steven Leighton (resigned 31 March 2019)
- Ms. Nicki Anderson (appointed 25 October 2018)
- Mr. John Tripodi (appointed 25 October 2018)

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 2019	**31 January 2018**
	$'000	**$'000**
Revenue	**16,078**	**28,010**
Earnings/(Loss) before interest, taxation, depreciation, amortisation and debt forgiveness	**(820)**	**2,712**
Net Profit/(Loss) before tax	**14,353**	**35,419**

The Company is continuing to focus on its strategy of developing key supplier relationships, enhancement of the licencing portfolio, development and growth of own brands and capitalising on emerging technologies and trends while at the same time remaining clearly focussed on managing costs and continued strengthening of the balance sheet.

Revenues were 42.6% below the same prior year period driven by several factors which contributed to sales in H1 FY18 that did not reoccur in H1 FY19 including the cessation of the Spinmaster and Leapfrog agencies, the closure of Toys'R'Us, the partial sale of the International business and the outstanding success of the Jojo Siwa license. The seasonality of revenues has historically led to stronger first half sales although in FY19 the Company is forecasting stronger second half revenues with the release of the Toy Story 4 movie and associated product sales. Launch of the Toy Story 4 license has been a key project during the first half and the Company is confident that both the movie and the product sales will be a success.

Ongoing cost reduction activity and the effect of cost reductions actioned in FY18 resulted in a 29.7% reduction in overheads compared to H1 FY18. Despite this, the Company is disappointed to report an EBITDA loss before debt forgiveness of $0.82m for the half.

The bank debt restructures completed in FY18 and FY19 have reduced the interest cost for the period by 74.6% and the bank debt restructure completed in October 2018 also resulted in a one-off gain of $15.7m net of costs. Net debt as at 31 January 2019 was $1.6m compared to $19.5m in the previous corresponding period. This significant reduction in debt will enable the Company to increase investment for revenue and profitability growth going forward.

The company continues its drive to improve management of working capital. While both inventory and receivables increased compared to the previous corresponding period, this was as a result of the phasing of the Toy Story 4 launch.

Capital raising

On 13th September 2018, the Company successfully completed a capital raising of $1.2 million by way of a share placement to sophisticated and professional investors. Additionally, on 9th October 2018, the Company successfully completed a capital raising of $7.0 million by way of a 1 for 1 non-renounceable rights issue. The main reason for raising capital was to facilitate a further restructuring of debt facilities and to provide working capital for the Toy Story 4 licensing rights.

Bank debt restructure

The Company entered into negotiations with its Bankers, the National Australia Bank (NAB) regarding the future and structure of the bank debt. Thanks to the significant support of the NAB, who have been with the Company for many years, it was agreed on 7th September 2018 for a full and final settlement of all liabilities owing to NAB subject to the payment of approximately $5.0 million and satisfactory completion of several other obligations. The reduction in financial indebtedness totalled approximately $20.9 million comprising a $5.0 million repayment and a $15.9 million debt forgiveness. The debt restructure was completed on 12th October 2018.

The combination of the above events has significantly restructured and strengthened the Group's balance sheet which will further support the Group's profitability improvement and strategic initiatives moving forwards.

Dividend

No dividend has been declared.

Auditor's independence declaration

The auditor's independence declaration is included on page 6 of the half-year report.

Rounding of amounts to nearest thousand dollars

Funtastic Limited is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the director's report and financial statements are rounded off 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, 29th March 2019

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 2019. 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, 29 March 2019

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half-Year Ended 31 January 2019

