Appendix 4D

Results for announcement to the market for the half-year ended 31 January 2020

ASX Listing Rule 4.2A.3.

Name of Entity:	**Funtastic Limited**
ABN:	**94 063 886 199**
Reporting Period:	**Financial Half Year ended 31 January 2020**
Previous Corresponding Period:	**Financial Half Year ended 31 January 2019**

Results for Announcement to the Market

	31 JAN 2020 $'000	31 JAN 2019 $'000	UP/DOWN	MOVEMENT
Revenue from ordinary activities from continuing operations	16,426	16,078	Up	2.2%
Net (loss)/profit from ordinary activities after tax from continuing operations	(4,179)	14,353	Down	-129.0%
Net (loss) from ordinary activities after tax from discontinued operations	(10)	(9)	Up	11.1%
Net (loss)/profit from ordinary activities after tax attributable to members of Funtastic Limited	(4,189)	14,344	Down	-129.%

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 2020 CENTS	31 JUL 2019 CENTS
NTA / (NTL) per security	**(2.44)**	(0.23)

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 2020, 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 2020

TABLE OF CONTENTS

Directors

Bernie Brookes AM
Chairman and Independent Non-Executive Director (appointed 1 August 2019)

John Tripodi
Independent Non-Executive Director

Nicki Anderson
Independent Non-Executive Director

Chief Executive Officer	David Jackson
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	Automic Group Level 5, 126 Phillip 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 25/525 Collins Street, Melbourne VIC 3000
ASX Code	FUN

The Directors of Funtastic Limited present their financial report on the Group. The Group consists of Funtastic Limited and the entities it controlled at the end of, or during, the half-year ended 31 January 2020. 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. Bernie Brookes AM (appointed 1 August 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 2020	31 January 2019
	$'000	$'000
Revenue	**16,426**	**16,078**
Earnings/(Loss) before interest, taxation, depreciation, amortisation and debt forgiveness	**(3,462)**	**(820)**
Net Profit/(Loss) before tax	**(4,179)**	**14,353**

As announced to the market on 27 February 2020, the Company has been undertaking a strategic review of the business. A key strategic initiative has been to review the current product portfolio and exit unprofitable products and categories. As a result of this review, the Company is in the process of restructuring the business to exit the toy distribution and apparel divisions and increase its focus on product ranges offering growth potential. As a result of these changes, overheads and trading losses will be reduced and the Company will be better able to focus resources into existing product portfolios, develop new categories and setting the business up for future growth.

The first half losses for FY20 include significant provisions related to the restructuring, notably exiting licences and inventory associated with the toy distribution and apparel divisions. The underlying loss for the first half of FY20 were circa $800,000 was in line with company forecasts and this underlying loss will be significantly reduced once the restructuring actions are complete. While not on the balance sheet, the Company has significant assets by way of franking credits ($19.3m), revenue tax losses ($54.8m) and capital tax losses ($7.0m). The Company has historically incurred several significant capital tax loss events that have not been brought to account. These are in the process of being formalised and are currently uncertain, however are estimated to be potentially in excess of $50.0m. These revenue and franking credit assets could be of value to shareholders when the Company returns to profitability and achieving this is the priority objective the Board and management are working towards.

The Board would like to thank all shareholders for their ongoing support of the Company but notably JASZAC Investments Pty Ltd who have extended their loan facility, enabling the Company to undertake the necessary restructuring activities and ensure that the Company has sufficient cashflow while the turnaround strategy is executed.

The outlook for the second half of FY20 is highly uncertain given the impact of coronavirus. The Company has taken all necessary actions to maintain the required protocols to protect its employees and will continue to do so. The impact the virus will have on retail customers remains unknown in the short term, but the Company will take all necessary actions to reduce costs and try to ensure that Funtastic remains open for business once the restrictions due to the coronavirus are lifted.

