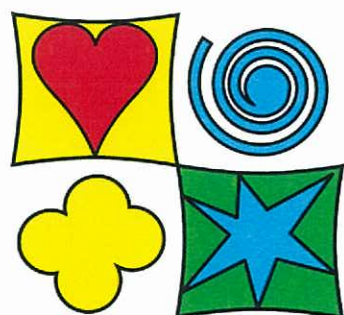


Appendix 4D

**Half-year report
Six months ended 30 June 2009**



funtastic
LIMITED

Appendix 4D – Half-year Report

Name of Entity:	Funtastic Limited
ABN:	94 063 886 199
Current Financial Period Ended:	Six months to 30 June 2009
Previous Corresponding Reporting Period:	Six months to 30 June 2008

Results for Announcement to the Market

	\$'000	Percentage increase/(decrease) over previous corresponding period
Revenue from ordinary activities	149,323	(13.9)%
Net Profit/(loss) for the period from continuing operations	(10,606)	>100%
Net Profit/(loss) for the period from discontinuing operations	(14,740)	>100%
Net Profit/(loss) for the period attributable to members of Funtastic Limited	(25,346)	>100%
Dividends	Amount per Security	Franked amount per security
Interim Dividend	Nil	Nil
Previous Corresponding Period	Nil	Nil

Brief explanation of any figures reported above necessary to enable the figures to be understood

Refer to the attached Review of Operations

Information is to be read in conjunction with the annual report for the financial year ended 31 December 2008.

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Directors' Report

Your Directors present their report on the consolidated entity consisting of Funtastic Limited and the entities it controlled at the end of, or during, the half-year ended 30 June 2009.

Directors

The following persons were directors of Funtastic Limited during or since the half-year:

Graeme Yeomans
 David Berry
 Antony Lynch
 Shane Tanner (appointed 19 March 2009)
 Stewart Downs (appointed 25 August 2009)
 Craig Mathieson (appointed 25 August 2009)
 Nir Pizmony (appointed 25 August 2009)
 Tony Oates (resigned 19 February 2009)

Review of operations

Key factors for the half year ended 30 June 2009 include the following:

- Group EBITA before goodwill impairment and restructuring costs, a loss of \$10.9 million;
- Madman business continued to deliver a strong result;
- Net bank debt down to \$90.5 million compared to \$99.6 million for the same time last year;
- Goodwill impairment loss of \$12.6 million;

The table below details the contributions from both the continuing and discontinuing businesses and the effect on the reported results.

	Half Year			
	30 June 2009	30 June 2008	Variance	
	Actual \$'000	Actual \$'000	\$ \$'000	%
Revenue				
Continuing operations	118,353	130,957	(12,604)	(9.6)
Discontinued operations	30,970	42,460	(11,490)	(27.1)
Group Revenue	149,323	173,417	(24,094)	(13.9)
EBITA				
Continuing operations	(7,302)	9,854	(17,156)	>100
Discontinued operations	(3,309)	4,562	(7,871)	>100
EBITA before goodwill impairment and restructuring costs	(10,611)	14,416	(25,027)	>100
Goodwill Impairment charges	(12,602)	-	(12,602)	>100
Restructuring costs	(3,158)	-	(3,158)	>100
Group EBITA	(26,371)	14,416	(40,787)	>100
NPAT	(25,346)	5,774	(31,120)	>100
Amortisation (after tax)	54	899	(845)	>100
NPAT (Before Amortisation)	(25,292)	6,673	(31,965)	>100

The first half has seen a decline in group revenue of 13.9% when compared with the corresponding period. The main contributing factor for this shortfall is the loss of ABC Learning Centres Limited related revenue resulting directly from the collapse of the ABC Group in November 2008. Gross margin across the Toys & Lifestyle Merchandise is also lower due to clearance activities, pricing issues and catalogue deals. The poor trading result has partly been offset by the ongoing performance of the Madman Group which has delivered a result in the half year which is in line with the same period last year. The revenue and margins in the Interactive business unit were lower due to the inability to raise prices, and compounded lower volume and increased clearance at lower prices.