	Note	For the half-year ended 31 January 2019 $'000	31 January 2018 $'000
Continuing Operations			
Revenue	2	16,078	28,010
Cost of sales of goods		(11,063)	(17,139)
Gross profit		5,015	10,871
Profit on sale of subsidiary		-	126
Other Income		1	19
Warehouse and distribution		(1,173)	(2,208)
Marketing and selling		(166)	(1,768)
Administration and finance		(4,497)	(4,328)
Earnings before interest, taxation, depreciation, amortisation and debt forgiveness		(820)	2,712
Bank debt forgiveness	4	15,710	35,003
Earnings before interest, taxation, depreciation and amortisation (EBITDA)		14,890	37,715
Depreciation and amortisation expenses		(234)	(1,105)
Finance costs		(303)	(1,191)
Profit/(loss) before income tax		14,353	35,419
Income tax (expense)	5	-	-
Profit/(loss) for the period from continuing operations		14,353	35,419
Discontinued operations			
Loss for the period from discontinued operations	6	(9)	(70)
Profit/(loss) for the period		**14,344**	**35,349**
Other comprehensive income (net of tax)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		31	(55)
Fair value gain on interest rate swap		-	88
		31	33
Total comprehensive income/(loss) attributable to members of Funtastic Limited		**14,375**	**35,382**

Earnings per share	**Cents**	**Cents**
From continuing and discontinued operations		
Basic (cents per share)	7.82	45.61
Diluted (cents per share)	**7.71**	**43.22**
From continuing operations		
Basic (cents per share)	7.80	45.70
Diluted (cents per share)	**7.70**	**43.30**

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

	Note	As at 31 January 2019 $'000	As at 31 July 2018 $'000
Current Assets			
Cash		495	718
Trade and other receivables		4,445	2,956
Inventories		6,630	5,305
Tax Receivable		-	133
Other Assets		3,165	1,414
Total Current Assets		14,745	10,526
Non-Current Assets			
Property, plant and equipment		58	156
Other intangibles	7	861	976
Other Assets		-	241
Total Non-Current Assets		919	1,373
Total Assets		15,664	11,899
Current Liabilities			
Trade payables		4,239	3,774
Borrowings	3	2,084	18,189
Bill Finance		-	2,000
Provisions		320	457
Other Liabilities		1,258	1,649
Tax liabilities		312	-
Total Current Liabilities		8,213	26,069
Non-Current Liabilities			
Provisions		13	21
Borrowings		-	-
Other Liabilities		-	75
Total Non-Current Liabilities		13	96
Total Liabilities		8,226	26,165
Net Assets/(Liabilities)		7,438	(14,266)
Equity			
Issued capital	8	224,848	217,400
Accumulated losses		(217,025)	(231,369)
Reserves		(385)	(297)
Total Equity/(Deficiency)		7,438	(14,266)

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

	For the half-year ended 31 January 2019 $'000	31 January 2018 $'000
Cash flows from operating activities		
Receipts from customers	15,691	24,970
Payments to suppliers and employees	(19,905)	(32,835)
Interest and other costs of finance paid	(303)	(1,105)
Net cash provided by / (used in) operating activities	(4,517)	(8,970)
Cash flows from investing activities		
Payments for property, plant and equipment	(47)	(57)
Payments for intangible assets	(55)	(34)
Proceeds from sale of International	-	126
Net cash provided by / (used in) investing activities	(102)	35
Cash flows from financing activities		
Proceeds from borrowings	2,084	554
Repayments to borrowing	(5,136)	-
Proceeds from issue of shares	8,232	8,355
Costs associated from issue of shares	(784)	(445)
Net cash provided by financing activities	4,396	8,464
Net increase/(decrease) in cash held	(223)	(471)
Cash and cash equivalents at the beginning of the half-year	718	664
Cash and cash equivalents at the end of the half-year	495	193

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

	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 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)**
Balance at 1 August 2018	**217,400**	**(231,369)**	**(621)**	**324**	**-**	**(14,266)**
Profit for the period	-	14,344	-	-	-	14,344
Other comprehensive income	-	-	31	-	-	31
Total comprehensive income / (loss)	**217,400**	**(217,025)**	**(590)**	**324**	**-**	**109**
Recognition of share-based payments	-	-	-	(119)	-	(119)
Issue of ordinary shares	7,448	-	-	-	-	7,448
Balance at 31 January 2019	**224,848**	**(217,025)**	**(590)**	**205**	**-**	**7,438**

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 2018 annual financial report for the financial year ended 31 July 2018, 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 is $14,353,000.

The net asset deficiency as at 31 July 2018 of $14,266,000 has been addressed by a share placement, capital raise and bank debt restructure. The net assets as at 31 January 2019 is $7,438,000.