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:

Bernie Brookes
Chairman
Melbourne, 31st March 2020

Collins Square, Tower 5
727 Collins Street
Melbourne VIC 3008

Correspondence to:
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

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 2020, 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, 31 March 2020

	Note	For the half-year ended 31 January 2020 $'000	31 January 2019 $'000
Continuing Operations			
Revenue	3	**16,426**	16,078
Cost of sales of goods		**(14,715)**	(11,063)
Gross profit		**1,711**	5,015
Other Income		**-**	1
Warehouse and distribution		**(1,241)**	(1,173)
Marketing and selling		**(886)**	(166)
Administration and finance		**(621)**	(1,604)
Staff Expenses		**(2,425)**	(2,893)
Earnings before interest, taxation, depreciation, amortisation and debt forgiveness		**(3,462)**	(820)
Bank debt forgiveness		**-**	15,710
Earnings before interest, taxation, depreciation and amortisation (EBITDA)		**(3,462)**	14,890
Depreciation and amortisation expenses		**(168)**	(234)
Finance costs		**(549)**	(303)
Profit/(loss) before income tax		**(4,179)**	14,353
Income tax (expense)	6	**-**	-
Profit/(loss) for the period from continuing operations		**(4,179)**	14,353
Discontinued operations			
Loss for the period from discontinued operations	7	**(10)**	(9)
Profit/(loss) for the period		**(4,189)**	14,344
Other comprehensive income (net of tax)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**(435)**	31
		(435)	31
Total comprehensive income/(loss) attributable to members of Funtastic Limited		**(4,624)**	14,375

Earnings per share		**Cents**	**Cents**
From continuing and discontinued operations			
Basic (cents per share)		**(1.78)**	7.82
Diluted (cents per share)		**(1.78)**	7.71
From continuing operations			
Basic (cents per share)		**(1.78)**	7.80
Diluted (cents per share)		**(1.78)**	7.70

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 2020 $'000	As at 31 July 2019 $'000
Current Assets			
Cash		**209**	465
Trade and other receivables		**2,665**	3,460
Inventories		**2,656**	5,037
Tax Receivable		**118**	19
Other Assets		**469**	1,554
Total Current Assets		**6,117**	10,535
Non-Current Assets			
Property, plant and equipment		**20**	40
Other intangibles	8	**181**	212
Right-of-use assets		**807**	-
Other Assets		**50**	50
Total Non-Current Assets		**1,058**	302
Total Assets		**7,175**	10,837
Current Liabilities			
Trade payables		**1,260**	3,730
Other payables		**-**	511
Borrowings	4	**900**	1,657
Provisions		**369**	469
Lease Liabilities	9	**194**	-
Other Liabilities		**1,579**	1,094
Total Current Liabilities		**4,302**	7,461
Non-Current Liabilities			
Provisions		**14**	21
Borrowings	5	**7,045**	3,676
Lease Liabilities	9	**644**	-
Total Non-Current Liabilities		**7,703**	3,697
Total Liabilities		**12,005**	11,158
Net (Liabilities)/Assets		**(4,830)**	(321)
Equity			
Issued capital	10	**224,963**	224,848
Accumulated losses		**(227,962)**	(223,773)
Reserves		**(1,831)**	(1,396)
Total Equity/(Deficiency)		**(4,830)**	(321)

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

	For the half-year ended 31 January 2020 $'000	31 January 2019 $'000
Cash flows from operating activities		
Receipts from customers	18,168	15,691
Payments to suppliers and employees	(20,402)	(19,905)
Interest and other costs of finance paid	(288)	(303)
Net cash provided by / (used in) operating activities	(2,522)	(4,517)
Cash flows from investing activities		
Payments for property, plant and equipment	-	(47)
Payments for intangible assets	-	(55)
Net cash provided by / (used in) investing activities	-	(102)
Cash flows from financing activities		
Proceeds from borrowings	3,041	2,084
Repayments to borrowing	(756)	(5,136)
Repayment of leases	(134)	-
Proceeds from issue of shares	134	8,232
Costs associated from issue of shares	(19)	(784)
Net cash provided by financing activities	2,266	4,396
Net increase/(decrease) in cash held	(256)	(223)
Cash and cash equivalents at the beginning of the half-year	465	718
Cash and cash equivalents at the end of the half-year	209	495

