



30 June 2009

The Manager  
Company Announcements Office  
Australian Stock Exchange Limited  
Level 4, Stock Exchange Centre  
20 Bridge Street  
Sydney, NSW 2000

Dear Sir

**ASX Announcement – Funtastic Limited Rights Issue**

Attached are the following documents:

- Offer Document including an Investor Presentation
- Letter to be sent to Ineligible Shareholders
- Cleansing Notice under section 708AA of the Corporations Act

Yours faithfully

DJ Berry  
Company Secretary

[www.funtastic.com.au](http://www.funtastic.com.au)

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## Rights Issue

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Details of a 1 for 1 Non-Renounceable Pro Rata Entitlement Offer  
of Funtastic Ordinary Shares at an Issue Price of A\$0.135

The Rights Issue closes at 5.00pm (AEST) on Thursday 30 July 2009

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## Directory

Funtastic Limited	ACN 063 886 199
Directors	Mr Graeme Yeomans (Chairman) Mr David Berry Mr Antony Lynch Mr Shane Tanner
Company Secretary	Mr David Berry
Registered Office	635 Waverley Road, Glen Waverley, Victoria 3150
Share Registry	Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street Abbotsford, Victoria 3067
Website	<a href="http://www.funtastic.com.au">www.funtastic.com.au</a>
Funtastic Shareholder Information Line	1300 520 739 (calls within Australia) or +61 3 9415 4393 (from outside Australia)

## Chairman's Letter

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30 June 2009

Dear Shareholder

### Funtastic Limited – Rights Issue

On behalf of the Board of Funtastic Limited (**Funtastic**), I am pleased to invite you to participate in a fully underwritten non-renounceable pro rata rights issue to subscribe for 1 new ordinary share in Funtastic for every existing Funtastic share held as at 7.00pm on 8 July 2009 at an issue price of A\$0.135 per share (**Rights Issue**). You may subscribe for all or part of your rights entitlement. The Rights Issue is only open to shareholders whose registered address is in Australia or New Zealand.

On 18 May 2009, Funtastic announced that it had entered into:

- a legally binding agreement to acquire NSR (HK) Limited, a Hong Kong based toy company, from interests associated with Mr Nir Pizmony (**NSR Acquisition**); and
- a legally binding underwriting agreement with interests associated with Mr Craig Mathieson to fully underwrite the Rights Issue.

As explained in the Notice of Annual General Meeting (**AGM**) sent to shareholders on or around 28 May 2009, the Rights Issue and the NSR Acquisition are each conditional on various matters, including approval of the transactions by shareholders. On 29 June 2009 at Funtastic's AGM, shareholders passed resolutions to approve Funtastic conducting both the NSR Acquisition and the Rights Issue.

Funtastic expects to raise approximately A\$22.3 million (before expenses) under the Rights Issue. Funtastic intends to use the net proceeds to repay debt and for working capital to support its business. Together with the business sales announced by Funtastic on 26 June 2009, the Rights Issue and the NSR Acquisition are important developments in Funtastic's strategy of re-focusing its business on its toy division and rebuilding its balance sheet to provide it with the ability to grow its business, including the new business it acquires through the NSR Acquisition.

This Offer Document includes important information about the Rights Issue, including:

- key dates and details of the Rights Issue;
- instructions on how to apply for all or part of your entitlement;
- other important information; and
- an Investor Presentation.

Accompanying this Offer Document is a personalised Entitlement and Acceptance Form which sets out your rights entitlement, to be completed in accordance with the instructions on the Form and the information contained in this Offer Document.

On behalf of the Board of Funtastic, I commend the Rights Issue to you and thank you once again for your continued support during what has been a challenging 12 months. The Board believes that the Rights Issue, the NSR Acquisition and the recently announced trade sales will position Funtastic to deliver a sustained improvement in its operational and financial performance.

Yours faithfully



Graeme Yeomans  
Chairman

## Important Information

### Introduction

This Offer Document is an important document and requires your immediate attention. It should be read in its entirety. This Offer Document has been prepared under section 708AA of the Corporations Act (as modified by ASIC Class Order 08/35) which permits companies to conduct rights issues without preparing a prospectus.

Your investment decision regarding the Rights Issue should be based on the information contained in this Offer Document, announcements made to ASX by Funtastic and other information available at [www.funtastic.com.au](http://www.funtastic.com.au) (including the Notice of AGM and Explanatory Notes given to ASX on 28 May 2009). This Offer Document is not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. If you have any queries as to whether participation in the Rights Issue is appropriate having regard to your particular circumstances or any queries on the specific consequences for you of any such participation, you should contact your stockbroker, accountant or other professional adviser.

Section 1 of this Offer Document contains detailed information on how to apply for New Shares under the Rights Issue. You should read this information carefully. Your Entitlement and Acceptance Form (accompanying this Offer Document) and payment for the subscription amount due must be received at Funtastic's share registry by 5pm on 30 July 2009 (AEST).

If you do not take up your Entitlement under the Rights Issue (in whole or in part), you will not receive any value for your Entitlement. In particular, as the Rights Issue is non-renounceable, you will not be able to sell your Entitlement on ASX.

Certain terms used in this Offer Document are defined in the Glossary in Section 4 of this Offer Document. All financial amounts shown in this Offer Document are in Australian dollars unless otherwise stated.

### Future Performance and Forward Looking Statements

Neither Funtastic nor any other person warrants or guarantees the future performance of the New Shares or any return on any investment made under this Offer Document. Forward looking statements, opinions and estimates provided in the Offer Document are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions.

Forward looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied on as an indication or guarantee of future performance. They are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of Funtastic and the Board, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by the forward looking statements in this Offer Document.