Subsequent to the period end the company has entered into a secured loan agreement with Jaszac Investments Pty Ltd (Jaszac), for Jaszac to provide funding to the company of an amount up to AUD$6 million over 4 years for the purpose of general working capital to assist with the purchase of Toy Story 4 inventory.

Funtastic is now well positioned to deliver improved results in future years.

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 achieving budgeted results
- Continued support of creditors and customers through appropriate trading terms

The directors believe that the Group will be able to achieve the improved results and are satisfied that 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.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related Interpretations. The new Standard has been applied as at 1 August 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 August 2018 and comparatives are not restated. In accordance with the transition guidance, AASB 15 has only been applied to contracts that are incomplete as at 1 August 2018.
There has been no material impact on the group as a result of the implementation of AASB 15.

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement requirements. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.
When adopting AASB 9, the Group has applied transitional relief and elected not to restate prior periods. Rather, differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 August 2018. The adoption of AASB 9 did not have a material impact to the financial instruments of the group.

NOTE 1: Significant accounting policies (continued)

Subsequent to adoption of AASB 9, Loans and Receivables will continue to be measured at amortised cost.

Impairment of financial asset:
AASB 9's new impairment model uses a more forward-looking information to recognise expected credit losses- the "expected credit losses (ECL) model". The application of the new impairment model depends on whether there has been a significant increase in credit risk.

The group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past event, current conditions, reasonable and supportable forecast, that affect the expected collectability of the future cash flows of the instrument.

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 a material 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 16 '*Leases*'	1 January 2019	31 July 2020

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

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 7 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.

NOTE 1: Significant accounting policies (continued)

➢ ***Intangible assets***

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

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

• Software	3 years
• Patents	20 years
• Trademarks	10-20 years
• Licenced distribution agreements	1-20 years
• Brand names	3-5 years

NOTE 1.1: Changes in significant accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 31 July 2018, except as described below. Note that the changes in accounting policies specified below only apply to the current period. The accounting policies included in the Group's last annual financial statements for the year ended 31 July 2018 are the relevant policies for the purposes of comparatives.

AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments (2014) became effective for periods beginning on or after 1 January 2018. Accordingly, the Group applied AASB 15 and AASB 9 for the interim period ended 31 January 2019.

➢ **Revenue**

Revenue arises mainly from the sale of goods to customers.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.
The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

➢ **Financial Instruments**

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.
Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:
- financial assets at amortised cost
- financial assets at fair value through profit or loss (FVPL)

NOTE 1.1: Changes in significant accounting policies (continued)

Classifications are determined by both:
- The entity's business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):
- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Impairment of financial assets

AASB 9's new impairment model uses more forward-looking information to recognize expected credit losses - the 'expected credit losses (ECL) model'. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.
In applying this forward-looking approach, a distinction is made between:
- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

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 Senior Management 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 one principal geographical area – Australia. 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 2019 $'000	*31 January 2018 $'000*	**31 January 2019 $'000**	31 *January* 2018 $'000
Australia	***16,078***	*27,177*	***919***	*3,510*
Continuing Operations	-	*27,177*	***919***	*3,510*
Hong Kong	-	*893*	-	-
USA - Discontinued Operation	-	*107*	-	-
	16,078	*28,117*	***919***	*3,510*

(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 $16,078,000 are revenues of approximately $10,558,626 (January 2018: $19,395,000), which arose from sales to its three largest customers.

NOTE 3: Debtor Factoring

The Company reached agreement with Scottish Pacific for a Debtor Finance facility on the 18th October 2018. This allows the Company to draw up to 65% of its debtors' invoices in advance.

NOTE 4: Bank debt forgiveness

On the 30 August 2017, the Company completed a major restructuring of its debt facility with the National Australia Bank to reduction of debt by $36 million by way of a debt forgiveness.

Subsequent to the debt forgiveness, the Company re-entered into negotiations with National Australia Bank (NAB) regarding the future and structure of the bank debt. On 7th September 2018, the Company and NAB reached an agreement for a full and final settlement of all liabilities owing to NAB subject to the payment of approximately $5.0 million and satisfactory completion of several other obligations. The reduction in financial indebtedness totalled approximately $20.7 million comprising a $5.0 million repayment and a $15.7 million debt forgiveness. The debt restructure was completed on 12th October 2018.