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 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**
Balance at 1 August 2019	**224,848**	**(223,773)**	**(1,601)**	**205**	**-**	**(321)**
Profit/(Loss) for the period	-	(4,189)	-	-	-	**(4,189)**
Other comprehensive income	-	-	(435)	**-**	**-**	**(435)**
Total comprehensive income / (loss)	**224,848**	**(227,962)**	**(2,036)**	**205**	**-**	**(4,945)**
Issue of ordinary shares	115	-	-	-	-	115
Balance at 31 January 2020	**224,963**	**(227,962)**	**(2,036)**	**205**	**-**	**(4,830)**

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 should 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 2019 annual financial report for the financial year ended 31 July 2019, 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 loss for the period from continuing operations is $4,178,037.

As at 31 January 2020 the net liability position is $4,829,387. Non-current liabilities of $7,703,461 include a long-term loan of $7,045,471 with no covenants and a due date of 31 December 2023.

The Group 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$12,200,000 over 4 years for the purpose of general working capital. As at 31 January 2020 the balance of loan drawn was $7,045,471. Additionally, the Group has a working capital facility of $10,000,000 with Scottish Pacific Business Finance secured by the debtor assets of the business and the balance drawn as at 31 January 2020 was $900,190.

As announced on 27 February 2020, the Company has initiated a restructuring programme to exit unprofitable products and reduce overheads, allowing resources to be focused on product ranges offering growth potential. This programme is expected to significantly reduce the ongoing cash requirements of the business.

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

- Sustaining improved financial results through normal trading
- Implementation of strategic initiatives to drive profitable growth
- Securing additional funding either through debt, equity or a combination of both
- Continued support of creditors and customers through appropriate trading terms

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout Australia. The spread of COVID-19 has caused significant volatility in both Australian and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on Australia and international economies. While the virus will undoubtable have an impact on the sales of our customers, it is still too early to quantify this effect on the Group.

The directors believe that the Group will be able to achieve the improved results and deliver the strategic initiatives 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 Accounting Standards and Interpretations not yet mandatory or early adopted

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

Other amending accounting standards

Other amending accounting standards issued are not considered to have a significant impact on the financial statement of the Group as the amendments provide either clarification of existing accounting treatment or editorial amendments.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Interpretation 23 Uncertainty over Income Tax Treatments

Interpretation 23 clarifies the accounting for uncertainties in income tax. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates ('tax amounts'), when there is uncertainty over income tax treatments under AASB 112 *Income Taxes*.

The Interpretation requires an entity to:

- Use judgement to determine whether each tax treatment should be considered independently or whether some tax treatment should be considered together.
- Assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.
- Determine tax amounts on a basis that is consistent with the tax treatment included in its income tax filing is an entity concludes that it is probable that it is probable that a particular tax treatment will be accepted by the taxation authorities.
- Determine tax amounts using the most likely amount or expected value of the tax treatment (whichever provides better prediction of the resolution of the uncertainty) where an entity concluded that it is not probable that a particular tax treatment will be accepted by the taxation authorities.

The Group has assessed that impact of Interpretation 23 and determined there is no impact to the financial statements.

AASB 16 Leases

In the current year, the Group has applied AASB16 Leases that is effective for annual periods that begin on or after 1 January 2019. AASB 16 Replaces AASB 117 Leases and several lease related interpretations. The new Standard has been applied using the modified retrospective approach. Prior periods have not been restated and there have been no adjustments to opening retaining earnings.

AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability except for short-term leases and leases of low value assets where such recognition exemptions are adopted. In contract to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of AASB 16 on the Group's consolidated financial statement is described below.

