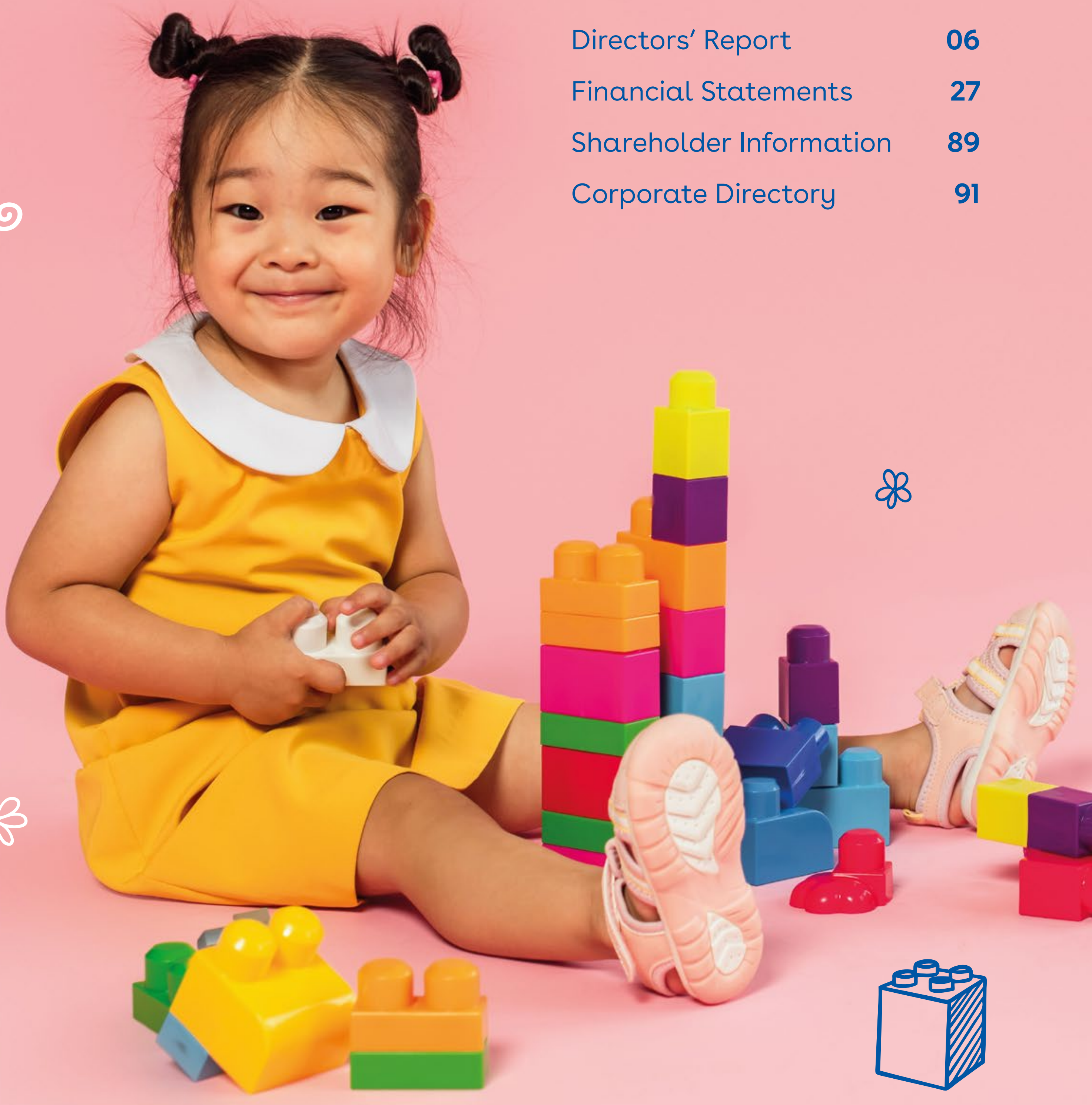
2023 Annual Report

Contents



Our story

At Toys"R"Us, we believe that toys have the power to change lives. Play enables children to develop their imagination, collaborate, problem solve, explore, create or simply express themselves spontaneously.

Our mission at Toys"R"Us is to encourage children to engage with as many forms of play as we possibly can.

We have relaunched in 2019, as a new company, to bring play back into the lives of children of all ages.

2,000,000

1,000,000

current shopper database with aims to double within the next 12 months

Chair's Letter

Dear Fellow Shareholders, on behalf of the Board of Directors, I present the 2023 Annual Report for Toys"R"Us ANZ Limited (ASX:TOY) ("the Company")

The financial results for FY23 were very disappointing with the Company failing to navigate a technology, marketing and operational pathway through a challenging macro environment. This has led to a change of leadership in your Company, and its business activity.

During FY23, Toys"R"Us ANZ achieved overall flat revenue with high inflation and low consumer confidence impacting the toy market globally. In ANZ, top line revenue declined by 15.2%, largely driven by lower e-commerce revenue. With a greater focus later in the year on driving profitability, the overall profitability in ANZ was similar to FY22. The UK market, delivering sales below forecast, placed unsustainable working capital demands on the group, well in excess of those previously forecast by management. This led to the decision to exit the UK business.

By end of H1 of FY23 the Board of Directors agreed to instigate a full strategic review of the Group in the post-holiday season of 2022.

On 10 May 2023 the Board announced that, following the strategic review, the Company had shortlisted applicants for the new Managing Director role for the ANZ region, and on 15 May Louis Mittoni resigned as CEO. As Non-Executive Chair, I took on the role of Interim CEO and Executive Chair. Mr Mittoni subsequently resigned from the Board of Directors on 27 July 2023.

On 13 June 2023, the Board announced the appointment of Penny Cox, MA, MBA, a seasoned e-commerce executive with multinational expertise in the UK, Asia and Australia growing e-commerce businesses, as CEO.

With the appointment of our new CEO, the Company implemented several initiatives that included the development of a business model to reach breakeven in ANZ by 2025, through

the reduction of fixed operating costs, a focus on margin improvement, several strategic marketing and partnership initiatives, exiting the UK business, clearing of aged inventory, the upgrade of business systems and a review of goodwill.

The short-term priority for the Company is to reduce fixed overheads while implementing strategic marketing and associated business systems to profitably grow the top line. Since August, the Company has decreased the annualised staff and salary overhead by c.$1.3 million and implemented a plan to replace fixed costs with variable costs which should see further cost reductions, exited warehousing in NSW with stock to be consolidated in Victoria.

The Company's near-term focus is on improving productivity through a step-change in e-commerce conversion rates and automating marketing activities to target additional revenue streams such as gift cards and drop shipping. The Company commenced the migration from its legacy OsCommerce website infrastructure to Shopify Plus in June 2023, with a go-live date of late October 2023. The new technology will facilitate more effective marketing including the introduction of drop shipping which will allow additional products to be offered to our shoppers, without the need to tie up cash in inventory and warehousing space.

Under the new CEO, the Company began systematically applying its marketing spend, reducing customer acquisition costs by 50% without impacting customer acquisition performance. The Company is increasing its customer reach through partner programs, targeting a doubling of its current shopper database from c.1 million to 2 million over the next 12 months.

The Company plans to accelerate and scale the Toys"R"Us, Babies"R"Us and Hobby Warehouse operations in Australia and New Zealand over the next 12 months through improved functional leadership, merchant and marketing capability, more productive technology-enabled footprint and sub-licensing through physical retail partners.

With the change in our Executive and Board leadership, with our new CEO Penny Cox, and new Chair Kelly Humphreys, I believe our company has a pathway to profitable growth based upon capability of its people and capacity of its technology platforms, supporting the best toy, baby and hobby brands in the world.

Kevin A Moore

Kevin A Moore
Chair of the Board
26 October 2023

CEO's Letter

Dear Shareholders,

As the new CEO of Toys "R" Us ANZ Limited, I am excited to be here, and by the potential of the business. In FY23, the Company did not meet the expectations of the Board or our Shareholders, and we have a lot of work to do to turn things around.

My initial focus is on fixing the Company's declining revenue and profitability, and rebuilding the balance sheet. I am committed to addressing the Company's challenges and have already started a plan to turn things around, to deliver growth and profitability. This plan includes:

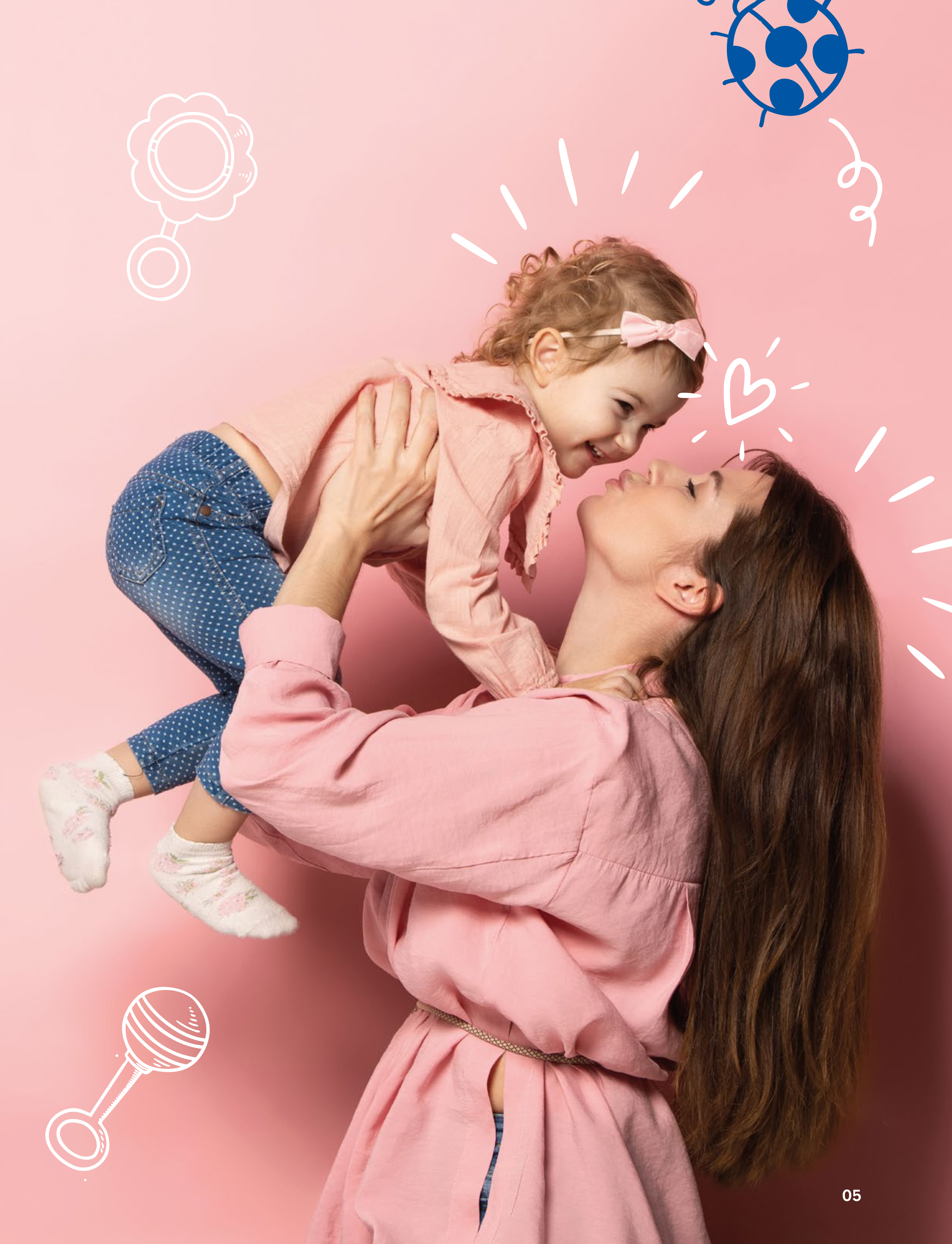
- Exiting the UK market, which was unsustainable;
- Reducing our overheads and right-sizing the cost base;
- Reducing aged inventory and managing new inventory more carefully;
- Better measurement of operational KPIs and marketing effectiveness;
- Re-building of the technology and data stack, including website relaunch;
- Creating new channels to market, including physical retail (e.g store-in-store models); and
- Delivering growth in the Baby category, which has significant untapped potential.

Whilst it will take time to see the results of all these streams of work, I am confident in the plan we have in place to address the huge market opportunity, with one of the strongest brands in the world.

With almost 1 million loyal shoppers, we have a large and active database and are well-positioned to grow our market share in Toys and Hobbies from < 1% to 5% over the next three years. We will be particularly focused on improving our product range, developing new products and services that will better meet the needs of our existing customers, and developing marketing strategies to reach a larger pool of toy, hobby and baby goods buyers.

I would like to thank the Board of Directors for their confidence in me and their unwavering support during this period of transition. I would also like to thank you, our Shareholders, for your continued support and investment in Toys "R" Us ANZ Ltd. The path forward is becoming clear, and there is an opportunity for the Company to create significant value for our customers, our partners and our shareholders as we deliver on our plan.

Penny Cox
CEO



Directors' Report

The directors present their report, together with the consolidated financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Toys"R"Us ANZ Limited (referred to hereafter as 'Toys"R"Us ANZ', 'TOY', the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 July 2023.

Directors

The following persons were directors of Toys"R"Us ANZ Limited during the whole of the financial year and up to the date of this report unless otherwise stated:

- Kevin Moore;
- John Tripodi;
- Silvio Salom (appointed 11 November 2022);
- Louis Mittoni (resigned 27 July 2023);
- Nicki Anderson (resigned 31 August 2022);
- Penny Cox (appointed 24 August 2023 & ceased 18 October 2023); and
- Kelly Humphreys (appointed 5 October 2023).

Principal activities

Toys"R"Us ANZ Limited is an Australian based listed company with a mission to enrich the lives of people by encouraging exploration, creativity and living life more fully through the enjoyment of toys and hobbies. The Company acquired 100% of the Hobby Warehouse Group in November 2020, including Australian e-commerce websites Toys"R"Us, Babies"R"Us and Hobby Warehouse and the distribution business Mittoni Pty Ltd. In October 2021, a 100% owned subsidiary UK Toys"R"Us Limited was incorporated for the distribution of toys and baby products under the brand name Toys"R"Us® and Babies"R"Us® in the United Kingdom.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Financial and operational review

Financial results

Key Financials AUD 'm	FY23	FY22	% Change
Revenue from continuing operations	32.1	37.9	(15.2)
EBITDA from continuing operations	(9.0)	(9.1)	7.2
Profit/(Loss) before Tax from continuing operations	(25.6)	(24.6)	11.6
Net profit/(loss) after tax from continuing operations	(25.3)	(24.3)	11.6
Basic EPS (cents) from continuing operations	(3.2)	(2.8)	11.1
Dividend per share (cents)	N/A	N/A	
ROE[1]	(11.15%)	(8.48%)	(2.67)
Net cash balance/(Net debt) ($m)	(10.8)	2.5	(533.8)
Gearing[2]	831%	29%	n/a

1. NPAT/average shareholder equity.
2. Debt/shareholder equity.

The Group's statutory loss after income tax for the year ended 31 July 2023 was $32.7 million (2022: Loss after income tax $24.8 million).