### Foreign Jurisdictions

This Offer Document has been prepared to comply with the requirements of the securities laws of Australia and New Zealand.

The New Shares being offered under this Offer Document are also being offered to Eligible Shareholders with registered addresses in New Zealand in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand). This Offer Document is not an investment statement or prospectus under New Zealand law, and may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

No action has been taken to register or qualify the Rights Issue, the Entitlements or the New Shares, or otherwise permit the public offering of the New Shares, in any jurisdiction other than Australia and New Zealand. The distribution of this Offer Document (including an electronic copy) outside Australia and New Zealand is restricted by law. If you come into possession of this Offer Document, you should observe such restrictions and should seek your own advice on such restrictions. Any non-compliance with these restrictions may contravene applicable securities laws.

The following international selling restrictions relate to the issue of New Shares under the Rights Issue:

#### (a) United States

This Offer Document does not constitute an offer of New Shares for sale in the United States, or to any person that is or is acting for the account or benefit of any U.S. person (as defined in Regulation S under the United States Securities Act of 1933, as amended (**Securities Act**)) (**U.S. Person**), or in any other jurisdiction in which such an offer would be illegal. Neither the Entitlements nor the New Shares have been or will be registered under the Securities Act or the securities laws of any state of the United States, and may not be offered or sold in the United States or to or for the account or benefit of U.S. Persons unless the New Shares are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available.

#### (b) New Zealand

This Offer Document has not been registered, filed with or approved by any New Zealand regulatory authority under or in connection with the Securities Act 1978 (New Zealand).

In accordance with relevant New Zealand securities law, a person who, on the Record Date, being 7:00pm (AEST) on Wednesday, 8 July 2009, was registered as a holder of Shares with a New Zealand address but who, at the time this Rights Issue opens (Tuesday, 14 July 2009) no longer holds Shares, is not eligible to participate in this Rights Issue.

## Key Dates and Details of the Rights Issue

### 1. Key Dates and Details of the Rights Issue

Event	Date
Record Date for the Rights Issue	7:00 pm (AEST) on Wednesday, 8 July 2009
Mailing of Entitlement and Acceptance Form to Eligible Shareholders	Completed by Tuesday, 14 July 2009
Opening Date	Tuesday, 14 July 2009
Closing Date	5.00pm (AEST) on Thursday, 30 July 2009
Deferred settlement trading of New Shares issued under the Rights Issue expected to commence on ASX	Friday, 31 July 2009
Despatch of holding statements	Friday, 7 August 2009
Last day of deferred settlement trading of New Shares	Friday, 7 August 2009
Normal trading of New Shares on ASX expected to commence	Monday, 10 August 2009

\* Dates and times are indicative only and subject to change. All times and dates refer to AEST.

#### 1.1 Introduction

The Rights Issue is a non-renounceable pro-rata offer to Eligible Shareholders to acquire one new fully paid ordinary share in Funtastic Limited (**Funtastic** or the **Company**) for each Funtastic ordinary share held as at the Record Date of 7.00pm on 8 July 2009 (AEST) at the issue price of A\$0.135 per New Share.

The Rights Issue is non-renounceable. This means that Funtastic shareholders who do not take up their Entitlements by the Closing Date of 5.00pm on 30 July 2009 will not receive any value for those Entitlements, and their equity interest in Funtastic will be diluted.

#### 1.2 Eligible Shareholders

Eligible Shareholders are those holders of Shares who:

- are registered as a holder of Shares as at the Record Date, being 7.00pm AEST on Wednesday 8 July 2009 and, in respect of New Zealand Shareholders only, continue to be a registered holder of Shares as at the Opening Date, being 14 July 2009;
- have a registered address in Australia or New Zealand;
- are not in the United States and are not, and are not acting for the account or benefit of, any U.S. Person;
- are eligible under all applicable securities laws to receive an offer under the Rights Issue.

The Rights Issue is not being extended to any Shareholder outside Australia and New Zealand.

#### 1.3 Commencement of the Rights Issue

The Rights Issue opens on 14 July 2009 and is expected to close at 5:00 pm AEST on 30 July 2009. Eligible Shareholders wishing to acquire New Shares under the Rights Issue will need to complete the Entitlement and Acceptance Form which is expected to be mailed to Eligible Shareholders by Tuesday, 14 July 2009. Shareholders may accept their Entitlement in whole or in part.

#### 1.4 Applications

Detailed information on how to apply for New Shares is set out in Section 2 of this Offer Document in the section "How to Apply". Applicants are encouraged to submit their Entitlement and Acceptance Forms, and payment for the subscription amount due, as soon as possible after the Rights Issue opens.

No allotment or issue of New Shares will be made under this Offer Document until the proceeds of the Rights Issue have been received by Funtastic and permission has been granted for official quotation of the New Shares on ASX.

#### 1.5 Underwriting

The Rights Issue is fully underwritten by Elsie May Holdings Pty Ltd ACN 136 934 337 as trustee of the Lauren Mathieson Family Trust No 3. For further information on the underwriting arrangements, including the circumstances entitling the underwriter to terminate its underwriting obligations, please refer to pages 25 to 27 of the Notice of AGM and Explanatory Notes sent to shareholders on or around 28 May 2009.

### 1.6 Shareholder Enquiries

Eligible shareholders who have questions regarding the Rights Issue should call the Funtastic Shareholder Information Line on 1300 520 739 (calls within Australia) or +61 3 9415 4393 (from outside Australia) at any time from 8:30 am to 5:00 pm (AEST) Monday to Friday or go to our website at [www.funtastic.com.au](http://www.funtastic.com.au).