The date of initial application of AABS 16 for the Group is 1 August 2019.

The Group has applied AASB 16 using the cumulative catch-up approach which:

- At commencement date measures the lease liability at the present value of the lease payments unpaid at that date.
- Requires the Group to measure assets at the amount equal to liabilities with adjustments using accruals and prepayments.
- Does not permit restatement of comparatives, which continue to be presented under AASB 117 and Interpretation 4.

(a) Impact of the new definition of a lease

The Group has reassessed all contracts to determine if they contain a lease in accordance with the definition of a lease within AASB 117 and Interpretation 4.

The change in definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

(b) Impact on Lessee Accounting

AASB 16 changes how the Group accounts for leases previously classified as operating leases under AASB 117, which were off balance sheet.

Applying AASB 16, for all leases, the Group:

- Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments in accordance with AASB 16.
- Recognises depreciation of right-of-use assets and interest on the lease liabilities in the consolidated statement of profit or loss.
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest presented within operating activities) in the consolidated statement of cash flows.

(c) Financial impact on initial application of AASB 16

The weighted average incremental borrowing rate applied to leases liabilities recognised under AASB 16 in the statement of financial position on 1 August 2019 is 12%.

The following is a reconciliation of total operating lease commitments at 31 July 2019 to the lease liabilities recognised at 1 August 2019:

	1 August 2019 $'000
Operating lease commitments as at 31 July 2019	**1,412**
Less: Discounted operating lease commitments using the incremental borrowing rate at 1 August 2019	(501)
Lease Liability recognised at 1 August 2019	911

(d) Comparatives

As described, the Group applied AASB 16 using the modified retrospective method approach and therefore comparative information has not been restated. This means comparative information is still reported under AASB 117.

(e) Option to Extend

There is an option of this contract to renew it for a further 5 years which has not been included in the ROA and lease liability. Due to the restructuring disclosed in Note 13; it is unlikely that the lease will be extended.

(f) Accounting policy applicable from 1 August 2019

For any new contracts entered into on or after 1 August 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract" that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition the group assess whether the contract meets three key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- The Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- The Group has the right to direct the use of identified asset throughout the period of use. The Group assess whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

(g) Operating leases before 1 August 2019

Lease payments for operating leases where substantially all the risk and benefits remain with the lessor are charged to the statement of profit and loss and other comprehensive income on a straight line basis over the lease term

NOTE 2: Key sources of estimation uncertainty

In addition to the key sources of estimation uncertainty on the going concern basis as disclosed in note 1, the following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

➢ ***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 8 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.

➢ ***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
- Trademarks 10-20 years
- Licenced distribution agreements 1-3 years
- Brand names 3-5 years

NOTE 3: 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

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 2020 $'000	*31 January 2019 $'000*	**31 January 2020 $'000**	31 *January* 2019 $'000
Australia	***16,426***	*16,078*	***201***	*919*
Continuing Operations	***16,426***	*16,078*	***201***	*919*
	16,426	*16,078*	***201***	*919*

(i) Non-current assets exclude financial instruments, deferred tax assets, post-employment benefit assets, right of use assets and assets arising from insurance contracts.

Information about major customers

Included in revenues of Australia of $16,426,000 are revenues of approximately $9,470,000 (January 2019: $10,559,000), which arose from sales to its three largest customers.

NOTE 4: Debtor Factoring

The Company renewed its Debtor Finance facility with Scottish Pacific on 18 October 2019 This allows the Company to draw up to 65% (domestic sales) or 80% (FOB sales) of its debtors' invoices in advance.

NOTE 5: Secured Loan Agreement

On the 14 January 2020, the Group entered into an amended secured loan agreement with Jaszac Investments Pty Ltd to provide funding to the company of an amount up to AUD $12.195 million for the purpose of general working capital and funding of the business restructure over the next 12 months. 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. The repayment date is 31 December 2023.