Operating review

During FY23, Toys"R"Us achieved overall flat revenue growth, against a challenging macro environment. High inflation and low consumer confidence hit the toy market globally. In ANZ, the topline revenue declined by 15.2% largely driven by lower e-commerce revenue, but a greater focus on driving towards profitability meant that the overall profitability in ANZ was similar to FY22. The UK market, while growing, placed unsustainable working capital demands on the Company that led to the decision to exit that business.

By end of H1 of FY23, it became clear that Toys"R"Us revenue and margin growth in ANZ were both slowing, and the working capital demands of the new UK market entry were greater than previously forecasted. The Board of Directors agreed to instigate a full strategic review of the Group post-holiday season 2022. On 10 May 2023 the Board announced, following the strategic review, that the Company had:

- Realised cost reductions of c.$4 million in calendar year 2023.
- Released c.$1 million of previously secured working capital and highlighted a further $1 million of secured working capital.
- Accessed $1.5 million of debt facilities of c.$5 million in new funds, bringing total debt utilised to $11.5 million.
- Appointed a UK Commercial Director.
- Shortlisted applicants for the new Managing Director role for the ANZ region.
- Improved the Company's gross margin in the Australian direct to consumer e-commerce division from 16.4% for the month of February 2023 to 22.3% for the month of April 2023.

On 15 May 2023 Louis Mittoni resigned as CEO and subsequently resigned from the Board of Directors on 26 July 2023. Kevin Moore Non-Executive Chair took on the role of Interim CEO and Executive Chair. On 13 June 2023 the Board announced the appointment of Penny Cox, MA, MBA, a seasoned e-commerce executive with multinational expertise in the UK, Asia and Australia growing e-commerce businesses as CEO. Penny began consulting to the Company on 19 June 2023 and formally joined as CEO and Managing Director on 24 August 2023 and ceased as Managing Director on 18 October 2023.

On 21 July 2023, the Company announced the successful raising of $1.3 million in new equity. On 15 August 2023 the Company announced the restructure of its operations in order to refocus working capital on the ANZ e-commerce business and reduce operating costs. The Company reached an agreement in principle with licence owner TRU Kids Inc (TRUK), to facilitate an orderly transition of the UK business and the transfer of the UK licence to TRUK. The benefit of transferring the licence is anticipated to release $7 million of working capital, reduce operating loss by $6 million over the next 12 months as well as reduce debt by $2.9 million.

With the appointment of the new CEO, the Company instigated a number of initiatives which included the development of a business model to reach breakeven by 2025, reduction of operating costs, focus on margin improvement, exiting the UK business, clearing of aged inventory, upgrade of business systems and review of goodwill.

Clearing of aged inventory in ANZ commenced in June, reducing the ANZ business' total inventory holding from $10.3 million (FY22) to $6.3 million (FY23).

After review, the Company decided to recognise further impairment of goodwill and intangible assets based on its planned exit of the UK market and revised forecasts for the ANZ e-commerce business. Similarly to the previous financial year, a driver of the Company's statutory net loss after tax was the recognition of impairment of goodwill and intangible assets valued at $13.3 million.

The UK business brought in $5.3 million revenue for the year, largely from e-commerce revenue from launch in September 2022 and culminating in the launch of 9 x WHSmith store-in-stores in June 2023.

Directors' Report

(Cont.)

Overall, the UK business had a negative $5.1 million impact to EBITDA and required a significant investment in working capital to build up the inventory for the physical stores, building up to $3.3 million inventory value in May 2023. Team expansion in the UK was also a driver of increased overheads. After detailed review, the Company has made the decision to exit the UK business and focus its resources on developing the ANZ business.

The Company commenced the migration from its legacy OsCommerce website infrastructure to Shopify Plus in June 2023. The benefits of migration to this global standard platform allows for access of a wide range of capabilities to deliver improved productivity, website performance, shopper experience and better management of all digital communications assets and spend in ANZ. Roll out is planned for late October 2023.

The Company is reviewing its warehousing and robotics facilities in Clayton, Victoria with a view of significantly reducing the cost of that operation by early 2024.

Shanghai Allocacoc Industrial Design Co

On 6 July 2023 the Company announced that a court case begun in China in 2018 had been successfully found in its favour. The court awarded the Company approximately AUD $940,000 net of court costs in its favour. This ruling was not appealed and was subsequently confirmed by the Chinese court. The Company continues to pursue its right of payment in China and all other jurisdictions available to it.

Outlook and Strategic Plan

The Company is focused on putting in place cost structures and operating strategy to ensure that it reaches profitable operations by end of Q1 2024 and continues to pursue its aspirations of driving top line growth and deploying capital efficiently to achieve its medium-term goal of 5% market share penetration in the toys, baby and hobby markets in ANZ.

The Company plans to accelerate and scale Toys"R"Us, Babies"R"Us and Hobby Warehouse operations in Australia under new leadership, with improved merchant and marketing capability, and more productive technology enabled footprint as well as investigating expansion through physical partners.

The Company continues to review strategic options to expand and realise its growth ambitions by identifying suitable business opportunities in addition to the growth initiatives reported above.

Significant changes in the state of affairs

UK licence and operations

Prior to year end, the Group have made the decision to restructure and refocus on the ANZ operation and has reached agreement in principle with TRUK to surrender the UK licence and exit the UK operations. The Group agreed to facilitate an orderly transition of the UK business and the transfer of its UK licence to TRUK by 31 January 2024. Official announcement was issued to the ASX on the 15 August 2023.

Other than the above matters, no other significant changes in the state of affairs of the Group occurred during the year ended 31 July 2023.

Matters subsequent to the end of the financial year

On 28 September 2023, the Company received a letter from the lender waiving the requirement to comply with the financial covenants of the facility agreement for the period ended 31 July 2023.

No other matter or circumstance has arisen since 31 July 2023 that has significantly affected, or may significantly affect, the Group's operations, the results of these operations, or the Group's state of affairs in future years.

Environmental regulations

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on Directors

Kevin Moore

Independent Non-Executive Director and Chair of the Board

Experience and expertise:

Kevin has multinational board and governance experience, specialising in digital marketing, and is a growth director with a focus on $10 to $100 million businesses. He has a corporate career with director level marketing and general management experience across 30 countries, with success in launching and growing Australian and Global brands. His private company career saw him build a small technology based retail marketing business into the sector leader with 2,500 team members in ANZ, and clients that include Apple, Amazon, Bunnings, Coles and Woolworths.

Other current directorships:

None

Former directorships (last three years):

Chair of the Board of Raiz Invest Limited

Special responsibilities:

Chair of the Board and member of the Remuneration and Nomination Committee and Audit and Risk Committee

Interests in shares:

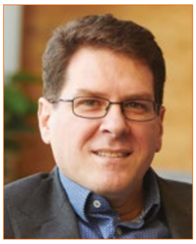
4,032,462

Interest in options over shares:

5,114,465

Directors' Report

(Cont.)



Louis Mittoni

Executive Director
(resigned 27 July 2023)

PhD – Chemical Engineering, BSc – Physics, MAICD, MAIP

Experience and expertise:

Louis is the founder of the Mittoni and Hobby Warehouse businesses. He has over 20 years' experience in operating and managing Australian retail businesses in both distributor and online channels. As a qualified physicist and engineer, Louis has intimate knowledge of process optimisation, programming and artificial intelligence.

Other current directorships:

None

Former directorships (last three years):

None

Special responsibilities:

Chief Executive Officer and member of the Remuneration and Nomination Committee and Audit and Risk Committee

Interests in shares:

291,455,818 (as at date of resignation)

Nicki Anderson

Independent Non-Executive director
(resigned 31 August 2022)

B Bus, EMBA, GAICD

Experience and expertise:

Nicki is an accomplished leader and director with broad experience in strategy, sales, marketing, licensing and innovation within branded food, beverage and consumer goods businesses both in Australia and internationally. Nicki is a true global citizen having lived in Denmark, Canada and the United States, where she was Vice President Innovation for Cadbury Schweppes Americas Beverages based in New York. Nicki has strong links to Australia's e-commerce, manufacturing and agricultural sectors.

Other current directorships:

Graincorp (ASX:GNC)

Former directorships (last three years):

Select Harvests Limited, Health and Plant Protein Group Limited

Special responsibilities:

Previous Chair of the Remuneration and Nomination Committee and member of the Audit and Risk Committee

Interests in shares:

2,300,957 (as at date of resignation)

John Tripodi

Independent
Non-Executive Director

B Com, B Bus (Hons)

Experience and expertise:

John is a business leader with extensive multinational FMCG experience in various strategic and operational roles with a track record of championing innovative brand strategies that deliver successful commercial outcomes. He is currently the CEO of the diversified sport, entertainment and consumer lifestyle agency, Twenty3 Group. Prior to co-founding the Twenty3 Group, John held senior sales and marketing roles with Mars Inc. before moving into general management with the L'Oréal Group.

Other current directorships:

None

Former directorships (last three years):

None

Special responsibilities:

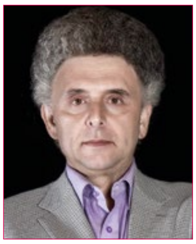
Chair of the Audit and Risk Committee
and member of the Remuneration and Nomination Committee

Interests in shares:

110,803

Interest in service rights:

500,000



Silvio Salom

Independent
Non-Executive Director
(appointed
11 November 2022)

Bachelor of Engineering (M.Eng.) and Master of Fine Arts MFA

Experience and expertise:

Silvio has more than 30 years of senior leadership experience at both Board and operational level of private and public companies, spanning some 40 countries across UK, Europe, North America and Asia. Silvio has founded a number of iconic Australian companies including Adacel Technologies Ltd (ASX:ADA) and Lochard Limited and has run numerous technology companies at all stages of the business life cycle – successfully developing new products, expanding companies into international markets, raising capital and leading companies towards profitability.

Other current directorships:

Adacel Technologies Limited (ASX:ADA); Sky & Space Co Limited (ASX:SAS).

Former directorships (last three years):

None

Special responsibilities:

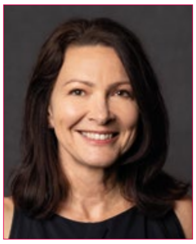
Chair of the Remuneration and Nomination Committee
and a member of the Audit and Risk Committee.

Interests in shares:

24,825,000

Directors' Report

(Cont.)



Kelly Humphreys

Independent
Non-Executive Director
(appointed
05 October 2023)

*MMgt, GAICD, FAIM,
Dip Fin Serv*

Experience and expertise:

Ms Humphreys was appointed as a Director to fill a casual vacancy with effect from 5 October 2023. As her appointment will terminate at the end of the Annual General Meeting, she submits herself for election by Shareholders. Ms Humphreys is considered an independent Non-Executive Director.

Ms Humphreys is an experienced ASX director, currently serving as Chair of Raiz Invest Limited (ASX:RZI) and Non-Executive Director and Chair of Audit, Risk and Finance Committees on the Boards of The National Stock Exchange (ASX:NSX), Latrobe Health Services and the Victorian Building Authority.

Prior to her board career, Ms Humphreys had an extensive senior executive career in insurance and lending and has deep technical expertise in operations, risk management and governance. She brings a strong commercial approach to achieving objectives in complex regulatory environments and demonstrated ability in engaging stakeholders and working effectively to deliver business growth and improved performance.

Ms Humphreys holds a Masters of Management, a Diploma of Financial Services and is a graduate member of the Australian Institute of Company Directors.

Other current directorships (last three years):

National Stock Exchange of Australia (ASX:NSX), Raiz Invest (ASX:RZI)

Former directorships (last three years):

Victory Office Limited (ASX:VOL) from 1 December 2021 to 23 May 2022

Special responsibilities:

None

Interests in shares:

None

Interest in service rights:

None

Penny Cox

Executive Director (appointed 24 August 2023 & ceased 18 October 2023).

Bachelor of Engineering and MBA (INSEAD)

Experience and expertise:

Penny's international career includes roles in the UK, Australia, and Southeast Asia with LEK Consulting, Ocado, Coles, Redmart, Alibaba & Carousell.

Penny's strong proven capability and background in scaling e-commerce businesses, have specific applicability to the next chapter of Toys R Us ANZ's expansion, in the Company's e-commerce, retail and sublicence retail business streams in Australia.

Other current directorships:

None

Former directorships (last three years):

None

Special responsibilities:

Chief Executive Officer and invited member of the Remuneration and Nomination Committee and Audit and Risk Committee.

Interests in shares:

None

'Other current directorships' quoted above are current directorships for listed entities only and exclude directorships of all other types of entities unless otherwise stated.

'Former directorships (last three years)' quoted above are directorships held in the last three years for listed entities only and exclude directorships of all other types of entities unless otherwise stated.

Directors' Report
(Cont.)

Company Secretary

Kim Clark is the Company Secretary of the Group. Kim is the Head of Corporate Services for Boardroom Pty Limited's Queensland office and currently acts as Company Secretary for various ASX listed and unlisted companies in Australia. Kim is an experienced business professional with 23 years' experience in banking and finance and six years as in-house Company Secretary of an ASX 300 company prior to joining Boardroom in April 2013. Kim Clark was appointed to the position of Company Secretary on 21 February 2023. Prior to Kim Clark, Wei Si was the Company Secretary of the Group.

Meetings of Directors

The number of meetings of the Group's Board of Directors held during the year ended 31 July 2023 and the number of meetings attended by each director were:

	Remuneration & Nomination Committee		Board of Directors		Audit & Risk Committee	
	A	B	A	B	A	B
Kevin Moore	3	3	22	22	2	2
Louis Mittoni	–	–	22	22	–	–
Nicki Anderson	–	–	1	1	–	–
John Tripodi	3	3	21	22	2	2
Silvio Salom	2	2	18	19	1	1

Notes:

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

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

Remuneration report (audited)

The Directors present the Remuneration report for the Group and its controlled entities for the year ended 31 July 2023. The Remuneration report forms a part of the Directors report and has been prepared in accordance with section 300A of the *Corporations Act 2001*. The information provided in the Remuneration report has been audited by the company auditors as required by section 308(3C) of the *Corporations Act 2001*.

The Remuneration report outlines the remuneration policies and arrangements for the Company's Key Management Personnel (KMP) including Directors and Executives who have authority and responsibility for planning, directing and controlling the activities of the Group.

Details of key management personnel

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

Name	Position	Period in position during the year
Kevin Moore	Chair and Independent Non-Executive Director	Appointed 26 November 2020
	Interim CEO & Executive Chair	Appointed 15 May – Resigned 20 July 2023
Louis Mittoni	Managing Director	Appointed 26 November 2020 – Resigned 26 July 2023
Penny Cox	Chief Executive Officer and Managing Director	Appointed 24 August 2023 Ceased as Managing Director 18 October 2023
John Tripodi	Independent Non-Executive Director	Appointed 25 October 2018
Nicki Anderson	Independent Non-Executive Director	Appointed 25 October 2018 – Resigned 31 August 2022
Silvio Salom	Independent Non-Executive Director	Appointed 11 November 2022
Kelly Humphreys	Independent Non-Executive Director	Appointed 5 October 2023
Wei Si	Chief Financial Officer and Company Secretary	Appointed 28 March 2022 – Resigned as Company Secretary on 21 February 2023
Lian Yu	Chief Operating Officer	Appointed 1 May 2021

Remuneration policy for directors and executives

The objective of the Toys"R"Us ANZ remuneration policy is to attract, retain and motivate the people required to sustainably manage and grow the business. Executive remuneration packages include a balance of fixed remuneration, short-term cash incentives and long-term equity incentives. The framework endeavours to align executive reward with market conditions and shareholders' interests.