This Offer Document is not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. If you have any queries as to whether participation in the Rights Issue is appropriate having regard to your particular circumstances or any queries on the specific consequences for you of any such participation, you should contact your stockbroker, accountant or other professional adviser.

### 1.7 Overseas Shareholders

The Offer is being made to Eligible Shareholders with a registered address in Australia and New Zealand only.

In accordance with the Listing Rules and the Corporations Act, Funtastic has decided that it would be unreasonable to extend the Rights Issue to Shareholders resident in countries other than Australia and New Zealand, having regard to:

- the number of Shareholders with a registered address in those countries;
- the number and value of New Shares that would be offered under the Rights Issue to Shareholders with a registered address in those countries; and
- costs of complying with legal and other regulatory requirements in those countries.

This Offer Document and the Entitlement and Acceptance Form do not constitute an offer, or an invitation to subscribe for, New Shares in any place in which it would not be lawful to make such an offer or invitation. Where this Offer Document has been despatched to Shareholders resident outside Australia and New Zealand and where the relevant jurisdictions laws prohibit or restrict in any way the making of the Offer, this Offer Document is provided for information purposes only.

The return of a duly completed Entitlement and Acceptance Form, or payment of the subscription amount, will constitute a representation by the applicant that there has been no breach of any such laws.



## How to Apply

### 2. How to Apply

#### 2.1 Your Entitlement

Under the Rights Issue, Eligible Shareholders are being offered the opportunity to subscribe for one New Share for every Share held at 7:00pm (AEST) on the Record Date, Wednesday, 8 July 2009, at the offer price of A\$0.135 per New Share.

Your Entitlement is set out on the accompanying Entitlement and Acceptance Form and has been calculated as one New Share for every Share held at 7:00pm (AEST) on the Record Date. If you have more than one holding of Shares, you will be sent more than one Entitlement and Acceptance Form and you will have separate Entitlements for each separate holding. New Shares issued under the Rights Issue will be fully paid and rank equally with existing Shares.

#### 2.2 Your Application

If you decide to take up all or part of your Entitlement, please complete and return the Entitlement and Acceptance Form with the requisite Application Monies or pay your Application Monies via BPAY®<sup>1</sup> by following the instructions set out on the Entitlement and Acceptance Form. Funtastic will treat you as applying for as many New Shares as your payment will pay for in full.

If you are paying by BPAY, please make sure to use the specific Biller Code and unique Customer Reference Number (**CRN**) on your personalised Entitlement and Acceptance Form. If you receive more than one Entitlement and Acceptance Form, please only use the CRN specific to the Entitlement on that Form.

If you take no action you will not be allocated any New Shares and your Entitlement will lapse. Your Entitlement to participate in the Rights Issue is non-renounceable and will not be tradeable or otherwise transferable. Shareholders who do not take up their Entitlements in full will not receive any payment or value for those Entitlements they do not take up.

If you take up and pay for all or part of your Entitlement before the Closing Date of 5:00pm (AEST) on Thursday, 30 July 2009, subject to variation, you will be allotted your New Shares on Wednesday, 5 August 2009. Funtastic's decision on the number of New Shares to be allocated to you will be final.

Funtastic also reserves the right (in its absolute discretion) to reduce the number of New Shares allocated to Eligible Shareholders, or persons claiming to be Eligible Shareholders, if their claims prove to be overstated or if they or their nominees fail to provide information to substantiate their claims.

#### 2.3 Acceptance of the Rights Issue

The method of acceptance of the Rights Issue will depend on your method of payment, being:

- by BPAY; or
- by cheque, bank draft or money order.

By completing and returning your personalised Entitlement and Acceptance Form or making a payment by BPAY, you will be deemed to have represented that you are an Eligible Shareholder.

##### (a) Payment by BPAY

For payment by BPAY, please follow the instructions on the Entitlement and Acceptance Form (which includes the Biller Code and your unique CRN). You can only make a payment via BPAY if you are the holder of an account with an Australian financial institution that supports BPAY transactions.

Please note that if you choose to pay by BPAY:

- you do not need to submit the personalised Form but are taken to have made the declarations on that Form; and
- if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Monies.

It is your responsibility to ensure that your BPAY payment is received by the Share Registry by no later than 5:00pm (AEST) on Thursday, 30 July 2009 (subject to variation). You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment, and you should therefore take this into consideration when making payment.

Any Application Monies received for more than your final allocation of New Shares will be refunded to you. No interest will be paid on any Application Monies received or refunded.

##### (b) Payment by cheque, bank draft or money order

For payment by cheque, bank draft or money order, you should complete your Entitlement and Acceptance Form in accordance with the instructions set out on that Form and return the Form accompanied by a cheque, bank draft or money order in Australian currency for the amount of the Application Monies, payable to "Funtastic Limited Rights Issue" and crossed "Not Negotiable".

<sup>1</sup> BPAY® is registered to Bpay Pty Ltd ABN 69 079 137 518.



Your cheque, bank draft or money order must be:

- for an amount equal to A\$0.135 multiplied by the number of New Shares that you are applying for; and
- in Australian currency drawn on an Australian branch of a financial institution.

You should ensure that sufficient funds are held in relevant account(s) to cover the Application Monies. If the amount of your cheque for Application Monies (or the amount for which the cheque clears in time for allocation) is insufficient to pay in full for the number of New Shares you have applied for in your Entitlement and Acceptance Form, you will be taken to have applied for such lower number of whole New Shares as your cleared Application Monies will pay for (and to have specified that number of New Shares on your Entitlement and Acceptance Form). Alternatively, your Application will not be accepted.

Any Application Monies received for more than your final allocation of New Shares will be refunded. No interest will be paid on any Application Monies received or refunded.

Cash payments will **not** be accepted. Receipts for payment will not be issued.