	Period ended 31 January 2019 $'000	**Period ended 31 January 2018 $'000**
Gross bank debt forgiveness	**15,895**	35,965
Expenses	**(185)**	(962)
Net bank debt forgiveness	**15,710**	35,003

NOTE 5: Income Tax

As at 31 July 2018 the Australian Group had carried forward revenue tax losses of approximately $63,302,826 which is available for utilisation against the profit for the current reporting period.

NOTE 6: Discontinued Operations

USA discontinued operations
The losses from the USA discontinued operation are due to bank fees and the cost to shut down the subsidiary.

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 2019 $'000	Period ended 31 January 2018 $'000
(Loss) / Profit for the period from Discontinued Operations		
Revenue	-	107
Expenses	(9)	(177)
Loss before tax	(9)	(70)
Attributable income tax expense	-	-
Loss for the period from discontinued operations (attributable to owners of the Company)	(9)	(70)
Loss for the period relating to USA discontinued operations	(9)	(9)
Loss for the period relating to Wellington Rd and Madman discontinued operations	-	(61)
	(9)	(70)
Cash flows used in discontinued operations		
Net cash inflows / (outflows) relating to discontinued operations	(9)	(12)

NOTE 7: Non-current assets – Intangibles

	31 January 2019 $'000	31 July 2018 $'000
Software	**211**	278
Chill Factor Trademarks and patents	**37**	174
Licenses, distribution agreements and supplier relationships	**613**	524
Net book value - Intangibles	**861**	976

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.

NOTE 8: Issued capital

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

	Number of shares	Share capital $'000
Opening balance 1 August 2018	**96,025,827**	**217,400**
Placement Offer 13 September 2018	**20,562,620**	**1,116**
Entitlement Offer 9 October 2018	**116,588,447**	**6,332**
Closing balance 31 January 2019	**233,176,894**	**224,848**

NOTE 9: Employee Rights

Mr Leighton was granted 1,643,836 service rights on 22 March 2018. The 1,643,836 service rights were granted to Mr Leighton in lieu of $205,479.45 of Mr Leighton's cash salary which he agreed to sacrifice. In this light, each service right has a deemed price of $0.125. Each service right is exercisable into one fully paid ordinary share in the Company for no cash consideration subject to the Service Condition (which requires him to have been in continuous employment with the Company from the commencement of his employment until the vesting date) being satisfied.

On 22 March 2018, Mr Leighton was granted 1,800,000 performance rights each of which can be exercised for one fully paid ordinary share in the Company. These were cancelled on the 25 October 2018 before they vested as the performance conditions were not met.

	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

NOTE 10: Commitments

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

NOTE 11: Subsequent events

New loan agreement

The company has entered into a secured loan agreement with Jaszac Investments Pty Ltd (Jaszac) on the 15 March 2019, for Jaszac to provide funding to the company of an amount up to AUD $6 million for the purpose of general working capital to assist with the purchase of Toy Story 4 inventory.

Interest in the amount of 12% per annum is payable on the final repayment date and security comprises a general security deed between Funtastic and Jaszac entitling Jaszac to a secured interest over Funtastic.

A mandatory prepayment of AUD $1.1 million principal with its associated interest is required on the 30 September 2019, permanently reducing the maximum loan amount. The balance of the loan is due on 31 December 2023.

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; 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, 29 March 2019

Grant Thornton

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Independent Auditor's 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 consolidated condensed statement of financial position as at 31 January 2019, and the consolidated condensed statement of profit or loss and other comprehensive income, consolidated condensed statement of changes in equity and consolidated condensed 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 Company as at 31 January 2019, 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 in the financial report, which indicates that the Company generated a profit from continuing operations of $14,353,000 during the half year ended 31 January 2019 and, as of the date, the Group's current assets exceed its current its current liabilities by $6,532,000 with a net asset balance of $7,438,000. 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 Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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 Company's financial position as at 31 January 2019 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 Audit Pty Ltd
Chartered Accountants

B L Taylor
Partner – Audit & Assurance

Melbourne, 29 March 2019