Principles of Compensation

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

Compensation of the senior executives is reviewed on an annual basis by the Remuneration & Nomination Committee having regard to personal and corporate performance and relevant comparative information. Compensation for senior executives comprises both fixed compensation and an "at risk" component. The "at risk" component comprises a short-term incentive payment based on a combination of the company's results and individual performance levels, and a long-term incentive component pursuant to the Employee Incentive Plan.

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

Directors’ Report
(Cont.)

Compensation and other terms of employment for senior executives are formalised in service agreements.

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

Compensation and company performance

Toys”R”Us ANZ Limited’s Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) has been the key performance measure for the Company’s incentive plan for executives, linked to individual key performance objectives.

Components of Compensation

Fixed Compensation

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

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

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

At risk Compensation

Short-Term Incentives

- The Short-Term Incentive (STI) plan is linked to specific targets (predominantly financial) with the opportunity to earn incentives based on a percentage of fixed compensation.
- Performance measurements have been applied to each component of STI and accordingly, entitlements were determined with consideration to the executive’s level and area of responsibility. Performance against the objectives was determined and incentives and entitlements assessed against the audited financial results.

Voting and comments made at the company's 2022 Annual General Meeting ('AGM')

At the 2022 AGM, 83% of the votes received supported the adoption of the remuneration report for the year ended 31 July 2022. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

The table below shows the Group's earnings in the reporting period and the previous four financial periods/years as well as an indication of the Group's value over the corresponding period:

Post Share Consolidation	Year Ended 31-Jul-23	Year Ended 31-Jul-22	Year Ended 31-Jul-21	Year ended 31-Jul-20	Year ended 31-Jul-19
NPAT ($'000)	(32,658)	(24,759)	(3,113)	(9,313)	7,596
Basic EPS (Cents)	(3.78)	(2.89)	(0.48)	(3.94)	3.64
Diluted EPS (Cents)	(3.78)	(2.89)	(0.48)	(3.94)	3.61
Total Dividends ($'000)	Nil	Nil	Nil	Nil	Nil
Year End Share Price ($)	0.011	0.061	0.160	0.022	0.065
Shares on Issue (No.)	863,086,674	861,861,184	848,358,858	240,404,075	233,176,894
Market Capitalisation ($'000)	9,494	52,574	135,737	5,289	15,156

Remuneration of Key Management Personnel

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

	Short-term employee benefits			Post-employment benefits	Other long-term employee benefits	Share-based payments				
Year ended 31 July 2023	**Salary and fees $**	**Cash bonus $**	**Non-monetary benefits $**	**Super-annuation $**	**Long service leave $**	**Termination Benefits $**	**Shares $**	**Share Appreciation Rights $**	**Share Options $**	**Total $**
Directors										
Kevin Moore[4]	137,500	–	–	12,388	–	–	–	–	16,385	214,441
Louis Mittoni[2]	374,515	26,250	–	27,500	–	278,419	–	–	–	706,684
Nicki Anderson[1]	5,000	–	–	525	–	–	62,500	–	–	68,025
John Tripodi	64,417	–	–	6,791	–	–	–	–	30,000	101,208
Silvio Salom[3]	43,333	–	–	4,577	–	–	–	–	–	47,910
Sub-Totals	**624,765**	**26,250**	**–**	**51,780**	**–**	**278,419**	**62,500**	**–**	**46,384**	**1,090,098**
Executives										
Wei Si	200,833	10,000	–	22,225	3,556	–	–	–	–	236,614
Lian Yu	240,734	15,000	–	24,913	4,186	–	–	–	32,406	317,239
Sub-Totals	441,568	25,000	–	47,138	7,741	–	–	–	32,406	553,853
TOTALS	**1,066,333**	**51,250**	**–**	**98,918**	**7,741**	**278,419**	**62,500**	**–**	**78,790**	**1,643,951**

1. Appointed 25 October 2018, resigned 31 August 2022.
2. Appointed 26 November 2020, resigned 26 July 2023.
3. Appointed 11 November 2022.
4. Interim CEO & Executive Chair appointed 15 May and resigned 20 July 2023.

Directors' Report

(Cont.)

Year ended 31 July 2022	Short-term employee benefits: Salary and fees $	Short-term employee benefits: Cash bonus $	Short-term employee benefits: Non-monetary benefits $	Short-term employee benefits: Super-annuation $	Post-employment benefits: Long service leave $	Other long-term employee benefits: Termination Benefits $	Share-based payments: Shares $	Share-based payments: Share Appreciation Rights $	Share-based payments: Share Options $	Total $
Directors										
Kevin Moore	90,000	–	–	9,038	–	–	20,000	–	95,403	214,441
Louis Mittoni	355,533	–	–	27,693	9,947	–	–	–	477,016	870,189
Nicki Anderson[1]	60,000	–	–	6,025	–	–	–	–	30,000	96,025
John Tripodi	60,000	–	–	6,025	–	–	–	–	30,000	96,025
Sub-Totals	**565,533**	**–**	**–**	**48,781**	**9,947**	**–**	**20,000**	**–**	**632,419**	**1,276,680**
Executives										
Howard Abbey[2]	154,690	–	–	18,858	–	30,931	–	–	–	204,479
Wei Si[3]	69,744	–	–	7,057	–	–	–	–	–	76,801
Lian Yu	207,272	–	–	20,089	9,266	–	–	–	43,209	279,836
Sub-Totals	431,706	–	–	46,004	9,266	30,931	–	–	43,209	561,116
TOTALS	**997,239**	**–**	**–**	**94,785**	**19,213**	**30,931**	**20,000**	**–**	**675,628**	**1,837,796**

1. Appointed 25 October 2018, resigned 31 August 2022.
2. Appointed 2 May 2018, resigned 8 April 2022.
3. Employed and appointed Chief Financial Officer and Company Secretary 28 March 2022.

	Fixed remuneration 2023	Fixed remuneration 2022	Remuneration linked to performance* 2023	Remuneration linked to performance* 2022
Directors				
Kevin Moore	100%	100%	–	–
Louis Mittoni (resigned 26 July 2023)	96.3%	100%	3.7%	–
John Tripodi	100%	100%	–	–
Nicki Anderson (resigned 31 August 2022)	100%	100%	–	–
Silvio Salom	100%	–	–	–
Executive Officers				
Howard Abbey	–	100%	–	–
Wei Si	95.8%	100%	4.2%	–
Lian Yu	95.3%	100%	4.7%	–

* Represents cash bonus.

Short term incentives

In 2023, STI payments made in the form of cash bonus were $51,250 (2022: $nil).

During the year, 100% of the eligible cash bonus was paid.

Long term incentives

In 2023, LTI payments of $78,790 were made in the form of share options (2022: $675,628).

Service Agreements

Remuneration and other terms of appointment and employment for the Chair, Executive Director, Non-Executive Directors and the other executives are formalised in service agreements/employment letters. In the case of the Executive Director and other executives, these allow for the provision of performance-related short-term incentives and, where eligible, participation in the Toys"R"Us ANZ Limited Employee Incentive Plan. Additionally, other benefits including car allowances can be provided to all Key Management Personnel.

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

Kevin Moore – Chair and Independent Non-Executive Director

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

John Tripodi – Non-Executive Director

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

Nicki Anderson – Non-Executive Director (resigned 31 August 2022)

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

Louis Mittoni – Executive Director and Chief Executive Officer (resigned 26 July 2023)

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

Silvio Salom – Non-Executive Director (appointed 11 November 2022)

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

Kelly Humphreys – Non-Executive Director (appointed 5 October 2023)

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

Directors' Report
(Cont.)

Wei Si – Chief Financial Officer

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

Lian Yu – Chief Operating Officer

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

Penny Cox – Chief Executive Officer and Managing Director

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

Key management personnel equity holdings

The number of ordinary shares and options/rights over ordinary shares in the company held during the financial year by each director of Toys"R"Us ANZ Limited and each of the key management personnel of the consolidated entity, including their related entities, are set out below.

Ordinary shares

Year ended 31 July 2023	Balance at the start of the year	Shares purchased on market	Shares Issued as Remuner-ation	Other[4]	Balance at the end of the period	Balance held nominally
Directors						
Kevin Moore	3,027,462	1,005,000	–	–	4,032,462	4,032,462
Louis Mittoni[1]	291,455,818	–	–	(291,455,818)	–	–
John Tripodi	110,803	–	–	–	110,803	110,803
Nicki Anderson[2]	1,075,467	–	1,225,490	(2,300,957)	–	–
Silvio Salom[3]	–	–	–	24,825,000	24,825,000	24,825,000
Sub-Total	**295,669,550**	**1,005,000**	**1,225,490**	**(268,931,775)**	**28,968,265**	**28,968,265**
Executives						
Lian Yu	–	–	–	–	–	–
Wei Si	–	–	–	–	–	–
Sub-Total	**–**	**–**	**–**	**–**	**–**	**–**
Grand Total	**295,669,550**	**1,005,000**	**1,225,490**	**(268,931,775)**	**28,968,265**	**28,968,265**

1. Resigned on 26 July 2023.
2. Resigned on 31 August 2022.
3. Appointed on 11 November 2022.
4. Represents appointment/resignation during the year.

Year ended 31 July 2022	Balance at the start of the year	Shares purchased on market	Shares Issued as Remuner-ation	Other[1]	Balance at the end of the period	Balance held nominally
Directors						
Kevin Moore	2,759,352	160,000	108,110	–	3,027,462	3,027,462
Louis Mittoni	291,205,818	250,000	–	–	291,455,818	291,455,818
John Tripodi	110,803	–	–	–	110,803	110,803
Nicki Anderson	1,075,467	–	–	–	1,075,467	1,075,467
Sub-Total	**295,151,440**	**410,000**	**108,110**	**–**	**295,669,550**	**295,669,550**
Executives						
Howard Abbey[1]	454,545	–	–	(454,545)	–	–
Lian Yu	–	–	–	–	–	–
Sub-Total	**454,545**	**–**	**–**	**(454,545)**	**–**	**–**
Grand Total	**295,605,985**	**410,000**	**108,110**	**(454,545)**	**295,669,550**	**295,669,550**

1. Resigned on 8 April 2022.

Share options

The tables below include balances for unlisted options.

Year ended 31 July 2023	Balance at the start of the year	Granted during the year	Expired during the year	Forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors						
Kevin Moore[1]	3,388,293	1,726,172	–	–	5,114,465	5,114,465
Louis Mittoni[1,2]	16,941,463	8,630,860	–	(25,572,323)	–	–
Nicki Anderson	–	–	–	–	–	–
John Tripodi	–	–	–	–	–	–
Executives						
Lian Yu	1,691,956	–	–	–	1,691,956	1,691,956
Totals	**22,021,712**	**10,180,306**	**–**	**(25,572,323)**	**6,806,421**	**6,806,421**

1. Issue Date 14 December 2021, Vesting Date 14 December 2021, Issue Price $0.166, Expiry Date 1 November 2024.
2. Resigned on 26 July, share options was forfeited upon resignation.

Directors’ Report
(Cont.)

Year ended 31 July 2022	Balance at the start of the year	Granted during the year	Expired during the year	Forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors						
Kevin Moore[1]	1,691,575	1,696,718	–	–	3,388,293	3,388,293
Louis Mittoni[1]	8,457,875	8,483,588	–	–	16,941,463	16,941,463
Nicki Anderson	–	–	–	–	–	–
John Tripodi	–	–	–	–	–	–
Executives						
Lian Yu	1,691,956	–	–	–	1,691,956	–
Totals	**11,841,406**	**10,180,306**	**-**	**-**	**22,021,712**	**20,329,756**

1. Issue Date 14 December 2021, Vesting Date 14 December 2021, Issue Price $0.166, Expiry Date 1 November 2024.

Service Rights

Year ended 31 July 2023	Balance at the start of the year	Granted during the year	Exercised during the year[1]	Forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors						
Nicki Anderson[1]	500,000	–	(347,489)	(152,511)	–	–
John Tripodi	500,000	–	–	–	500,000	500,000
Totals	**1,000,000**	**-**	**(347,489)**	**(152,511)**	**500,000**	**500,000**

1. Service right was exercised and converted to 1,225,490 equity shares during the year.

Year ended 31 July 2022	Balance at the start of the year	Granted during the year[1]	Exercised during the year	Forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors						
Nicki Anderson[1]	–	500,000	–	–	500,000	–
John Tripodi[1]	–	500,000	–	–	500,000	–
Totals	**-**	**1,000,000**	**-**	**-**	**1,000,000**	**-**

1. Ms Anderson and Mr Tripodi were each issued 240,000 Share Appreciation Rights (SARs) under the Employee Incentive Plan 2020 during FY 2021. These SARs were cancelled and replaced by Service Rights on 14 December 2021. Grant Date 14 December 2021, Vesting Date 31 Jul 2023, Expiry Date 14 Dec 2036, Exercise Price is $Nil. Grant Value for each tranche of Share Rights to be issued to Ms Anderson and Mr Tripodi is $30,000, and the number of Shares these convert to shall be determined by the Share Price on the relevant Vesting Date. If the person ceases to hold the office of non-executive director of the Company for any reason prior to 31 July 2023, then they will forfeit Service Rights in the proportion that the period following the date of cessation of holding the office of NED until 31 July 2023 bears to 3 years. Any Service Rights that are not forfeited will vest.

Other statutory disclosures

Loans to key management personnel and their related parties

During FY23 and to the date of this report, the Group made no loans to directors and other KMP.
As at 31 July 2023, Louis Mittoni owed the Company $28,575 (2022: $16,719) related to personal expenses incurred on a company credit card.

Transactions with Key Management Personnel

During FY23 there were no other reportable transactions between the Group and its directors, KMP, or their personally related entities (Related Parties).

This concludes the Remuneration report which has been audited.

Directors’ Report

(Cont.)

Unissued shares

As at the date of this report and at the reporting date, there were 6,806,421 unissued ordinary shares under options. The number of options and rights over ordinary shares in the Company held during and after the end of the financial year by each director of Toys“R”Us ANZ Limited and each of the key management personnel (KMP) of the Group, including their related entities, are set out in the remuneration report.

Shares issued on the exercise of options

During the financial year, there were no employees or executives that exercised options to acquire ordinary shares in the Company.

Indemnity of and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year the Company paid a premium in respect of a contract to insure the directors and executives of the Company and of any related body corporate against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

To the extent permitted by law, the Company has agreed to indemnify its auditors, RSM Australia Partners, as a part of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount), other than a loss arising from RSM Australia Partners negligent, wrongful or wilful acts or omissions. No payment has been made to indemnify RSM Australia Partners during the financial year or up to the date of this report.

Proceedings on behalf of the Company

No person has applied to the Court under section 327 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 30 to the financial statements. The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor’s behalf) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed in Note 30 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit & Risk Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of RSM Australia Partners

There are no officers of the Company who are former partners of RSM Australia Partners.