#### 2.4 Mail

It is important to note that the Rights Issue closes [at 5:00pm (AEST) on Thursday, 30 July 2009. To participate in the Rights Issue, your payment must be received no later than this date. Shareholders who make payment via cheque, bank draft or money order should mail their completed Entitlement and Acceptance Form together with Application Monies using the reply paid or self-addressed envelope provided with this booklet, or mail to:

Funtastic Limited Rights Issue  
GPO Box 505  
Melbourne VIC 3001  
AUSTRALIA

#### 2.5 Brokerage

Shareholders who participate in the Rights Issue will not be charged brokerage or commissions in relation to their acceptance of their Entitlement.

#### 2.6 No Cooling Off Period

Cooling off rights do not apply to an investment in New Shares under the Rights Issue. You cannot withdraw your application once it has been accepted. Further, Entitlements cannot be traded on the ASX or any other exchange, nor can they be privately transferred.

#### 2.7 Investment Decision

The Rights Issue is being made under provisions of the Corporations Act which allow rights issues to be offered without a prospectus lodged with ASIC. As a result, it is important for Eligible Shareholders to read and understand the information on Funtastic and the Rights Issue made publicly available, prior to accepting all or part of their Entitlement. In particular, you should read this Offer Document, Funtastic's annual reports, ASX announcements, and other announcements made available at [www.funtastic.com.au](http://www.funtastic.com.au) (including the Notice of AGM and Explanatory Notes given to ASX on 28 May 2009).

This Offer Document is not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. Funtastic is not licensed to provide financial product advice in respect of the New Shares. The Offer Document does not purport to contain all the information that you may require to evaluate a possible application for New Shares.

Before deciding whether to apply for New Shares, you should consider whether they are a suitable investment for you in light of your own investment objectives and financial circumstances and having regard to the merits or risks involved. If you have any queries as to whether participation in the Rights Issue is appropriate having regard to your particular circumstances or any queries on the specific consequences for you of any such participation, you should contact your stockbroker, accountant or other professional adviser.

### 3. Additional Information

#### 3.1 Risks

A number of risks and uncertainties, which are both specific to Funtastic and of a more general nature, may affect the future operating and financial performance of Funtastic and the value of New Shares. You should carefully consider the following risk factors, as well as the other information provided to you by Funtastic in connection with the Rights Issue, and consult your financial and legal advisers before deciding whether to invest in the New Shares.

The risks and uncertainties described below are not the only ones facing Funtastic. Additional risks and uncertainties that Funtastic is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect Funtastic's operating and financial performance.

It should be noted that the risks set out below are risks to which you are already exposed in relation to your existing shareholding in Funtastic.

##### (a) General Risk Factors

Investors should be aware that there are risks associated with any investment listed on ASX. The value of New Shares may rise above or fall below the Issue Price, depending on the financial condition and operating performance of Funtastic. Further, the price at which Funtastic shares trade on ASX may be affected by a number of factors unrelated to the financial and operating performance of Funtastic and over which Funtastic and its directors have no control. These external factors include:

- economic conditions in Australia and overseas;
- investor sentiment in the local and international stock markets and the volatility of those markets;
- availability of finance and the ability or willingness of financial institutions to provide finance on satisfactory terms;
- movements in foreign exchange rates;
- changes in fiscal, monetary, regulatory and other government policies;
- geo-political conditions such as acts or threats of terrorism or military conflicts; and
- any future changes to tax laws or accounting standards.

##### (b) Company Specific Risk Factors

- the success of Funtastic's business plan and its ability to execute its strategies;
- the integration and operation of the business conducted by NSR (HK) Limited, and the acquisition of other businesses or assets;

- the success of Funtastic in completing its program of rationalisation and disposal of non-core businesses, and in completing the transactions contemplated by legally binding sale agreements that it has signed;
- operational risks such as equipment failures, industrial action and disputes, accidents and IT system failures;
- changes to key business relationships, including key suppliers and distributors of products;
- counterparty risk, including where key suppliers and distributors, customers or other counterparties are unable to discharge their obligations under contractual arrangements;
- the carrying value of intangible assets is assessed against the discounted future cash flows of the businesses to which the goodwill asset relates. A deterioration in general economic conditions or the operating performance of Funtastic may affect the expected future cash flows generated from these businesses and result in an impairment of the goodwill carrying value at a future date;
- loss of key personnel or changes in management;
- interest rates, foreign exchange risks (to the extent they are not hedged), and financing risks;
- the level of borrowing the Company undertakes (or gearing); and
- potential changes to Australian laws, including tax laws and employment laws.

##### (c) Dividends

Funtastic's future dividend levels will be determined by the Board having regard to the operating results and financial position of Funtastic and there is no guarantee that any dividends will be paid or, if paid, that they will be paid at previous levels.

Investors should note that the historic share price performance of Funtastic shares provides no guidance as to its future share price performance.

Funtastic's dividend policy will be determined in light of a number of factors including, most importantly, the profitability of its business and by the terms of Funtastic's financing arrangements. Funtastic's profitability will be affected by such matters as its trading performance, level of borrowings, tax paid and the various risk factors set out above.

#### 3.2 Taxation Law

Set out below is a summary of the Australian tax implications of the Rights Issue for Eligible Shareholders who are residents of Australia for tax purposes and who hold their Shares as capital assets. The summary below does not necessarily apply to Eligible Shareholders who hold their Shares as assets used in carrying on a business or who may carry on the business of share trading, banking or investment.

The summary below does not necessarily apply to Eligible Shareholders whose Shares are held through an employee share plan or whose Shares are held as revenue assets or trading stock.