NOTE 6: Income Tax

As at 31 July 2019 the Australian Group had carried forward revenue tax losses of approximately $54,841,000 which is available for utilisation against future profits of the business. The Group also had capital tax losses of approximately $7,004,000 which is available for utilisation against future capital gains.

NOTE 7: Discontinued Operations

USA and Hong Kong discontinued operations
The losses from discontinued operations are due to bank fees and the costs to shut down the subsidiaries.

	Period ended 31 January 2020 $'000	Period ended 31 January 2019 $'000
(Loss) / Profit for the period from Discontinued Operations		
Revenue	-	-
Expenses	(10)	(9)
Loss before tax	(10)	(9)
Attributable income tax expense	-	-
Loss for the period from discontinued operations (attributable to owners of the Company)	(10)	(9)
Loss for the period relating to discontinued operations	(10)	(9)
	(10)	(9)
Cash flows used in discontinued operations		
Net cash inflows / (outflows) relating to discontinued operations	(10)	(9)

NOTE 8: Non-current assets – Intangibles

	31 January 2020 $'000	31 July 2019 $'000
Software	**67**	211
Chill Factor Trademarks and patents	-	37
Licenses, distribution agreements and supplier relationships	**114**	613
Net book value - Intangibles	**181**	861

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 9: Leasing

	31 January 2020 $'000	31 July 2019 $'000
Lease liabilities (current)	**194**	-
Lease liabilities (non-current)	**644**	-
	838	-

The Group has leases for its office as well as some IT equipment. The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31st January 2020 were as follows:

$'000	Within 1 year	One to two years	Two to three years	Three to four years	Four to five years	More than five years	Total
31st January 2020							
Lease Payments	284	288	291	174	-	-	**1,037**
Interest Charges	(90)	(65)	(37)	(7)	-	-	**(199)**
Net Present Values	**194**	**223**	**254**	**167**	**-**	**-**	**838**

The option to extend for further five years have not been included because it is not probable that the lease will be extended as 31 Jan 2020.

NOTE 10: 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 2019	**233,176,894**	**224,848**
Share Purchase Plan 13 December 2019	**5,583,343**	**115**
Closing balance 31 January 2020	**238,760,237**	**244,963**

NOTE 11: 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 12: Commitments

The Company has terminated its contract and commitments with Thinkway International Inc. The Groups license guarantee commitments are as follows:

	31 January 2020 $'000	31 July 2019 $'000
Not later than one year	**197**	1,911
Later than one year but not later than two years	**100**	1,309
	297	3,220

NOTE 13: Other matters

The Company has exchanged legal correspondence with Thinkway Toys in relation to the finalisation of the Toy Story 4 contract. At this stage the financial impact of these discussions is uncertain.

NOTE 14: Subsequent events

Restructuring

On 27 February 2020 the Company announced a restructuring of the business to exit the toy distribution and apparel divisions of the business and increase its focus on product ranges offering growth potential. As a result of these changes, overheads and trading losses will be reduced and the Company will be better able to focus resources into existing product portfolios and setting up the business for future growth.

COVID-19 Virus

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout Australia. The spread of COVID-19 has caused significant volatility in both Australian and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on Australia and international economies. While the virus will undoubtably have an impact on the sales of our customers, it is still too early to quantify this effect on the Group.

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.

Bernie Brookes
Chairman

Melbourne, 31 March 2020

GrantThornton

Collins Square, Tower 5
727 Collins Street
Melbourne VIC 3008

Correspondence to:
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report

To the Members of Funtastic Limited

Report on the review of 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 2020 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 Group as at 31 January 2020 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 Group incurred a net loss of $4,178,037 during the half year ended 31 January 2020 and, as of that date, the Group's liabilities exceeded its assets by $4,829,387. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, including the continued uncertainty surrounding COVID-19 coronavirus and its impact on the industry indicate that a material uncertainty exists that may cast significant doubt on the Group'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 Group's financial position as at 31 January 2020 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, 31 March 2020