Rounding of amounts

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Auditor's independence declaration

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

Auditor

RSM Australia Partners continues in office in accordance with section 327 of the *Corporations Act 2001.*

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

On behalf of the directors,

Kevin A Moore

Kevin A Moore
Chair of the Board

Gold Coast
28 September 2023

Auditor’s Independence Declaration

RSM

RSM Australia Partners

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AUDITOR’S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Toys“R”Us ANZ Limited and its controlled entities for the year ended 31 July 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM AUSTRALIA PARTNERS

R B MIANO
Partner

Dated: 28 September 2023
Melbourne, Victoria

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 July 2023

	Note	31-Jul-23 $'000	31-Jul-22 $'000
Continuing operations			
Revenue	6	32,143	37,927
Cost of goods sold		(27,008)	(29,956)
Gross profit		**5,135**	**7,971**
Other income	7	399	3
Warehouse and distribution expenses		(2,012)	(2,374)
Marketing and selling expenses		(4,191)	(5,806)
Employee benefits expenses	7	(5,502)	(6,329)
Administration expenses		(2,836)	(1,942)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)		**(9,007)**	**(8,477)**
Finance costs	7	(2,561)	–
Impairment of intangible assets	14	(11,128)	(14,500)
Depreciation and amortisation expenses	7	(2,915)	(1,594)
Loss before income tax expense from continuing operations		**(25,611)**	**(24,571)**
Income tax (expense)/benefit	8	316	295
Loss after income taxes from continuing operations		**(25,295)**	**(24,276)**
Discontinued operations			
Profit/(loss) after income taxes from discontinued operations	5	(7,363)	(483)
Loss for the year attributable to the members of Toys"R"Us ANZ Limited		**(32,658)**	**(24,759)**
Other comprehensive income (net of tax)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(235)	20
Other comprehensive (loss)/income for the year (net of tax)		**(235)**	**20**
Total comprehensive loss for the year attributable to the members of Toys"R"Us ANZ Limited		**(32,893)**	**(24,739)**
Total comprehensive income for the year is attributable to:			
Continuing operations		(25,295)	(24,256)
Discontinued operations		(7,598)	(483)
		(32,893)	(24,739)
Earnings per share			
Basic earnings/(loss) per share (cents per share)	21	(3.78)	(2.89)
Diluted earnings/(loss) per share (cents per share)	21	(3.78)	(2.89)
Earnings per share – continuing operations			
Basic earnings/(loss) per share (cents per share)	21	(2.93)	(2.83)
Diluted earnings/(loss) per share (cents per share)	21	(2.93)	(2.83)
Earnings per share – discontinued operations			
Basic earnings/(loss) per share (cents per share)	21	(0.85)	(0.06)
Diluted earnings/(loss) per share (cents per share)	21	(0.85)	(0.06)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes. Consolidated Statement of Financial Position as at 31 July 2023.

Consolidated Statement of Financial Position

as at 31 July 2023

	Note	31-Jul-23 $'000	31-Jul-22 $'000
Current assets			
Cash and cash equivalents	25 (a)	1,766	12,538
Trade and other receivables	9	837	794
Inventories	10	4,905	9,851
Other current assets	11	208	679
		7,716	23,862
Assets of disposal group held for sale	5 (c)	3,119	-
Total current assets		**10,835**	**23,862**
Non-current assets			
Property, plant and equipment	13	2,767	2,384
Goodwill and other intangibles	14	6,899	21,447
Right-of-use assets	12	11,167	-
Other non-current assets	11	2,935	3,763
Total non-current assets		**23,768**	**27,594**
Total Assets		**34,603**	**51,456**
Current Liabilities			
Trade payables		3,405	3,263
Borrowings	16	12,084	-
Contract liabilities/deferred revenue		114	422
Employee benefits	17	460	393
Provision for restructuring	5 (e)	280	-
Lease liabilities	18	576	281
Other current liabilities	19	2,044	1,884
		18,963	**6,243**
Liabilities directly associated with disposal group held for sale	5 (d)	1,565	-
Total current liabilities		**20,528**	**6,243**
Non-current liabilities			
Borrowings	16	526	10,000
Employee benefits	17	9	11
Deferred tax	8 (f)	738	1,054
Lease liabilities	18	11,284	-
Total non-current liabilities		**12,557**	**11,065**
Total liabilities		**33,085**	**17,308**
Net assets		**1,518**	**34,148**
Equity			
Issued capital	20	292,920	292,965
Accumulated losses		(291,878)	(260,958)
Reserves	20	476	2,141
Total Equity		**1,518**	**34,148**

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

Consolidated Statement of Changes in Equity

for the year ended 31 July 2023

	Note	Issued Capital $'000	Accum-ulated Losses $'000	Foreign Currency Translation Reserve $'000	Equity settled Employee Benefits Reserve $'000	Total $'000
Balance at 31 July 2021		**290,545**	**(236,199)**	**-**	**1,454**	**55,800**
Loss after income taxes for the year		-	(24,759)	-	-	(24,759)
Other comprehensive income for the year, net of taxes		-	-	20	-	20
Total comprehensive income/(loss)		**-**	**(24,759)**	**20**	**-**	**(24,739)**
Issue of ordinary shares, net of transaction costs	20	2,420	-	-	-	2,420
Issue of share appreciation/ service rights (net)		-	-	-	46	46
Issue of employee options		-	-	-	621	621
Balance at 31 July 2022		**292,965**	**(260,958)**	**20**	**2,121**	**34,148**
Loss after income taxes for the year		-	(32,658)	-	-	(32,658)
Other comprehensive income for the year, net of taxes		-	-	(234)	-	(234)
Total comprehensive income/(loss)		**-**	**(32,658)**	**(234)**	**-**	**(32,892)**
Purchase of unmarketable parcels	20	(107)	-	-	-	(107)
Issue of stock warrants		-	-	-	113	113
Issue of options		-	-	-	131	131
Options forfeited/cancelled		-	1,738	-	(1,738)	-
Issue of share appreciation/ service rights (net)	20	62	-	-	57	119
Issue of employee options		-	-	-	6	6
Balance at 31 July 2023		**292,920**	**(291,878)**	**(214)**	**690**	**1,518**

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

Consolidated Statement of Cash Flows

for the year ended 31 July 2023

	Note	Year ended 31-Jul-23	Year ended 31-Jul-22
		$'000	$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		40,542	43,746
Receipts from other income (including government grants)		347	-
Payments to suppliers (inclusive of GST)		(44,062)	(48,680)
Payments to employees		(6,844)	(5,980)
Cash utilised in operations		(10,017)	(10,914)
Income taxes refunded		-	12
Interest and other costs of finance paid		(2,448)	-
Net cash outflow from operating activities	25(c)	**(12,465)**	**(10,902)**
Cash flows from investing activities			
Interest and other investment income received		56	3
Payments for plant and equipment		(1,014)	(980)
Payments for intangible assets		(16)	(33)
(Receipt)/Payments for security deposits		828	(2,629)
Proceeds from disposal of property, plant and equipment		9	6
Net cash inflow/(outflow) from investing activities		**(137)**	**(3,633)**
Cash Flows from Financing Activities			
Proceeds from borrowings		2,610	10,000
Repayment of lease liabilities		(673)	(254)
Payments for buyback of unmarketable parcels		(107)	-
Payments for share issue costs		-	(11)
Net cash inflow from financing activities		**1,830**	**9,735**
Net increase/(decrease) in cash and cash equivalents		(10,772)	(4,800)
Cash and cash equivalents at the beginning of the year		12,538	17,338
Cash and cash equivalents at the end of the year	25(a)	**1,766**	**12,538**

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

Notes to the Consolidated Financial Statements

for the year ended 31 July 2023

NOTE 1: Significant accounting policies

Statement of compliance

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

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

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

Basis of preparation

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

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 31.

Going concern basis of accounting

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

As disclosed in the financial report, the Group has incurred a net loss after income tax of $32.7 million and has cash outflows from operating activities of $12.5 million for the year ended 31 July 2023, and as of that date, the Group's current liabilities exceeded its current assets by $9.7 million.

These factors indicate a material uncertainty which may cast significant doubt as to whether the Group will continue as a going concern and therefore whether it will realize its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe that there are reasonable grounds to believe that the Group will be able to continue as a going concern, after consideration of the following factors:

- The Group holds cash and cash equivalents of $1.8 million as at 31 July 2023;
- The Group has an undrawn facility of $3.5 million on the term loan to support its working capital and capital expenditure requirements;
- The Group has successfully raised $1.3 million in capital from existing and new investors in August 2023 and intends to raise additional capital in the next 6-12 months;
- As disclosed in Note 35 Subsequent events, the Company received a letter from the lender waiving the requirement to comply with the financial covenants of the facility agreement for the period ended 31 July 2023; and
- The budget and cashflow forecast prepared by the Group for the twelve-month period from the date of signing the financial statements, which are based on the directors' estimates and assumptions about certain economic factors, and the operating and trading performance of the Group, support the Directors' assertion, and suggest that the group has cash and other financial resources sufficient to support its operations for the relevant period.

Notes to the Consolidated Financial Statements

(Cont.)

NOTE 1: Significant accounting policies (Cont.)

Accordingly, the Directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the Group does not continue as a going concern.

Basis of consolidation

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

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

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

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

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

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

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

All intra-Group assets and liabilities, equity, income and expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each profit or loss presented are translated at the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

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

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

Revenue recognition

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods to a customer. 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; and
5. Recognising revenue when/as performance obligation(s) are satisfied.

Notes to the Consolidated Financial Statements

(Cont.)

NOTE 1: Significant accounting policies (Cont.)

(i) Sale of Goods

The Group generates the majority of its revenue from the sales of goods. Sale of goods is recognised when the customer obtains control of the goods. Revenue from the sale of goods is recognised on delivery of goods to the customer.

(ii) Government Grants

Government grants relating to costs are deferred and recognised in profit and loss over the period necessary to match them with the costs that they are intended to compensate. Government payments received in relation to COVID-19 have been recognised under other income.

(iii) Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

(i) Current tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

(ii) Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

(iii) Current and deferred tax for the period

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

(iv) Tax Losses

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

(v) Tax Consolidation

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

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

Discontinued operations and non-current assets/disposal groups classified as held for sale

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

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

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Notes to the Consolidated Financial Statements

(Cont.)

NOTE 1: Significant accounting policies (Cont.)

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less any allowances for expected credit losses. Trade receivables are generally due for settlement within 30-60 days. The Group has applied the simplified approach to measure expected credit losses which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost less any allowance for expected credit losses.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of stock on the basis of weighted average costs. Cost comprises of direct materials and delivery costs, import duties and other taxes. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable. Net realisable value represents the estimated selling price less the carrying value of inventory and costs necessary to make the sale.

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

Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk, including forward contracts comprising foreign exchange forward contracts and options. Further details of derivative financial instruments are disclosed in Note 26 to the financial statements.

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

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

Financial assets

(i) 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.

(ii) 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).

(iii) 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).

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.

(iv) 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; and
- 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.

Notes to the Consolidated Financial Statements

(Cont.)

NOTE 1: Significant accounting policies (Cont.)

(v) Impairment of financial assets

AASB 9's impairment model uses more forward-looking information to recognize expected credit losses – the 'expected credit losses (ECL) model'. The application of the 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.

Plant and Equipment

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

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

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

Plant and equipment:	2.5-10 years
Leasehold improvements:	3-5 Years

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right-of-use Assets

A right-of-use asset is recognised at the commencement of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit and loss as incurred.

Intangible assets

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

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Intangible assets are amortised, based on the useful lives assessed by management, on a straight-line basis, as follows:

- Software 3 years
- Customer database 5 years
- Patents 20 years
- Trademarks 3-5 years
- Licenced distribution agreements 1-20 years

Impairment of tangible and intangible assets

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

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

Notes to the Consolidated Financial Statements

(Cont.)

NOTE 1: Significant accounting policies (Cont.)

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

Trade payables

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

The amounts are unsecured and usually paid within 30 to 90 days of recognition. The average credit period on purchases of certain goods from international supplier's ranges from 4 weeks to 4 months. There is no interest charged on trade payables. The Group has financial risk management policies in place to ensure that, as often as possible, all payables are paid within a reasonable timeframe.

Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

Licence guarantee commitments

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

Borrowings

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

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

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

Borrowing costs

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

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

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Provisions

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

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

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

Employee benefits

(i) Wages and salaries annual leave and long service leave

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

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

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(ii) Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

(iii) Profit sharing and bonus plans

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

Notes to the Consolidated Financial Statements

(Cont.)

NOTE 1: Significant accounting policies (Cont.)

(iv) Employee benefit on-costs

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

(v) Share-based payments

Share-based compensation benefits are provided to employees via the Company Employee Incentive Plan.

The fair value of options and performance and service share rights granted under the Company Employee Incentive Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options (vesting period).

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

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

Upon the exercise of options or performance and service share rights, the balance of the share-based payments reserve relating to those options is transferred within equity. The market value of shares issued to employees for no cash consideration under the employee incentive plan is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

Determination of fair values

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

In estimating the fair value of an asset or liability, the Group uses market observable data to the extent it is available. Where it is not available, the Group engages third party qualified valuers to perform the valuation. The fair value of the asset or liability is the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at measurement date.

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

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

Financial instruments issued by the Group

(i) Equity instruments

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

(ii) Other financial liabilities

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

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

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss. On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Notes to the Consolidated Financial Statements

(Cont.)

NOTE 1: Significant accounting policies (Cont.)

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Toys "R" Us ANZ Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and services tax

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

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

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

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

Rounding of amounts

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

NOTE 2: Application of new and revised Accounting Standards

2.1 Amendments to AASBs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Group has applied all amendments to AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 August 2022.

2.2 Accounting Standards issued but not yet effective and not 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.

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

In the application of the Group's accounting policies, which are described in Note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

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.

(i) Useful life and impairment of intangible assets

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

- Software – based on the licence or expected useful lives, not exceeding 3 years;
- Customer database – based on the expected churn rates;
- Patents and Trademarks – based on the contractual life of the patent/trademark, ranging from 10-20 years; and
- Licenced distribution agreements – based on the term of the agreement or the expected Brand product life cycle, ranging from 1-20 years.

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

Notes to the Consolidated Financial Statements

(Cont.)

NOTE 3: Critical accounting judgments and key sources of estimation uncertainty (Cont.)

The Group tests annually for intangibles assets with indefinite useful lives or when impairment indicators are identified, whether intangible assets have suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. The recoverable amounts of the other intangible assets have been determined on a relief from royalty basis. These calculations require the use of assumptions. A significant change to the assumptions affects the recoverable amount of the other intangible assets.

(ii) Recoverability of inventory

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

If there is no purchase during the last 12 months, a 50% provision is allocated.

At management's discretion, stock items which are deemed to become slow-moving or aged inventory soon after reporting period, a 50% provision is allocated.

(iii) Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss grouped based on days overdue and industry type and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates. The allowance for expected credit losses is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

(iv) Taxation timing differences recognised as asset and deferral of tax liability

The amount of deferred tax asset in respect of revenue tax losses is determined based upon expected future taxable income, and judgement as to the loss availability under the "continuity of ownership test", and where applicable the "similar business test". Based on the current assessment, determined using budget forecasts for FY2022, the Group has continued to not recognise an amount within the deferred tax asset for temporary differences. Refer to Note 8 for details.