The summary below also does not take account of any individual circumstances of any particular Eligible Shareholder. Eligible Shareholders should seek specific advice applicable to their own particular circumstances from their own financial or tax advisers. Eligible Shareholders who are residents of New Zealand for New Zealand tax purposes should seek their own advice.

The summary below is based on the law in effect as at the date of this Offer Document.

**(d) Issue of Entitlements**

Subject to the qualifications noted above, the issue of the Entitlements will not itself result in any amount being included in the assessable income of an Eligible Shareholder.

**(e) Acceptance of Entitlements**

Eligible Shareholders who accept their Entitlements and subscribe for New Shares will acquire those shares with a cost base for capital gains tax (CGT) purposes equal to the Issue Price payable by them for those shares plus any non-deductible incidental costs they incur in acquiring those shares, but will not make any capital gain or loss, or assessable income, from exercising the Entitlements or subscribing for the New Shares.

**(f) New Shares**

Eligible Shareholders who accept their Entitlements will acquire New Shares. Any future dividends or other distributions made in respect of those New Shares will be subject to the same taxation treatment as dividends or other distributions made on Shares held in the same circumstances.

On any future disposal of New Shares, Eligible Shareholders may make a capital gain or capital loss, depending on whether the capital proceeds of that disposal are more than the cost base or less than the reduced cost base of the New Shares. The cost base of those shares is described above.

New Shares will be treated for the purposes of the CGT discount as having been acquired when the Eligible Shareholder exercised the Entitlement to subscribe for them. Accordingly, in order to benefit from the CGT discount in respect of a disposal of those New Shares, an Eligible Shareholder that is an individual, trust or complying superannuation fund must have held the New Shares for at least 12 months after that date before the disposal occurs (in addition to satisfying any other conditions affecting the ability of the shareholder to benefit from the CGT discount).

**(g) Other Australian Taxes**

No Australian Goods and Services Tax (GST) or stamp duty is payable in respect of the grant or exercise of the Entitlements or the acquisition of New Shares.

**3.3. Disclaimer of Representations**

No person is authorised to give any information, or to make any representation, in connection with the Rights Issue that is not contained in this Offer Document.

Any information or representation that is not in this Offer Document may not be relied on as having been authorised by Funtastic, or its related bodies corporate in connection with the Rights Issue. Except as required by law, and only to the extent so required, none of Funtastic, or any other person, warrants or guarantees the future performance of Funtastic or any return on any investment made under this Offer Document.

**3.4 Governing Law**

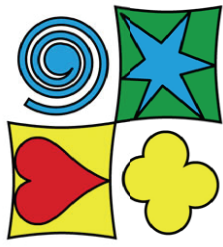
This Offer Document, the Rights Issue and the contracts formed on acceptance of the Entitlement and Acceptance Forms are governed by the laws applicable in Victoria, Australia. Each applicant for New Shares submits to the non-exclusive jurisdiction of the courts of Victoria, Australia.

## Glossary

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### 4. Glossary

<b>Application</b>	an application for New Shares lodged in accordance with the instructions in this Offer Document and the Entitlement and Acceptance Form
<b>Application Monies</b>	a payment or payments made to subscribe for New Shares
<b>Closing Date</b>	5.00pm, Thursday, 30 July 2009
<b>Eligible Shareholders</b>	has the meaning given in section 1.2
<b>Entitlement</b>	the number of New Shares for which an Eligible Shareholder is entitled to subscribe
<b>Entitlement and Acceptance Form</b>	the personalised entitlement and acceptance form accompanying this Offer Document which Eligible Shareholders may use to apply for New Shares
<b>Issue Price</b>	A\$0.135 per New Share
<b>New Share</b>	a Share issued under the Rights Issue
<b>Offer</b>	the offer of New Shares made under the Rights Issue
<b>Opening Date</b>	9.00am, Tuesday, 14 July 2009
<b>Record Date</b>	7.00pm, Wednesday, 8 July 2009
<b>Rights Issue</b>	the 1 for 1 non-renounceable pro rata entitlement offer to subscribe for New Shares at the Issue Price set out in this Offer Document and the Entitlement and Acceptance Form
<b>Share</b>	a fully paid ordinary share in the capital of Funtastic
<b>Shareholder</b>	a registered holder of Shares
<b>Share Registry</b>	Computershare Investor Services Pty Limited ABN 48 078 279 277



**funtastic**  
LIMITED

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# **Funtastic Limited Rights Issue Presentation**

**30 June 2009**

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## **Disclaimer**

This Presentation contains summary information about Funtastic Limited and its activities and is dated 30 June 2009. This Presentation is not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. If you have any queries as to whether participation in the Rights Issue is appropriate having regard to your particular circumstances or any queries on the specific consequences for you of any such participation, you should contact your stockbroker, accountant or other professional adviser.

## **Future Performance and Forward Looking Statements**

Neither Funtastic nor any other person warrants or guarantees the future performance of the New Shares or any return on any investment made under the Rights Issue. Forward looking statements, opinions and estimates provided in this Presentation are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions.

Forward looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. They are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of Funtastic and the Board, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by the forward looking statements in this Presentation.

## **Foreign Jurisdictions**

The New Shares being offered under the Rights issue are being offered to Eligible Shareholders with registered addresses in New Zealand in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand). This Presentation is not an investment statement or prospectus under New Zealand law, and may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

No action has been taken to register or qualify the Rights Issue, the Entitlements or the New Shares, or otherwise permit the public offering of the New Shares, in any jurisdiction other than Australia and New Zealand. The distribution of this Presentation (including an electronic copy) outside Australia and New Zealand is restricted by law. If you come into possession of this Presentation, you should observe such restrictions and should seek your own advice on such restrictions. Any non-compliance with these restrictions may contravene applicable securities laws.