(v) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

NOTE 4: Operating segments

Identification of reportable operating segments

The Group is organised into two operating segments based on differences in products sold: Business to Consumer (B2C) and Business to Business (B2C). These operating segments are based on the internal reports that are reviewed and used by the Board of Directors and KMP (who are identified as the Chief Operating Decision Makers ('CODM')) to make strategic and operating decisions, in assessing business performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements. The information reported to the CODM is on a monthly basis.

Information about products and services

The principal products of each of these operating segments are as follows:

- B2C – direct-to-consumer sale of consumer products (toys, hobby and baby goods); and
- B2B – wholesaling and distribution of IT products.

Intersegment transactions and balances are eliminated on consolidation. There were no inter-segment transactions during the year or account balances at 31 July 2023.

The directors have assessed that there are no major customers.

Operating segment Information

The Group's operating segment information from continuing operations is as follows:

Year ended 31-Jul-23	B2C $'000	B2B $'000	Corporate $'000	Total $'000
Revenue	21,642	10,501	–	32,143
Other income	–	–	399	399
Cost of goods sold	(18,819)	(8,189)	–	(27,008)
Other expenses	(10,618)	(1,497)	(2,426)	(14,541)
EBITDA	**(7,795)**	**811**	**(2,027)**	**(9,007)**

Year ended 31-Jul-22	B2C $'000	B2B $'000	Corporate $'000	Total $'000
Revenue	26,029	13,098	–	39,127
Other income	–	–	3	3
Cost of goods sold	(20,569)	(9,388)	–	(29,957)
Other expenses	(10,701)	(1,295)	(4,438)	(16,510)
EBITDA	**(5,257)**	**1,318**	**(4,435)**	**(8,477)**

Notes to the Consolidated Financial Statements

(Cont.)

NOTE 4: Operating segments (Cont.)

Reconciliation from segment reporting to net profit/(loss) after tax from continuing operations

	Year ended 31-Jul-23 $'000	Year ended 31-Jul-22 $'000
EBITDA	(9,007)	(8,477)
Depreciation, amortisation and impairment expenses	(14,043)	(16,094)
Finance costs (net)	(2,561)	-
Loss before income tax expenses	**(25,611)**	**(24,571)**
Income tax benefit/(expense)	**316**	**295**
Loss after income tax expense	**(25,295)**	**(24,276)**

Depreciation, amortisation and impairment expense by segment

	Year ended 31-Jul-23 $'000	Year ended 31-Jul-22 $'000
B2C *	12,692	15,966
B2B	-	-
Corporate	1,351	128
	14,043	**16,094**

* Includes impairment of goodwill of $11,128,000 (2022: 14,500,000).

Geographical information

The Group's revenue from continuing operations are generated in Australia.

The Group's non-current assets are situated in Australia. The geographical non-current assets below are exclusive of, where applicable, financial instruments.

	31-Jul-23 $'000	31-Jul-22 $'000
B2C	4,100	19,764
B2B	4,067	4,067
Corporate	15,601	3,763
Total	**23,768**	**27,594**

NOTE 5: Discontinued operations and Disposal Group held for sale

During the current year, following a strategic review, the Board concluded to restructure its operations in order to reduce its operating costs and has reached agreement in principle with TRU Kids Inc to facilitate an orderly transition of the UK business and the transfer of its UK licence to TRU Kids Inc.

Consequent to the above, the UK business operations have been classified as discontinued operations and its assets and liabilities have been classified as disposal group held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

The erstwhile Funtastic business continues to be disclosed as discontinued operations.

(a) Financial performance of discontinued operations

	Year ended 31 July 2023 $'000	Year ended 31 July 2022 $'000
Revenue	5,278	1,200
Cost of Goods Sold	(4,368)	(1,036)
	910	**164**
Warehouse and Distribution Expenses	(1,564)	(79)
Marketing and Selling Expenses	(2,421)	(169)
Employee benefits Expenses	(1,234)	(342)
Administration Expenses	(553)	(51)
Restructuring costs	(280)	-
Earnings/(loss) before interest, taxation, depreciation and amortisation (EBITDA)	**(5,142)**	**(477)**
Finance costs	-	-
Depreciation and amortisation expenses	-	(6)
Impairment of intangible assets	(2,221)	-
Profit/(loss) before income taxes	**(7,363)**	**(483)**
Income tax expense	-	-
Profit/(loss) after income taxes from discontinued operations	**(7,363)**	**(483)**

(b) Cash flow information relating to discontinued operations

	Year ended 31 July 2023 $'000	Year ended 31 July 2022 $'000
Net cash from/(used in) operating activities	(6,575)	149
Net cash from investing activities	-	-
Net cash from/(used in) financing activities	814	(254)
Net increase/(decrease) in cash and cash equivalents from discontinued operations	**(5,761)**	**(105)**

Notes to the Consolidated Financial Statements
(Cont.)

NOTE 5: Discontinued operations and Disposal Group held for sale (Cont.)

(c) Assets of disposal group classified as held for sale

	31 July 2023 $'000	31 July 2022 $'000
Trade and other receivables	336	–
Inventories	2,173	–
Other current assets	610	–
	3,119	**-**

(d) Liabilities directly associated with assets classified as held for sale

	31 July 2023 $'000	31 July 2022 $'000
Trade payables	1,249	–
Other current liabilities	316	–
	1,565	**-**

(e) Restructuring costs

As at 31 July 2023, the Group has provided for an amount of $280,000 towards restructuring and legal costs in association with exiting the UK operations and surrender of the UK licence. The targeted exit date is 31 January 2024.

Provision for restructuring costs

	Year ended 31-Jul-23 $'000	Year ended 31-Jul-22 $'000
Carrying amount at the start of the year	–	–
Provisions recognised during the year	280	–
Provisions utilised during the year	–	–
Carrying amount at the end of the year	**280**	**-**

NOTE 6: Revenue

	Year ended 31-Jul-23 $'000	Year ended 31-Jul-22 $'000
From continuing operations		
Revenues from contracts with customers		
Gross revenue from the sale of goods	31,988	37,822
Total revenue from the sale of goods	**31,988**	**37,822**
Other Revenue	155	105
Total other revenue	**155**	**105**
Total revenue	**32,143**	**37,927**
Disaggregation of revenues		
The disaggregation of revenue from contracts with customers from continuing operations is as follows:		
Operating segments		
B2C	21,642	26,029
B2B	10,501	11,898
	32,143	37,927
Timing of revenue recognition		
Goods transferred at a point in time	32,143	37,927
Geographical regions		
Australia	32,143	37,927

Notes to the Consolidated Financial Statements

(Cont.)

NOTE 7: Profit/(loss) for the year

Profit/(loss) before income taxes from continuing operations includes the following specific expenses:

	Note	Year ended 31-Jul-23 $'000	Year ended 31-Jul-22 $'000
Other income			
Interest from bank deposits		56	3
Rental income from sub-lease of right-of-use assets		343	-
Total other income		**399**	**3**
Employee benefits expense			
Other employee benefits		4,836	5,625
Post-employment benefits - Defined contribution superannuation expense		410	378
Share-based payments		256	668
Total employee benefits expense		**5,502**	**6,671**
Finance costs			
Interest and finance charges paid/payable on borrowings		1,045	-
Interest and finance charges paid/payable in lease liabilities		1,053	-
Other borrowing costs		463	-
		2,561	**-**
Depreciation and amortisation expense			
Depreciation of property, plant & equipment	13	613	533
Depreciation of right-of-use assets	12	1,086	-
Amortisation of other intangible assets	14	1,216	1,061
Total depreciation and amortisation expense		**2,915**	**1,594**

NOTE 8: Income tax

(a) Income tax (benefit)/expense

	Year ended 31-Jul-23 $'000	Year ended 31-Jul-22 $'000
Tax expense comprises:		
Current tax (benefit)/expense in respect of the current year	(4,160)	(2,339)
Adjustments for prior periods	–	(5)
	(4,160)	**(2,344)**
Deferred tax expense comprises:		
Deferred tax (benefit)/expense relating to the origination and reversal of temporary differences	3,844	2,049
Total income tax (benefit)/expense	**(316)**	**(295)**
Income tax (benefit)/expense is attributable to:		
Loss from continuing operations	(316)	(295)
Profit/(loss) from discontinued operations	–	–
Total tax (benefit)/expense	**(316)**	**(295)**

(b) Income tax recognised in profit or loss

	Year ended 31-Jul-23 $'000	Year ended 31-Jul-22 $'000
The expense for the year can be reconciled to the accounting profit/(loss) as follows:		
Loss before income taxes from continuing operations	(25,611)	(24,571)
Loss before income taxes from discontinued operations	(7,363)	(483)
	(32,974)	**(25,054)**
Tax expense/(benefit) at the Australian tax rate of 25% (FY 2022: 25%)	(8,244)	(6,264)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Impairment of goodwill and other intangible assets	3,337	3,625
Other expenses that are not deductible in determining taxable loss	32	552
Effect of current year's unrecognised and unused tax losses and temporary differences	4,875	2,087
Effect of reversal of deferred tax liabilities	(316)	(290)
Adjustment for prior period	–	(5)
Income tax (benefit)/expense recognised in profit or loss	**(316)**	**(295)**

Notes to the Consolidated Financial Statements
(Cont.)

NOTE 8: Income tax (Cont.)

(c) Income tax recognised directly in equity

	31-Jul-23 $'000	31-Jul-22 $'000
Deferred Tax	-	-

(d) Current tax balances

	31-Jul-23 $'000	31-Jul-22 $'000
Current tax liabilities and assets		
Income tax (payable)/receivable	-	-

(e) Deferred tax assets

No movements in deferred tax asset balances were recognised in the financial year 2022 (2021: $0).

The following deferred tax assets relating to tax losses have not been brought to account as assets:	31-Jul-23 $'000	31-Jul-22 $'000
Tax losses - Revenue (gross)	90,080	79,436
Tax losses - Capital (gross)	32,834	11,023
	122,914	**90,459**
Potential tax benefit on revenue losses at 25% (FY 2022: 25%)	22,520	19,859

Tax Losses and temporary differences

The Company has made losses in current and previous reporting periods. Following the assessment of the probability of recovery, having considered forecast future taxable income and current tax legislation with respect to carrying forward tax losses and temporary differences, the full balance of tax losses available at 31 July 2023 has not been booked as a deferred tax asset in these financial statements.

(f) Deferred tax liabilities

	31-Jul-23 $'000	31-Jul-22 $'000
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Customer database intangible assets	738	1,054

Movement in deferred tax liabilities

	Year ended 31-Jul-23 $'000	Year ended 31-Jul-22 $'000
Opening balance	1,054	1,344
Additions through business combinations	-	-
Credited to profit or loss	(316)	(290)
Closing balance	**738**	**1,054**

Unrecognised taxable temporary differences associated with investments and interests in subsidiaries

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

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

Tax consolidation

(i) Relevance of tax consolidation to the Group

The Company and its wholly owned Australian resident entities formed a tax-consolidated Group with effect from 1 January 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated Group is Toys"R"Us ANZ Limited. The members of the tax-consolidated Group are identified in Note 24.

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

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

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

Notes to the Consolidated Financial Statements

(Cont.)

NOTE 9: Current assets – Trade and other receivables

	Year ended 31-Jul-23 $'000	Year ended 31-Jul-22 $'000
Trade receivables	811	779
Allowance for expected credit losses	(2)	(2)
	809	**777**
Other receivables	28	17
Total	**837**	**794**

The Group does not hold any collateral over these balances. The Group's trade and other receivables have been reviewed for indicators of impairment and include an allowance for expected credit losses as described in Note 3 (iii). The Group has recognised $Nil in profit and loss in respect of the expected credit losses for the year ended 31 July 2023 (FY 2022: gain of $75,340)

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected Credit losses	
Consolidated	**2023 %**	**2022 %**	**2023 $'000**	**2022 $'000**	**2023 $'000**	**2022 $'000**
Not overdue	0%	0%	872	667	–	–
1 – 60 days overdue	0%	0%	214	108	–	–
91 – 90 days overdue	0%	0%	11	2	–	–
Over 90 days overdue	9%	100%	23	2	2	2
Total			**1,120**	**779**	**2**	**2**

Movement in allowances for expected credit losses

	$'000
Year ended 31 July 2023	
Balance at beginning of year	**(2)**
Additional provisions recognised	–
Provisions reversed	–
Balance at end of the period	**(2)**
Year ended 31 July 2022	
Balance at beginning of year	**(2)**
Additional provisions recognised	(1)
Provisions reversed	1
Balance at end of the period	**(2)**

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for impairment.

NOTE 10: Current assets – Inventories

	Year ended 31-Jul-23 $’000	Year ended 31-Jul-22 $’000
Stock at cost	6,344	10,324
Less: Provision for obsolescence	(1,439)	(473)
	4,905	**9,851**

Movement in provision for obsolescence

	Year ended 31-Jul-23 $’000	Year ended 31-Jul-22 $’000
Balance at the beginning of the year	**(473)**	**(530)**
Additional provisions recognised	(1,000)	–
Provisions utilised/adjusted	34	57
Balance at the end of the year	**(1,439)**	**(473)**

NOTE 11: Other assets

	Year ended 31-Jul-23 $’000	Year ended 31-Jul-22 $’000
Current		
Prepaid expenses	134	113
Prepaid deposits for purchase of inventory	74	566
	208	**679**
Non-current		
Bonds and security deposits	2,935	3,763
	2,935	**3,763**

Notes to the Consolidated Financial Statements

(Cont.)

NOTE 12: Right-of-use assets

	Year ended 31-Jul-23 $'000	Year ended 31-Jul-22 $'000
Land and buildings		
Right-of-use assets – at cost	12,252	–
Less: Accumulated depreciation	(1,086)	–
	11,167	**-**
Reconciliation		
Balance at 1 August 2022	–	–
Additions	12,252	–
Depreciation expense	(1,086)	–
Balance at 31 July 2023	**11,167**	**-**

The Company entered into to an arrangement with the landlord on 20 July 2021 for lease of office and warehouse space in Clayton, Victoria for a period of ten years (with an option to extend for a further two terms of five years each) with an objective to consolidate all of its office and warehouse operations. The lease commenced in September 2022. The arrangement includes a lease incentive of $10.90 million, to be offset proportionally against monthly rental payments over the initial period of lease.

As at 31 July 2023, the Group leased office and warehouse premises under agreements of less than one year. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

NOTE 13: Non-current assets – Property, Plant and equipment

	Year ended 31-Jul-23 $'000	Year ended 31-Jul-22 $'000
Plant and equipment – at cost	2,997	2,932
Less: accumulated depreciation	(1,099)	(560)
	1,898	**2,372**
Leasehold improvements – at cost	951	16
Less: accumulated depreciation	(81)	(4)
	870	**12**
	2,768	**2,384**

Reconciliations

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

	Year ended 31-Jul-23			Year ended 31-Jul-22		
	Plant and equipment $'000	Leasehold improvements $'000	Total $'000	Plant and equipment $'000	Leasehold improvements $'000	Total $'000
Opening Balance	**2,372**	**12**	**2,384**	**1,933**	**4**	**1,937**
Additions during the year	564	442	1,006	974	12	986
Transfer	(498)	498	-	-	-	-
Disposal	(6)	(3)	(9)	(6)	-	(6)
Depreciation expense	(534)	(79)	(613)	(529)	(4)	(533)
Closing Balance	**1,898**	**870**	**2,768**	**2,372**	**12**	**2,384**

NOTE 14: Non-current Assets – Goodwill and Other Intangibles

	Year ended 31-Jul-23 $'000	Year ended 31-Jul-22 $'000
Goodwill	29,695	29,695
Less: Accumulated Impairment	(25,628)	(14,500)
	4,067	**15,195**
Software costs	284	265
Less: Accumulated amortisation	(245)	(220)
	39	**45**
Customer database	5,271	5,271
Less: Accumulated amortisation	(2,810)	(1,756)
	2,461	**3,515**
Other Licences and trademarks	375	2,786
Less: Accumulated amortisation	(43)	(94)
	332	**2,692**
Total Goodwill and Other Intangibles	**6,899**	**21,447**

Notes to the Consolidated Financial Statements

(Cont.)

NOTE 14: Non-current Assets – Goodwill and Other Intangibles (Cont.)

Reconciliations

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

2023	Goodwill $'000	Software costs $'000	Customer Database $'000	Other Licences and Trademarks $'000	Total $'000
Opening Balance	**15,195**	**45**	**3,515**	**2,692**	**21,447**
Additions	–	16	–	–	16
Disposals	–	–	–	–	–
Impairment	(11,128)	–	–	(2,221)[1]	(13,349)
Amortisation	–	(22)	(1,054)	(139)	(1,215)
Closing Balance	**4,067**	**39**	**2,461**	**332**	**6,899**

	Goodwill $'000	Software costs $'000	Customer Database $'000	Other Licences and Trademarks $'000	Total $'000
Opening Balance	**29,695**	**24**	**4,480**	**370**	**34,569**
Additions	–	31	–	2,412	2,443
Disposals	–	(4)	–	–	(4)
Impairment	(14,500)	–	–	–	(14,500)
Amortisation	–	(6)	(965)	(90)	(1,061)
Closing Balance	**15,195**	**45**	**3,515**	**2,692**	**21,447**

Impairment testing – Intangible Assets

Recoverability of software and licences has been assessed at the time of creation/subscription based on their useful life and is then amortised accordingly. All software and licences are reviewed for their usefulness and validity annually and impaired if required.

1. UK licence intangible asset (pertaining to B2C operating segment and CGU) with a net book value of $2,221,000 at 31 July 2023 has been fully impaired on the basis of the Group's decision to transition out of and discontinue the UK operations.

The Group has identified that there are two cash-generating units which are aligned with the operating segments disclosed in Note 4 and against which goodwill and other intangible assets are allocated and tested.

Goodwill	Year ended 31-Jul-23 $'000	Year ended 31-Jul-22 $'000
Business to consumer (B2C)	–	11,128
Business to business (B2B)	4,067	4,067
	4,067	**15,195**

The recoverable amount of the Group's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on budgets and forecast for FY 2024 and FY 2025 approved by the Board and extrapolated for a further 3 years using a steady rate, together with a terminal value. As at 31 July 2023, the recoverable value of value-in-use calculation of the B2C CGU was below the carrying value of the CGU. As a result of this analysis, the Group has recognised an impairment charge of $11.1 million in the current year against goodwill. The impairment charge was recorded as a separate line in the statement of profit or loss.

Key assumptions

Key assumptions are those to which the recoverable amount of the cash-generating units is most sensitive. The following key assumptions were used in the discounted cash flow model for the CGUs:

Key assumptions	B2C	B2B
Revenue and expenses for FY 2024 and FY 2025	Based on approved budgets	Based on approved budgets
Projected revenue and cost of sales growth rate per annum after budget period	4% (2022: 16%)	3% (2022: 3.5%)
Projected operating costs and overheads increase after budget period	5% (2022: 2.4%)	5% (2022: 2.4%)
Pre-tax discount rate	21.43% (2022: 19.43%)	21.43% (2022: 2.4%)
Long-term growth rate	3% (2022: 3%)	3% (2022: 2%)

The pre-tax discount rates reflect management's estimate of the time value of money and the Group's weighted average cost of capital, the risk-free rate and the volatility of the share price relative to market movements.

Management believes the projected revenue growth rates are prudent and justified, based on historical performance of the businesses.

Notes to the Consolidated Financial Statements

(Cont.)

NOTE 14: Non-current Assets – Goodwill and Other Intangibles (Cont.)

Outcome of impairment assessment

Based on the above:

- an impairment charge of $11,128,000 (2022: 14,500,000) has been recognised, as the carrying amount of goodwill exceeded its recoverable amount for the B2C CGU.
- the recoverable amount of the B2B CGU exceeded the carrying amount by $518,000.

Sensitivity

As disclosed in Note 3, the directors have made judgements and estimates in respect of impairment testing of goodwill.

Should these judgements and estimates not occur, the resulting goodwill carrying amount may decrease. The sensitivities are as follows:

B2C

Any negative changes in the key assumptions on which the recoverable amount of goodwill is based, would result in a further impairment charge for the B2C CGU.

B2B

- Revenue growth during the budget period would need to decrease by more than 7% before goodwill would need to be impaired, with all other assumptions remaining constant.
- The pre-tax discount rate would need to increase by 7% or more before goodwill would need to be impaired, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of both the CGUs' goodwill is based would not cause the CGUs' carrying amount to exceed its recoverable amount.

NOTE 15: Assets pledged as security

In accordance with the security arrangements of liabilities as disclosed in Note 16 to the financial statements, all assets of the Group, present and future, have been pledged as security. The Group does not have the right to sell or re-pledge the assets.

NOTE 16: Borrowings

Secured – at amortised cost	Year ended 31-Jul-23 $'000	Year ended 31-Jul-22 $'000
Current:		
Term loan[1]	11,500	-
UK loan facility	584	-
Non-current:		
UK loan facility[2]	526	10,000
Total Current	**12,610**	**10,000**

1. **Term loan**

   In July 2022, the Company obtained a three-year secured loan facility of $15 million to support working capital and capital expenditure requirements for the Group, including the acquisition of inventory. The loan is repayable at the end of July 2025 and as at the balance sheet date, the Group had utilised $11.5 million of the total facility limit. The facility is secured against all assets of the Group, both present and future.

   Covenant breach

   The term loan provided is subject to the provision of customary financial covenants, including maintaining specified asset-backed ratio, holding a minimum amount of cash balance and maintaining shareholders' funds above a specified amount. At 31 July 2023, the Group is in breach of the shareholders' funds covenant.

   The Company is in active communication with the lender in relation to the breach and has requested the lender for a waiver of the shareholders' funds covenant for the reporting period ended 31 July 2023.

   Due to the breach of the covenant clause, the lender could be contractually entitled to request immediate repayment of the outstanding loan facility amount of $11.5 million. However, the lender has not requested early repayment of the loan. The outstanding loan facility balance is therefore presented as a current liability as at 31 July 2023. Refer Note 35 Subsequent Events for information on the waiver obtained from the lender subsequent to year-end.

2. **UK loan facility**

   During the year, the Company entered into a secured loan agreement on the 22 June 2023 with TRU Kids Inc (TRUK) as lender for a commitment of up to USD$2 million (circa. AUD $3 million) for the UK business, in particular to support working capital requirement related to the retail Toys "R" Us branded stores within WH Smith High Street Limited stores in the UK. AUD $1.11 million (USD $0.75 million) was drawn as at 31 July 2023.

Notes to the Consolidated Financial Statements

(Cont.)

NOTE 17: Employee benefits

	Year ended 31-Jul-23 $'000	Year ended 31-Jul-22 $'000
Current		
Employee benefits(i), (ii)	460	393
Total Current	**460**	**393**
Non-current		
Employee benefits(i)	9	11
Total Non-current	**9**	**11**
Total	**469**	**404**

(i) The provision for employee benefits represents annual leave and long service leave entitlements accrued.

(ii) The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

NOTE 18: Lease liabilities

	Year ended 31-Jul-23 $'000	Year ended 31-Jul-22 $'000
Current	576	-
Non-Current	11,284	281
	11,860	**281**
Reconciliation:		
Opening balance	281	535
Additions during the year	12,252	-
Interest expense	1,053	-
Lease payments	(1,726)	(254)
Closing balance	**11,860**	**281**

Maturity analysis of lease liabilities

2023	Within 1 year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000	After 5 years $'000	Total $'000
Lease payments	1,677	1,728	1,813	1,900	1,989	9,181	18,287
Less: Finance charge	(1,101)	(1,043)	(971)	(884)	(779)	(1,649)	(6,427)
Discounted Lease Liabilities	**576**	**685**	**841**	**1,016**	**1,210**	**7,532**	**11,860**

2022	Within 1 year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000	After 5 years $'000	Total $'000
Lease payments	294	–	–	–	–	–	294
Less: Finance charge	(13)	–	–	–	–	–	(13)
Discounted Lease Liabilities	**281**	**–**	**–**	**–**	**–**	**–**	**281**

NOTE 19: Other current liabilities

	Year ended 31-Jul-23 $'000	Year ended 31-Jul-22 $'000
Accrued royalties	57	726
GST payable/(receivable) – net	12	(22)
Payroll accruals	375	178
Other accrued expenses	1,600	1,002
Total	**2,044**	**1,884**

Notes to the Consolidated Financial Statements

(Cont.)

NOTE 20: Equity and reserves

Share Capital	Year ended 31-Jul-23 $'000	Year ended 31-Jul-22 $'000
863,086,674 (2022: 861,861,184) fully paid ordinary shares	292,920	292,965

		Year ended 31-Jul-23		Year ended 31-Jul-22	
	Date	Number of Shares	Share Capital $'000	Number of Shares	Share Capital $'000
Movements in Ordinary Share Capital					
Opening balance		861,861,184	292,965	848,358,858	290,545
Shares issued as payment for intangible assets (net of transaction costs of $11,000)	14-Dec-21	–	–	13,394,216	2,401
Shares issued as consideration for remuneration	15-Dec-21	–	–	108,110	19
Shares issued as consideration for remuneration 31 August 2022	31-Aug-22	1,225,490	62	–	–
Buy-back of Unmarketable Parcels[1]	4-Jul-23	–	(107)	–	–
Closing balance		**863,086,674**	**292,920**	**861,861,184**	**292,965**

1. During the year, the Company bought back 4,260,395 shares at $0.025 per share and are held by the company at the end of the reporting period.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of members' shares held. At members' meetings, each fully paid ordinary share is entitled to vote when ta poll is called, otherwise each shareholder has one vote on a show of hands. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

Foreign currency translation reserve

The foreign translation reserve account accumulates exchange differences arising on translation of foreign controlled entities which are recognised in other comprehensive income. The carrying amount is reclassified to profit or loss when the net investment is disposed of.

Equity-settled employee benefits reserve

Movements in the reserve are detailed in the consolidated statement of changes in equity. The reserve records amount for the fair value of options granted and recognised as an employee benefits expense but not exercised.

NOTE 21: Earnings per share

	31-Jul-23 Cents per share	31-Jul-22 Cents per share
Basic earnings/(loss) per share		
From continuing operations	(2.93)	(2.83)
From discontinued operations	(0.85)	(0.06)
Total Basic Earnings/(loss) per share	**(3.78)**	**(2.89)**
Diluted earnings/(loss) per share		
From continuing operations	(2.93)	(2.83)
From discontinued operations	(0.85)	(0.06)
Total Diluted Earnings/(loss) per share	**(3.78)**	**(2.89)**
Basic earnings per share calculation:	**$'000**	**$'000**
Net loss after tax for the year – continuing operations	(25,295)	(24,276)
Net profit after tax for the year – discontinued operations	(7,363)	(483)
Profit/(Loss) used in the calculation of total basic EPS	**(32,658)**	**(24,759)**
	No. '000	**No. '000**
Weighted average number of ordinary shares ('WANOS') outstanding during the year used in the calculation of basic earnings/(loss) per share	862,986	856,867
Diluted earnings per share calculation:		
WANOS outstanding during the year used in the calculation of basic earnings/(loss) per share	862,986	856,867
Add: Shares deemed to be issued for no consideration in respect of:		
Performance and service rights[1]	–	22,184
WANOS and potential ordinary shares used as the denominator in calculating diluted earnings per share	**862,986**	**879,051**

1. Potential shares comprising performance and service rights have not been considered in the calculation of WANOS for diluted earnings per share as they are anti-dilutive in nature, due to the losses incurred.

Notes to the Consolidated Financial Statements

(Cont.)

NOTE 22: Dividends on equity instruments

There were no dividends declared or paid during the financial year (2022: nil). The franking account balance at 31 July 2023 is $19,318,846 (2022: $19,318,846).

NOTE 23: Licence guarantee commitments

Under the terms of various Licence Agreements, the company guarantees the minimum level of licence payments. The commitment in relation to these guarantees not already recognised is as follows:

	Year ended 31-Jul-23 $'000	Year ended 31-Jul-22 $'000
Not later than one year	4,780	1,713
Later than one year but not later than two years	8,279	1,713
Later than two years but not later than five years	16,404	5,138
Later than five years	56,781	26,545
	86,244	**35,109**

NOTE 24: Subsidiaries

Name of Entity	Country of Incorporation	Equity Holding Year ended 31-Jul-23 %	Equity Holding Year ended 31-Jul-22 %
Company			
Toys"R"Us ANZ Limited[(i), (v)]	Australia	100	100
Subsidiaries			
UK TRU Limited (UK Toys R Us Limited)[(iii), (v)]	United Kingdom	100	100
Mittoni Pty Limited[(ii), (v)]	Australia	100	100
Hobby warehouse Pty Limited[(ii), (v)]	Australia	100	100
Toys R Us Licensee Pty Limited[(ii), (v)]	Australia	100	100
FUN International Limited[(iv)]	Hong Kong	–	100
NSR (HK) Limited[(iv)]	Hong Kong	–	100
Funtastic America Inc.[(iv)]	USA	–	100

(i) Toys"R"Us ANZ Limited is the head entity within the tax consolidated Group.

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

(iii) During the year, the Company updated its name from UK Toys R Us Limited to UK TRU limited.

(iv) These subsidiaries were wound down and deregistered during the year.

(v) These subsidiaries are parties to a Deed of Cross Guarantee with Toys"R"Us ANZ Limited created on 15 June 2022 pursuant to ASIC Class Order 2016/785 and are relieved from the requirement to prepare and lodge an audited Financial Report. Refer to disclosure for Consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Balance Sheet of the entities who are a party to the Deed of Cross Guarantee.