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The following international selling restrictions relate to the issue of New Shares under the Rights Issue:

**a) United States**

This Presentation does not constitute an offer of New Shares for sale in the United States, or to any person that is or is acting for the account or benefit of any U.S. person (as defined in Regulation S under the United States Securities Act of 1933, as amended (Securities Act)) (U.S. Person), or in any other jurisdiction in which such an offer would be illegal. Neither the Entitlements nor the New Shares have been or will be registered under the Securities Act or the securities laws of any state of the United States, and may not be offered or sold in the United States or to or for the account or benefit of U.S. Persons unless the New Shares are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available.

**b) New Zealand**

This Presentation has not been registered, filed with or approved by any New Zealand regulatory authority under or in connection with the Securities Act 1978 (New Zealand).  
In accordance with relevant New Zealand securities law, a person who, on the Record Date, being 7:00pm (AEST) on Wednesday, 8 July 2009, was registered as a holder of Shares with a New Zealand address but who, at the time of this Rights Issue opens (Tuesday, 14 July 2009) no longer holds Shares, is not eligible to participate in this Rights Issue.



## Overview

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- As announced to ASX on 19 February 2009 and approved by shareholders at the AGM on 29 June 2009, Funtastic is undertaking a rights issue to strengthen its balance sheet
- The rights issue is fully underwritten by interests associated with Mr Craig Mathieson (“Mathieson”) and will raise approximately \$22.3 million (before costs)
- Net proceeds will be used to pay down debt and for working capital (including for the NSR business following acquisition)
- The rights issue is being undertaken concurrently with the acquisition of NSR (Hong Kong) Limited (“NSR”) from interests associated with Mr Nir Pizmony (“Pizmony”)
  - Shareholder approval for the NSR transaction was obtained on 29 June 2009
  - Following completion of the NSR acquisition it is expected that Pizmony will be appointed as a Director of Funtastic
  - Mathieson and Pizmony are “associates” as a matter of law
  - Refer to the Explanatory Notes forming part of the Notice of AGM for key terms of the underwriting agreement, information relating to the NSR transaction and the nature of the association between Mathieson and Pizmony

## Offer Details

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- 1 for 1 – will result in issue of 165.5 million new shares in Funtastic
- Non-renounceable
  - Fully underwritten by interests associated with Craig Mathieson (subject to customary termination rights)
- Following completion, it is expected that Mr Mathieson will be appointed a Director of Funtastic
- Priced at \$0.135 per share
- 10 million share shortfall facility
  - Funtastic able to place up to 10 million shares with persons to whom formal offers of shares can be made without a disclosure document

## Key Dates

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<b>Event</b>	<b>Date</b>
Record Date for the Rights Issue	7:00 pm (AEST) on Wednesday, 8 July 2009
Mailing of Entitlement and Acceptance Form to Eligible Shareholders	Completed by Tuesday, 14 July 2009
Opening Date	Tuesday, 14 July 2009
Closing Date	5.00pm (AEST) on Thursday, 30 July 2009
Deferred settlement trading of New Shares issued under the Rights Issue expected to commence on ASX	Friday, 31 July 2009
Despatch of holding statements	Friday, 7 August 2009
Last day of deferred settlement trading of New Shares	Friday, 7 August 2009
Normal trading of New Shares on ASX expected to commence	Monday, 10 August 2009

- Dates and times are indicative only and subject to change. All times and dates refer to AEST.
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## Benefits of the Rights Issue

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- Strengthens Funtastic's balance sheet following significant write downs and at a time of considerable uncertainty in the global economy
- Reduced interest costs
- Subject to completion of the rights issue and \$17 million of the rights issue proceeds being applied to permanent debt reduction, Funtastic's financiers have agreed to extension of debt facilities to 30 June 2011 with no financial covenants until 31 December 2010
- Provides a buffer against the impact of potential volatility in general trading and volatility in foreign exchange rates
- Enables Funtastic to further develop its core business of toys and provides increased opportunities for:
  - product development;
  - capitalising on licensing opportunities; and
  - seeking further global toy related opportunities

# Pro-forma Unaudited Balance Sheet

	31 Dec 2008		
	Audited A\$'000	Adjustments NSR (1) A\$'000	Rights Issue (2) Pro-forma (3) A\$'000
Cash	5,769	2,410	8,179
Trade & other receivables	56,225	595	56,820
Inventories	55,982		55,982
Other	28,714	1,221	29,935
Current tax assets	2,109		2,109
Property, plant & equipment	6,019	880	6,899
Goodwill & other intangibles	98,310	11,190	109,500
Deferred tax assets	5,396		5,396
<b>Total assets</b>	<b>258,524</b>	<b>16,296</b>	<b>274,820</b>
Trade payables	22,571	1,065	23,636
Bank debt	72,833	2,300	55,224
Provisions	10,154		10,154
Deferred purchase consideration	6,730	6,331	13,061
Other financial liabilities	2,305		2,305
Deferred tax liabilities	9,083		9,083
Other liabilities	23,067		23,067
Vendor loans		5,250	3,934
<b>Total liabilities</b>	<b>146,743</b>	<b>14,946</b>	<b>140,464</b>
<b>Net assets</b>	<b>111,781</b>	<b>1,350</b>	<b>134,356</b>
Net bank debt (Bank Debt less Cash)	67,064		47,045
Net Bank Debt / Total Equity	60.0%		35.0%

(1) Based on NSR (HK)'s pro-forma financial position as at 31/12/2008 (unaudited) adjusted for assumed bank debt and vendor loans of \$7,550k at completion. Goodwill/ other intangibles and deferred purchase consideration amounts are indicative only and based on Funtastic management estimates. All figures converted into A\$ based on exchange rate of A\$1 = US\$0.65