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

	Year ended 31-Jul-23 $'000	Year ended 31-Jul-22 $'000
Revenue	32,143	37,927
Cost of Goods Sold	(27,008)	(29,956)
Gross profit	**5,135**	**7,971**
Other income	399	3
Warehouse and distribution expenses	(2,012)	(2,374)
Marketing and Selling Expenses	(4,191)	(5,805)
Employee benefit expenses	(5,502)	(6,329)
Administration Expenses	(2,836)	(1,942)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	**(9,007)**	**(8,477)**
Finance costs (net)	(2,561)	-
Impairment of goodwill	(11,128)	(14,500)
Depreciation and amortisation expenses	(2,915)	(1,594)
Loss before income tax	**(25,611)**	**(24,571)**
Income tax (expense)/benefit	316	295
Loss for the period from continuing operations	**(25,295)**	**(24,276)**
Profit/(Loss) after income taxes from discontinued Operations	(7,363)	(483)
Loss for the year	**(32,658)**	**(24,759)**
Other comprehensive income/(loss) for the year (net of tax)	(234)	20
Total comprehensive income/(loss) for the year	**(32,893)**	**(24,739)**

Financial performance of discontinued operations	**$'000**	**$'000**
Revenue	5,278	1,200
Cost of Goods Sold	(4,368)	(1,036)
Gross Profit	**910**	**164**
Other Income (including government grants)	-	-
Warehouse and Distribution Expenses	(1,564)	(79)
Marketing and Selling Expenses	(2,421)	(169)
Employee benefits Expenses	(553)	(342)
Administration Expenses	(1,234)	(51)
Restructuring costs	(280)	-
Earnings/(loss) before interest, taxation, depreciation and amortisation (EBITDA)	**(5,142)**	**(477)**
Finance costs	-	-
Depreciation, amortisation and impairment expenses	(2,221)	(6)
Profit/(Loss) before income taxes	**(7,363)**	**(483)**
Income tax expense	-	-
Profit/(Loss) after income taxes from discontinued operations	**(7,363)**	**(483)**

Notes to the Consolidated Financial Statements

(Cont.)

NOTE 24: Subsidiaries (Cont.)

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

	31-Jul-23 $'000	31-Jul-22 $'000
Current assets		
Cash and cash equivalents	1,766	12,538
Trade and other receivables	837	794
Inventories	4,905	9,851
Other current assets	208	679
	7,716	**23,862**
Assets of disposal group held for sale	3,119	-
Total current assets	**10,835**	**23,862**
Non-current assets		
Property, plant and equipment	2,767	2,384
Goodwill and other intangibles	6,899	21,447
Right-of-use assets	11,167	-
Other non-current assets	2,935	3,763
Total non-current assets	**23,768**	**27,594**
Total Assets	**34,603**	**51,456**
Current Liabilities		
Trade payables	3,405	3,263
Borrowings	12,084	-
Contract liabilities/deferred revenue	114	422
Employee benefits	460	393
Provision for restructuring	280	-
Lease liabilities	576	281
Other current liabilities	2,044	1,884
	18,963	**6,243**
Liabilities directly associated with disposal group held for sale	1,565	-
Total current liabilities	**20,528**	**6,243**
Non-current liabilities		
Borrowings	526	10,000
Employee benefits	9	11
Deferred tax	738	1,054
Lease liabilities	11,284	-
Total non-current liabilities	**12,557**	**11,065**
Total liabilities	**33,085**	**17,308**
Net assets	**1,518**	**34,148**
Equity		
Issued capital	292,920	292,965
Accumulated losses	(291,878)	(260,958)
Reserves	476	2,141
Total Equity	**1,518**	**34,148**

NOTE 25: Notes to the cash flow statements

(a) Reconciliation of cash and cash equivalents

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

	Year ended 31-Jul-23 $'000	Year ended 31-Jul-22 $'000
Cash	–	–
Cash equivalents	1,766	12,538
	1,766	**12,538**

(b) Financing facilities

	Year ended 31-Jul-23 $'000	Year ended 31-Jul-22 $'000
Total Financing Facilities		
Bank Guarantees	–	–
Secured Loan[(i), (ii)]	18,000	15,000
	18,000	**15,000**
Reconciliation of Finance facilities		
Used at Balance Date		
Bank Guarantees	–	–
Secured Loan[(i), (ii)]	12,610	10,000
	12,610	**10,000**
Unused at Balance Date		
Bank Guarantees	–	–
Secured Loan[(i), (ii)]	5,390	5,000
	5,390	**5,000**

(i) In July 2022, the Company had obtained a three-year secured loan facility of $15 million for the UK business operations, repayable at the end of July 2025. As at 31 July 2023, the Company had utilised $11.5 million of the total facility limit.

(ii) On 22 June 2023, the Company entered into a secured loan agreement with TRU Kids Inc (TRUK) as lender for a commitment of up to USD $2 million (circa. AUD $3 million) for the UK business, in particular to support working capital requirement related to the retail Toys "R" Us branded stores within WH Smith High Street Limited stores in the UK. As at 31 July 2023, the Company had utilised AUD $1.11 million (USD $0.75 million) of the total facility limit.

Notes to the Consolidated Financial Statements

(Cont.)

NOTE 25: Notes to the cash flow statements (Cont.)

(c) Reconciliation of Profit/(Loss) after Income Tax to Net Cash Flow from Operating Activities

	Year ended 31-Jul-23 $'000	**Year ended 31-Jul-22 $'000**
Loss after income tax	(32,658)	(24,759)
Depreciation and amortisation	2,915	1,600
Impairment of goodwill and other intangible asset	13,349	14,500
Share-based payments expense	369	668
Shares issued as consideration for salaries and bonus	–	19
Other revenue	(106)	(3)
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
(Increase)/decrease in trade and other receivables	(379)	1,088
(Increase)/decrease in inventories	2,773	(3,845)
(Increase)/decrease in prepayments and other assets	(139)	270
(Decrease)/Increase in trade and other payables	1,148	688
Increase/(decrease) in provisions	64	(16)
Decrease in income tax receivable	–	12
(Decrease) in deferred tax liabilities	(316)	(290)
(Decrease) in other liabilities	515	(834)
Net cash outflow from operating activities	**(12,465)**	**(10,902)**

NOTE 26: Financial Instruments

Capital risk management

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

The capital structure of the Group consists of debt, which comprises the borrowings detailed in Note 16, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, accumulated losses and reserves as disclosed in the Statement of Changes in Equity.

The Board reviews the capital structure on a regular basis. As part of this review the cost of capital and the risks associated with each class of capital is considered. The Group balances its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt and the repayment of debt.

Significant accounting policies

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

Categories of financial instruments[1]	Year ended 31-Jul-23 $'000	Year ended 31-Jul-22 $'000
Financial assets		
Cash and cash equivalents	1,766	12,538
Trade and other receivables	1,173	794
Other assets	2,935	3,763
Total non-derivative financial assets	**5,874**	**17,095**
Total derivative financial assets	**-**	**-**
Total financial assets	**5,874**	**17,095**
Financial liabilities		
Non-interest bearing	4,655	3,263
Other liabilities	2,349	1,906
Fixed interest rate instruments - Lease liabilities	11,860	281
Fixed interest rate instruments - Borrowings	12,610	10,000
Total non-derivative financial liabilities	**31,474**	**15,450**
Total derivative financial liabilities	**-**	**-**
Total financial liabilities	**31,474**	**15,450**

1. Balances include financial instruments pertaining to discontinued operations (assets and liabilities directly associated with classified as held for sale) as well.

Financial risk management objectives

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

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

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

Market risk

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

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

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

Notes to the Consolidated Financial Statements

(Cont.)

NOTE 26: Financial Instruments (Cont.)

In FY 2023, while there have been interest rate increases, there has been no material change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

Foreign currency risk management

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

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

	Liabilities		Assets	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
US Dollars	697	1,317	–	–
GBP	691	304	258	78
SGD	22	–	–	–

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rates fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the Group's functional currency. This is measured using sensitivity and cash flow forecasting.

Foreign currency sensitivity

The Group is mainly exposed to the US dollar (USD) and the UK Pound Sterling (GBP). The following table details the Group's sensitivity to a 10% increase and 10% decrease in the Australian dollar against the relevant foreign currencies. 10% is the sensitivity rate which represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit or loss where the Australian dollar strengthens against the respective currency. For a weakening of the Australian dollar against the respective currency there would be an equal and opposite impact on profit or loss and the balances below would be equal and opposite. A positive number indicates an increase in other equity where the Australian dollar weakens against the respective currency. For a strengthening of the Australian dollar against the respective currency there would be an equal and opposite impact on other equity and the balances below would be negative.

	Impact on profit or loss Gain/(loss)	
	2023 $'000	2022 $'000
10% increase in AUD against foreign currency		
USD	70	132
GBP	43	23
SGD	2	–
	115	**155**

	Impact on profit or loss Gain/(loss)	
	2023 $'000	2022 $'000
10% decrease in AUD against foreign currency		
USD	(70)	(132)
GBP	(43)	(23)
SGD	(2)	-
	(115)	**(155)**

Forward foreign exchange contracts

At 31 July 2023, there were no foreign exchange contracts (2022: Nil).

Interest rate risk management

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

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

Interest rate sensitivity

As at 31 July 2023, the Group has a fixed interest rate of 11.5% p.a. on its secured borrowings of $11.5 million as at the balance sheet date. In an event of default payment of interest, the Group will have an additional interest expense of $0.17 million per annum at an incremental 1.5% interest rate. It is the Group's policy to protect part of the loans from exposure to increasing interest rates.

In addition, the Group has a loan facility with its Licensor TRU Kids Inc. (TRUK) as at 31 July 2023. USD $0.75 million (circa. AUD $1.11 million) was drawn at balance sheet date. Repayment of the UK loan Facility (including accrued interest calculated at 10.56% per annum) is required to be made in six equal instalments of USD $390,000 (or proportional to the extent of the loans drawn down) each on 30 June 2024, 30 October 2024, 30 January 2025, 30 April 2025, 30 July 2025, and 30 October 2025 (being the final repayment date).

The Group does not have any variable rate borrowings as at the balance sheet date.

Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in a financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group's exposure and the credit ratings of its counterparties are monitored continuously and the aggregate value of transactions concluded is spread amongst approved counterparties.

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

Notes to the Consolidated Financial Statements

(Cont.)

NOTE 26: Financial Instruments (Cont.)

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

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

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk management

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

Liquidity and interest tables – financial liabilities

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

	Weighted average effective interest rate %	0– 3 months $'000	3 months to 1 year $'000	1 – 5 years $'000	5+ years $'000	Total $'000
2023						
Non-interest bearing	–	4,655	–	–	–	4,655
Other liabilities	–	2,348	–	–	–	2,348
Fixed interest rate instruments	11.42%	11,500	584	526	–	12,610
		18,503	**584**	**526**	**-**	**19,613**
2022						
Non-interest bearing	–	3,263	–	–	–	3,263
Other liabilities	–	1,906	–	–	–	1,906
Fixed interest rate instruments	9.50%	–	–	10,000	–	10,000
		5,169	**-**	**10,000**	**-**	**15,169**

Refer note 18 for maturity analysis of lease liabilities.

Liquidity and interest tables – financial assets

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

	Weighted average effective interest rate %	0 - 3 months $'000	3 months to 1 year $'000	1 - 5 years $'000	5+ years $'000	Total $'000
2023						
Cash	0.00%	1,766	–	–	–	1,766
Non-interest bearing	–	1,173	–	–	–	1,173
Fixed interest rate instruments	1.37%	–	–	2,935	–	2,935
		3,756	**–**	**2,935**	**–**	**5,874**
2022						
Cash	0.00%	12,538	–	–	–	12,538
Non-interest bearing	–	794	–	–	–	794
Fixed interest rate instruments	0.20%	–	–	–	3,763	3,763
		13,332	**–**	**–**	**3,763**	**17,095**

Fair value of financial instruments

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

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

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

Fair value measurements recognised in the consolidated statement of financial position

Fair value measurements are discussed in Note 1 and in the notes specific to that asset or liability.

Notes to the Consolidated Financial Statements

(Cont.)

NOTE 27: Share-based payments

(a) Expenses recognised

An expense of $368,964 (2022: $667,543) has been recognised in the profit and loss in relation to share-based payments granted.

(b) Share options and share appreciation rights

An employee incentive plan has been established by the Group and approved by shareholders at a general meeting whereby the Group may, at the discretion of the Remuneration and Nomination Committee, grant options and rights over ordinary shares in the company to directors and employees. The grant of options and rights forms a part of the Company's long term incentive objectives to encourage directors and employees to have a greater involvement in the achievement of the Company's objectives. Options and rights provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership. The options and rights are issued for nil consideration and are only subject to a vesting condition relating to the participant's continued employment with the Company. The options and rights must be exercised before their expiry date, or they will lapse. On the exercise of an option, the holder must pay to the Company the relevant exercise price multiplied by the number of options being exercised by the holder. The Company will issue the holder with a share for each option or right that the participant validly exercises.

(c) Reconciliation

Set out below are the summaries of options granted under the employee incentive plan as at 31 July 2023:

Grant date	Vesting date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Cancelled[2]	Balance at the end of the year
23-Nov-20[1]	23-Nov-20	1-Nov-23[3]	$0.14	10,149,450	-	-	(8,457,875)	1,691,575
23-Nov-20[1]	1-Nov-21	1-Nov-24	$0.17	10,180,305	-	-	(8,483,588)	1,691,956
23-Nov-20[1]	1-Nov-22	1-Nov-25	$0.20	10,342,333	14,707	-	(8,630,867)	1,696,717
1-May-21	1-May-23	1-May-25	$0.14	1,691,956	-	-	-	1,726,173
				32,364,044	**14,707**	**-**	**25,572,330**	**6,806,421**
Weighted average exercise price				$0.166	$0.199	-	$0.168	$0.160

1. All employee options under the employee incentive plan approved at the 2020 AGM, have been entirely granted. The balance at the start of the half year for Tranche 3 was an estimate and has been adjusted for the actual options issued based on the actual shares on issue at 1 November 2022. Share-based payment expenses recognised in relation to options granted during the year are based on fair value of options determined at grant date.
2. Cancelled as a result of resignation of Director Louis Mittoni on the 26 July 2023.
3. Options are exercisable at the end of the financial year.

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.39 years (2022: 2.29 years).

Set out below are the summaries of rights granted under the employee incentive plan as at 31 July 2023:

Grant date	Vesting date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Cancelled	Balance at the end of the year
21-Sep-21	31-Jul-24	21-Sep-26	$0.180	340,000	–	–	(210,000)[1]	130,000
23-Nov-20*	31-Jul-23	10-Dec-36	$0.180**	1,000,000	–	(347,489)[2]	(152,511)[2]	500,000
				1,340,000		**(347,489)**	**(362,511)**	**630,000**
Weighted average exercise price				$0.180		$0.000	$0.000	$0.180

* Service Rights replaced Share Appreciation Rights originally granted on 23 November 2020. The Service Rights were approved at the AGM dated 14 December 2021.

** Calculated based on the amount of Directors' fee sacrificed There is no cash payable in relation to these rights.

1. Cancelled as a result of resignation of employees.
2. Non-Executive Director, Nicki Anderson resigned on 31 August 2022. Service rights vested up to date of resignation were exercised. The unvested service Rights scheduled to vest during the period from date of resignation to vesting date have been cancelled and forfeited.

The weighted average remaining contractual life of rights outstanding at the end of the financial year was 11.14 years (2022: 11.78 years).

Set out below is a summary of share warrants granted to the lender of the term loan as at 31 July 2023:

Grant date	Vesting date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Cancelled	Balance at the end of the year
28-Jul-22	28-Jul-22	27-Jul-25	$0.150	18,000,000	–	–	–	18,000,000

(d) Fair value inputs

For options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Vesting date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
23-Nov-20	1-Nov-22	$0.135	$0.199	80%	0%	0.09%	$0.072

(e) Other information

The weighted average share price during the financial year was $0.026 (2022: $0.140).

Notes to the Consolidated Financial Statements
(Cont.)