(2) Net proceeds of the rights issue after deducting 5% underwriting fee and assuming repayment of vendor loans of \$1.32m (\$0.65m at completion and \$0.67m on 1/1/2010)

(3) As at 31 December 2008, adjusted for NSR acquisition and net proceeds from 1-for-1 rights issue

Indicative pro-forma balance sheet does not include the impact on Funtastic of:

- costs associated with the NSR acquisition or rights issue (other than underwriting fee);
- sale proceeds and/or asset write downs from potential asset sales
- Tax effect accounting impacts under the NSR acquisition and rights issue

## Funtastic Funding Profile

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- Funtastic has accepted a formal offer from its financiers for the extension of banking facilities to 30 June 2011
  - Extension will allow the Board to complete the current restructuring and turnaround process
  - No financial covenants will apply until 31 December 2010
  - Offer is subject to completion of the rights issue
- \$17 million of the rights issue proceeds are to go towards permanent debt reduction, with ongoing facilities<sup>1</sup> post rights issue of \$107.5 million
- Proceeds from asset sales are to go towards further debt reduction

<sup>1</sup> Excludes bank guarantee / payroll / business card facilities

## Funtastic Strategy Update

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- Funtastic provided an update to the market on 26 June 2009 which announced the entering into of binding sale agreements in respect of its Footwear, Planet Fun and Apparel business units
- In addition, Funtastic has received offers from various parties for its Manchester business unit which it is currently considering
- If the above transactions are successfully concluded, expected proceeds of approximately \$20 million will be used to further reduce debt
- The divestment of discontinuing businesses is likely to result in (non cash) write-downs in goodwill and asset impairment which are expected to total approximately \$13 million
- Funtastic will continue to keep the market informed of further developments in accordance with ASX listing rules





30 June 2009

Dear Shareholder,

### **Funtastic Rights Issue – Notification to Ineligible Shareholders**

On \*30 June 2009, Funtastic Limited (**Funtastic**) announced that it was conducting a non-renounceable pro-rata rights issue to eligible shareholders to subscribe for 1 new Funtastic ordinary share (**New Shares**) for every 1 existing Funtastic ordinary share (**Shares**) held at an issue price of \$0.135 per New Share (**Rights Issue**).

The Rights Issue is being made to Eligible Shareholders (as defined below). The Rights Issue is being made by Funtastic in accordance with section 708AA of the Corporations Act 2001 and ASIC Class Order 08/35.

Documents relating to the Rights Issue were lodged with the ASX on 30 June 2009 and are being mailed to Eligible Shareholders.

This letter has been sent to you to explain why you are not an Eligible Shareholder, as a consequence of which you will not receive any other documents relating to the Rights Issue. You are not required to do anything in response to this letter.

### ***Details of the Rights Issue***

The Rights Issue is being made to Eligible Shareholders, on the basis of 1 New Share for every 1 existing Share held at 7.00pm (AEST) on 8 July 2009 (**Record Date**).

### ***Eligibility Criteria***

Funtastic has determined, pursuant to Listing Rule 7.7.1(a) of the ASX Listing Rules, that it would be unreasonable to make offers to shareholders in all countries in connection with the Rights Issue. Accordingly, in compliance with ASX Listing Rule 7.7.1(b), Funtastic wishes to advise you that it will not be extending the Rights Issue to you and you will not be able to subscribe for New Shares under the Rights Issue.

Shareholders who are eligible to participate in the Rights Issue (**Eligible Shareholders**) are shareholders who:

- (a) are registered as a holder of Shares as at 7.00pm (AEST) on 8 July 2009 (**Record Date**);
- (b) have a registered address in Australia or New Zealand;
- (c) are not in the United States and are not "U.S. persons" (as defined under Regulation S under the United States Securities Act of 1933, as amended) (U.S. Persons) and are not acting for the account or benefit of U.S. Persons; and

[www.funtastic.com.au](http://www.funtastic.com.au)

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Phone 613 9535 5888 Fax 613 9545 0829 ABN 94 063 886 199  
Email [general@funtastic.com.au](mailto:general@funtastic.com.au)

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(d) are eligible under all applicable securities laws to receive an offer under the Rights Issue.

As you are not an Eligible Shareholder, you will not be able to participate in the Rights Issue by subscribing for New Shares, nor will you be sent the Rights Issue offer documents relating to the Rights Issue. As the Rights Issue is non-renounceable you will not receive any payment or value for entitlements in respect of any New Shares that would have been offered to you if you were eligible.

This letter is not an offer to issue New Shares to you, nor an invitation for you to apply for New Shares, and you are not required to do anything in response to this letter.

If you have any questions in relation to any of the above matters, please contact the Funtastic Rights Issue Information Line on 1300 520 739 (local call from within Australia) or +61 3 9415 4393 (from outside Australia) from 8.30am to 5.00pm (AEST) Monday to Friday.

On behalf of the Board and management of Funtastic Limited, thank you for your continued interest in Funtastic Limited.

Yours sincerely



**David Berry**  
**Company Secretary**

This notice does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or for the account or benefit of, any "U.S. Person" (as defined in Regulation S under the United States Securities Act of 1933, as amended **(Securities Act) (U.S. Person)**). Neither the entitlements nor the New Shares have been or will be registered under the Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons, absent registration or an exemption from registration under the Securities Act or pursuant to a transaction not subject to the registration requirements of the Securities Act.

The provision of this document is not, and should not be considered as, financial product advice. The information in this document is general information only, and does not take into account your individual objectives, taxation position, financial situation or needs. If you are unsure of your position, please contact your accountant, tax advisor, stockbroker or other professional advisor.