NOTE 28: Key management personnel compensation

Details of key management compensation

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

	Year ended 31-Jul-23 $	Year ended 31-Jul-22 $
Short-term employee benefits	1,117,583	997,239
Post-employment benefits	98,918	94,785
Other long-term benefits	7,741	19,213
Termination benefits	278,419	30,931
Share-based payments	141,290	695,628
	1,643,951	**1,837,796**

NOTE 29: Related party transactions

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 24 to the financial statements.

(b) Transactions with Key Management Personnel

Key management personnel compensation

Details of key management personnel compensation are disclosed in Note 28 to the financial statements.

Loans to key management personnel and their related parties

During the financial year and to the date of this report, the Group made no loans to directors and other KMP. As at 31 July 2023, Louis Mittoni owed the Company $28,575 (31 July 2022: $16,719) related to personal expenses incurred on a company credit card. As at the date of this report, the balance outstanding was $28,575.

During the financial year, there were no other reportable transactions between the Group and its directors, KMP, or their personally related entities (Related Parties) (2022: $Nil).

(c) Transactions with other related parties

Transactions between Toys”R”Us ANZ Limited and other entities in the wholly owned Group during the financial years ended 31 July 2023 and 31 July 2022, which were eliminated on consolidation, consist of:

- loans advanced by Toys”R”Us ANZ Limited;
- management services provided by Toys”R”Us ANZ Limited;
- management services provided to Toys”R”Us ANZ Limited; and
- payment to/from Toys”R”Us ANZ Limited for the above services.

NOTE 30: Remuneration of Auditors

	Year ended 31-Jul-23 $	Year ended 31-Jul-22 $
RSM Australia Partners		
Audit Services		
Audit and review of the financial reports of the entity	122,899	118,210
Other Services		
Transaction services[1]	–	22,000
Compliance Services[2]	29,986	82,644
	152,885	**222,854**

1. FY 2022 relates to security and privacy services.
2. Relates to services performed by network firms of RSM Australia Partners in relation to winding down and deregistration of overseas subsidiaries

NOTE 31: Parent entity disclosures

Financial Position	As at 31-Jul-23 $'000	As at 31-Jul-22 $'000
Assets		
Current assets	16,069	30,737
Non-current assets	22,337	24,725
	38,406	**55,462**
Liabilities		
Current liabilities	(5,018)	(4,192)
Non-current liabilities	(22,839)	(10,000)
	(27,857)	**(14,192)**
Net Assets	**10,549**	**41,270**
Issued capital	292,920	292,965
Accumulated losses	(283,060)	(251,900)
Equity-settled employee benefits reserve	689	205
Total Equity	**10,549**	**41,270**

Financial Performance	Year ended 31-Jul-23 $'000	Year ended 31-Jul-22 $'000
Profit/Loss for the year – continuing operations	(31,033)	(19,067)
Profit/Loss for the year – discontinued operations	49	297
Total comprehensive loss	**(30,984)**	**(18,770)**

Notes to the Consolidated Financial Statements

(Cont.)

NOTE 31: Parent entity disclosures (Cont.)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity and some of its subsidiaries are party to a deed of cross guarantee under which each company guarantees the debts of the others. No deficiencies of assets exist in any of these subsidiaries.

Contingent liabilities

The parent entity had no contingent liabilities as at 31 July 2023 (2022: $Nil).

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 July 2023 (2022: $Nil).

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in Note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Indicator of an impairment of the investment.

NOTE 32: Contingent liabilities and contingent assets

As at 31 July 2023, the Group had issued bank guarantees of $2.96 million (2022: $3.66 million). The Group has placed an equivalent amount of cash deposit with the banks in relation to these bank guarantees (see note 11).

There are no contingent assets as at 31 July 2023 (2022: $Nil).

NOTE 33: Non-cash investing and financing activities

	Year ended 31-Jul-23 $'000	**Year ended 31-Jul-22 $'000**
Additions to right-of-use assets	12,252	–
Shares issued as consideration for intangible assets	–	2,412
	12,252	**2,412**

NOTE 34: Changes in liabilities arising from financing activities

	Borrowings $'000	Lease Liabilities $'000	Total $'000
Balance at 1 August 2021	**-**	**535**	**535**
Net cash from/(used in) financing activities	10,000	(254)	9,746
Balance at 31 July 2022	**10,000**	**281**	**10,281**
Balance at 1 August 2022	**10,000**	**281**	**10,281**
Addition	-	12,252	12,252
Net cash from/(used in) financing activities	2,610	(673)	1,937
Balance at 31 July 2023	**12,610**	**11,860**	**24,470**

NOTE 35: Subsequent events

On 28 September 2023, the Company received a letter from the lender waiving the requirement to comply with the financial covenants of the facility agreement for the period ended 31 July 2023.

No other matters or circumstance has arisen since 31 July 2023 that has significantly affected, or may significantly affect, the Group's operations, the results of these operations, or the Group's state of affairs in future years.

NOTE 36: General Information

Toys"R"Us ANZ Limited ("the Company") is a listed public company limited by shares, incorporated and domiciled in Australia. The addresses of its registered office and principal place of business are disclosed in the Corporate Directory. The principal activities of the Company and its subsidiaries (the Group) are described in Note 4.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 September 2023. The directors have the power to amend and reissue the financial statements.

Directors' Declaration

The directors declare that, in the directors' opinion:

(a) the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting standards;

(b) the attached financial statements and notes comply with International Financial Reporting Standards, as issued by the International Accounting Standards Board as stated in Note 1 to the financial statements;

(c) the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 July 2023 and of its performance for the year ended on that date; and

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

At the date of this declaration, the Company is within the class of companies affected by ASIC Legislative Instrument 2016/785 and has entered into a deed of cross guarantee as contemplated in that order. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in Note 24 to the financial statements will, as a Group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

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

On behalf of the Directors,

Kevin A Moore

Kevin A Moore
Chair of the Board

28 September 2023
Gold Coast, Queensland

Independent Auditor’s Report

RSM Australia Partners

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INDEPENDENT AUDITOR’S REPORT

To the Members of Toys“R”Us ANZ Limited

Opinion

We have audited the financial report of Toys“R”Us ANZ Limited (“the Company”) and its subsidiaries (together referred to as “the Group”) which comprises the consolidated statement of financial position as at 31 July 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group’s financial position as at 31 July 2023 and of its financial performance for the year then ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Independent Auditor's Report
(Cont.)

RSM

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 $32.7 million and had cash outflows from operating activities of 12.5 million during the year ended 31 July 2023 and, as of that date, the Group's current liabilities exceeded its current assets by $9.7 million. 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. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed this matter
Impairment assessment of goodwill Refer to **Note 14** in the financial statements	
At 31 July 2023, the Group had goodwill with a carrying amount of $4.10 million relating to acquisitions in the previous years. As required by AASB 136 *Impairment of Assets* ("AASB 136"), management has performed an impairment assessment over the goodwill balance at 31 July 2023 by: • calculating the recoverable amount of each identified cash generating unit ("CGU"), which was determined to be the value-in-use of the CGUs, using a discounted cash flow model. This model used cashflow projections for the CGUs for 5 years, with a terminal growth rate applied to the 5th year; • discounting the cash flow projections to their net present value using the Group's weighted average cost of capital ("WACC"); and • comparing the resulting value-in-use of each CGU to its carrying amount. Management has identified that there are two CGUs for the purpose of performing impairment testing (being B2B and B2C businesses). As a result of this exercise, an impairment of goodwill of $11.13 million was recognised during the year in relation to the B2C CGU. Management also performed a sensitivity analysis over the VIU calculation, by varying the assumptions used (growth	Our audit procedures in relation to the impairment testing of goodwill involved the assistance of our Corporate Finance team, and included: • Holding discussions with senior management, reviewing the Group's ASX announcements and reading minutes of directors' meetings to gather sufficient information regarding the operations of the current period, as well as the expectations going forward; • Assessing the reasonableness of management's determination that goodwill should be allocated to two CGUs based on the Group's business and the manner in which the results are monitored and reported; • Assessing and challenging the reasonableness of key assumptions used in the discounted cash flow model, including the cash flow projections, future growth rates, discount rate applied and terminal value. We also assessed whether the key assumptions adopted were applied on a consistent basis across the models; • Verifying the mathematical accuracy of the cash flow model and reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets; • Reviewing management's sensitivity analysis over the key assumptions in the model and assessing the reasonableness of the changes in key assumptions used in the analysis to determine when those changes would cause an additional impairment to be recognised;

Key Audit Matter	How our audit addressed this matter
rates, terminal growth rate and WACC) to assess the impact on the valuations. We determined impairment testing of goodwill to be a Key Audit Matter due to the materiality of the goodwill balance. Also, because this test involves significant level of management judgements and estimates such as the determination of the existing CGUs, the estimation of future cash flows of the business, including the growth rates and the discount rates applied to the estimated cash flows.	• Reviewing management’s calculation of the impairment loss determined at 31 July 2023; and • Reviewing the disclosures in Note 14 to the financial statements to assess the appropriateness, completeness, and compliance with the disclosure requirements of AASB 136 and AASB 138 *Intangible Assets*.
Revenue recognition Refer to **Note 6** in the financial statements	
Revenue recognition is considered a Key Audit Matter because of its significance to the Group’s reported financial performance. The risk is heightened due to having revenue streams across two distinct segments. Revenue recognition can be impacted by a failure to correctly measure revenue in accordance with applicable accounting standards and/or by applying an incorrect approach to period end cut-off.	Our audit procedures in relation to revenue recognition included: • Assessing whether the Group’s revenue recognition policies were in compliance with the requirements of AASB 15 *Revenues from Contracts with Customers;* • Evaluating and testing the operating effectiveness of key controls related to revenue recognition; • Reviewing any large or unusual transactions close to the end of the financial year; • Performing cut-off testing over transactions recorded either side of the period end, to ensure that revenues were recorded in the appropriate period; • Conducting a combination of tests of controls, substantive analytical procedures and tests of details in respect of revenue transactions; and Reviewing disclosures to corroborate they are appropriate and meet the requirements of AASB 15.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 July 2023; but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

(Cont.)

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance; but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report
We have audited the Remuneration Report included in the directors' report for the year ended 31 July 2023.

In our opinion, the Remuneration Report of Toys“R”Us ANZ Limited for the year ended 31 July 2023, complies with section 300A of the *Corporations Act 2001.*

Responsibilities
The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

RSM

RSM AUSTRALIA PARTNERS

Miano

R B MIANO
Partner

Melbourne, Victoria
Dated: 29 September 2023

Shareholder Information

Distribution of equity securities as at 16 October 2023.

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

	Fully Paid Ordinary Shares				
Holding Ranges	**Holders**	**Total Units**	**% Issued Share Capital**	**Options**	**Rights**
1 1,000	119	25,799	0.00%	–	–
1,001 5,000	37	92,499	0.01%	–	–
5,001 10,000	29	217,410	0.02%	–	100,000
10,001 100,000	545	27,341,865	2.96%	–	30,000
100,001 and over	417	895,240,475	97.00%	6,806,421	500,000
	1,147	**863,086,674**	**100.00%**	**6,806,421**	**500,000**

The number of shareholders holding less than a marketable parcel of shares was 368 holding 4,652,220 shares (based on the closing market price on 16 October 2023).

Twenty largest quoted equity security holders

Position	Holder Name	Holding	% IC
1	Louis Mittoni	202,450,331	21.93%
2	Jaszac Two Investment Trust <Jaszac Two Investment A/C>	103,064,772	11.17%
3	Hobby Warehouse Holdings Pty Ltd <Hobby Warehouse A/C>	50,000,000	5.42%
4	UBS Nominees Pty Ltd	43,593,832	4.72%
5	Theo Andriopoulos	41,257,508	4.47%
6	Citicorp Nominees Pty Limited	41,054,094	4.45%
7	Jaszac Two Pty Ltd ACN 160 712 096 <Investment A/C>	36,363,636	3.94%
8	Apes With Wings Pty Ltd <Salom Family 3 A/C>	24,825,000	2.69%
9	Tucks Industrial Packings & Seals Pty Ltd	17,000,000	1.84%
10	Tru Kids Inc	16,998,160	1.84%
11	Mr Ivan Vanis	14,000,000	1.52%
12	HSBC Custody Nominees (Australia) Limited – A/C 2	12,600,935	1.37%
13	BT Portfolio Services Limited <N & D Spartels S/F A/C>	11,500,000	1.25%
14	Honeystash Pty Ltd <Honeypot A/C>	10,454,545	1.13%
15	Mr Damien McLean Marshall	7,598,535	0.82%
16	Okeean Pty Ltd	6,500,000	0.70%
17	Mrs Karen Ann Deschepper & Mr Christopher Adrien Deschepper <Deschepper Super Fund A/C>	5,973,804	0.65%
18	HSBC Custody Nominees (Australia) Limited	5,250,742	0.57%
19	Merrill Lynch (Australia) Nominees Pty Limited	5,221,307	0.57%
20	Mr Xinguang Wang & Ms Jun Yin	5,100,000	0.55%
	Total	**660,807,201**	**71.59%**
	Total issued capital – selected security class(es)	**923,048,048**	**100.00%**

Shareholder Information
(Cont.)

Unquoted equity securities as at the date of this report

Security Classes	No. of Securities
Unlisted Options / Strike Price @ $0.166 / Expiring on 1/11/2024	1,696,717
Unlisted Options / Strike Price @ $0.138 / Expiring on 1/11/2023	1,691,575
Unlisted Options / Strike Price @ $0.138 / Expiring on 1/05/25	1,691,956
Unlisted Options / Strike Price @ $0.199 / Expiring on 1/11/25	1,726,173
Unlisted Service Rights	500,000
Unlisted Employees Share Appreciation Rights	130,000

Voting Rights

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

Ordinary shares

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

Options, Share Rights and Share Appreciation Rights

No voting rights.

Corporate Directory

Directors

Kevin Moore
Chair and Independent Non-Executive Director

Silvio Salom
Independent Non-Executive Director

John Tripodi
Independent Non-Executive Director

Penelope Cox
(appointed on 24 August 2023)
Chief Executive Officer and Managing Director

Kelly Humphreys
(appointed 5 October 2023)
Independent Non-Executive Director

Senior Management

Wei Si
Chief Financial Officer

Lian Yu
Chief Operating Officer

Company Secretary

Kim Clark
Boardroom Pty Ltd
Level 8, 210 George Street
Sydney NSW 2000

Registered Office

Level 8, 210 George Street
Sydney NSW 2000

Principal Place of Business

Unit 3, 45-49 McNaughton Road
Clayton, VIC 3168

Share Registry

Automic Group

Level 5, 126 Phillip Street
Sydney NSW 2000

Auditors

RSM Australia Partners

Level 21, 55 Collins Street
Melbourne VIC 3000

Bankers

Westpac Banking Corporation

4 Nexus Court
Mulgrave VIC 3170

Solicitors

Rotstein Commercial Lawyers

Level 5, 552 Lonsdale Street
Melbourne VIC 3000

Stock Exchange Listing

Toys”R”Us ANZ Limited shares are listed on the Australian Securities Exchange (ASX code: TOY)

Website

corporate.toysrus.com.au

Corporate Governance Statement

Refer to the Company’s website for all corporate governance information:
https://corporate.toysrus.com.au/investors/corporate-governance/

colliercreative.com.au #TOY0002

toysrus.com.au