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**Notice under section 708AA(2)(f) of the Corporations Act 2001  
as modified by ASIC Class Order 08/35**

This notice is given by Funtastic Limited (ACN 063 886 199) (**Funtastic**) under section 708AA(2)(f) of the *Corporations Act 2001* (Cth) (**Corporations Act**) as modified by Australian Securities and Investments Commission Class Order 08/35 (**CO 08/35**).

On 30 June 2009 Funtastic announced a fully underwritten non-renounceable pro rata rights issue (**Rights Issue**) of 1 fully paid Funtastic ordinary share (**New Share**) for every Funtastic share (**Share**) held as at 7.00pm (AEST) on 8 July 2009 by shareholders with a registered address in Australia or New Zealand.

Funtastic confirms that:

- (a) the New Shares will be offered for issue without disclosure under Part 6D.2 of the Corporations Act;
- (b) this notice is being given under section 708AA(2)(f) of the Corporations Act as modified by CO 08/35;
- (c) as at the date of this notice, Funtastic has complied with:
  - (i) the provisions of Chapter 2M of the Corporations Act as they apply to Funtastic; and
  - (ii) section 674 of the Act;
- (d) as at the date of this notice, there is no excluded information of the type referred to in sections 708AA(8) and 708AA(9) of the Corporations Act as modified by CO 08/35; and
- (e) the potential effect the Rights Issue will have on the control of Funtastic, and the consequences of that effect (**Potential Control Effects**), will depend on a number of factors. The Potential Control Effects are described in detail in the explanatory notes to Funtastic's Notice of Annual General Meeting (and accompanying independent expert's report) lodged with ASX and dispatched to shareholders on 28 May 2009 (**Notice of AGM**).

The Rights Issue will be fully underwritten by Elsie May Holdings Pty Ltd (as Trustee of the Lauren Mathieson Family Trust No 3) (**Underwriter**), an entity associated with Mr Craig Mathieson.

The Underwriter is not currently the registered holder of any shares in Funtastic, but the Underwriter is an associate of registered holders of shares in Funtastic and the vendors of the shares in NSR (HK) Limited (**NSR**), NSR Peas Pty Ltd and Mr Hod Pizem (**Vendors**). Funtastic has entered into a share sale agreement with the Vendors to acquire all of the shares in NSR (**Share Sale Agreement**) (**NSR Acquisition**). As at the date of the Notice of AGM, through these associate relationships the Underwriter has a relevant interest in 14,045,961 Shares (approximately 8.5% of Funtastic's share capital).

The Potential Control Effects of the Rights Issue will be determined by:

- (i) the extent to which eligible Funtastic shareholders elect to participate in the Rights Issue; and

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- (ii) the number of Shares that will be issued to the Vendors under the Share Sale Agreement.

The terms of the Share Sale Agreement are described in detail in the Notice of AGM. Relevantly, the Share Sale Agreement provides for the Vendors to be issued with (as consideration for the acquisition of NSR) 10,000,000 converting shares in Funtastic which will convert into a minimum of 10,000,000 Shares, and a maximum of 50,000,000 Shares. The actual number of Shares to be issued to the Vendors will be determined by reference to the financial performance of NSR over the period from 1 January 2009 to 31 December 2010 (**Earn-Out Period**).

The Underwriter and the Vendors are associates. The Underwriter will not receive any Shares under the Share Sale Agreement but it may be required to subscribe for New Shares under the Rights Issue. The minimum potential voting power of the Underwriter and the Vendors as a result of the Rights Issue and the NSR Acquisition is 11.17% and their maximum potential voting power is 60.25%.

The following table sets out the potential voting power of the Underwriter and the Vendors in various scenarios, depending on the number of Shares issued to the Vendors under the Share Sale Agreement and the level of participation of Funtastic shareholders in the Rights Issue.

		Shares issued to Vendors		
		10,000,000	30,000,000	50,000,000
Rights Issue Participation	0%	55.59%	58.05%	60.25%
	20%	45.88%	48.88%	51.56%
	40%	36.17%	39.71%	42.87%
	60%	26.47%	30.54%	34.19%
	100%	11.17%	16.09%	20.50%

Further scenarios setting out the possible voting power of the Underwriter and the Vendors as a result of the Rights Issue and the NSR Acquisition are set out in the Notice of AGM.

The Share Sale Agreement, and the underwriting agreement between Funtastic and the Underwriter, provide that, on completion of the Rights Issue and the NSR Acquisition, Mr Nir Pizmony and Mr Craig Mathieson will be appointed as directors of Funtastic.

In the Notice of AGM, each of the Underwriter and the Vendors stated that they have no current intention to:

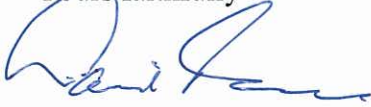
- (i) inject further capital into Funtastic;
- (ii) transfer any property between them (or any person associated with them) and Funtastic;
- (iii) change the employment policies of Funtastic, recognising that additional employees may be required in the future as Funtastic's operations expand; or



- (iv) change Funtastic's existing policy in relation to financial matters or dividends.

Detailed information regarding the Rights Issue and the NSR Acquisition is set out in the Notice of AGM.

Yours faithfully



David Berry

Company Secretary  
Funtastic Limited

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This notice does not constitute an offer to sell securities in the US or to U.S. Persons. Neither the entitlements nor the New Shares have been or will be registered under the United States Securities Act of 1933 as amended ("Securities Act"), and may not be offered or sold in the United States or to, or for the account or benefit of, "U.S. Persons" (as defined under Regulation S of the Securities Act), except in a transaction exempt from the registration requirements of the Securities Act.

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