The Net cash outflow from operating activities totalled \$19,509,000 compared with the previous corresponding period of \$24,010,000. This improvement is mainly explained by stronger working capital management. Net bank debt has increased to \$90.5 million at 30 June 2009 from \$85.1 million at 31 December 2008 due to seasonal working capital requirements.

Sale of Discounting Operations – Softgoods and Toys New Zealand

Since the 30 June 2009 the business has completed the sale of the non core business units. The non core business units which have been disposed of at or since year end include:

- The sale of the Footwear business unit to Corell Licensing Pty Ltd effective 30 June 2009;
- The sale of Toys New Zealand business effective 1 July 2009 to its Auckland based senior management and local investors;
- The sale of the Manchester business unit to Network Clothing Company Pty Ltd effective 31 July 2009;
- The pending sale of the Apparel business unit to Australian Horizons Trading Pty Ltd which will be effective 31 August 2009.

Capital Raising and NSR acquisition

As previously advised on 14 August 2009, the Company completed the acquisition of the Hong Kong toy company NSR (HK) Limited and the completion of its fully underwritten one-for-one non renounceable rights issue which raised approximately \$21 million before costs.

The NSR (HK) Limited acquisition was funded by the issue of ten million shares valued at the date of completion at \$1.4 million.

On 13 August 2009 the Company completed a re-negotiation of its banking facilities with the National Australia Bank with a new facilities agreement expiring in June 2011.

Following the completion of the capital raising, and the divestment of Toys New Zealand the company has reduced bank debt by approximately \$21.5million.

Outlook

The directors expect to see little improvement in the second half trading and, as previously advised the result will be materially lower than last year. Business conditions will remain challenging, and there is still much to be done over the next six months including:

- The integration of NSR (Hong Kong) Limited into the operations of Funtastic in order to extract the full strategic benefits of the acquisition;
- Ensuring that the inventory levels including aged inventory is at appropriate levels by December 2009 to support good line sales in 2010. This may involve the sale of certain inventory at or below cost over the next six months;
- The completion of the Oracle demand and inventory planning solution. This will assist in keeping inventory at acceptable levels;
- The consolidation of Funtastic's warehouses into two Victorian sites including the outsourcing of the full carton warehouses into a single Toll operated facility. This brings to an end the strategic review of the Funtastic physical domestic logistics network;
- Development and implementation of a plan to reduce business and corporate overheads. This will necessarily involve restructuring costs.

Given the above projects, the Board and management expect that the trading performance for the remainder of 2009 to be significantly below that of 2008.

While the projects mentioned above will impact the 2009 results, we believe that these steps are necessary to reposition the Group to take full advantage of the expected economic upswing next year.

Dividend

The directors recommend no payment of an interim dividend. The dividend position will be reviewed at the end of the year.

Auditor's independence declaration

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

Rounding of amounts to nearest thousand dollars

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Significant Changes in the State of Affairs

There was no significant change in the state of affairs of the consolidated entity, during the period except for the identification of the sale of the discontinuing businesses namely Softgoods and Toys New Zealand

Future Developments

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

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



G. Yeomans

Chairman

Auditor's Independence Declaration



Deloitte Touche Tohmatsu
A.B.N. 74 490 121 080

550 Bourke Street
Melbourne VIC 3000
GPO Box 788
Melbourne VIC 3001 Australia

DX111
Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 3 9671 7001
www.deloitte.com.au

The Board of Directors
Funtastic Limited
635 Waverley Road
GLEN WAVERLEY VIC 3150

31 August 2009

Dear Board Members

Funtastic Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Funtastic Limited.

As lead audit partner for the review of the financial statements of Funtastic Limited for the half-year ended 30 June 2009, 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 review;
and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely


DELOITTE TOUCHE TOHMATSU


Tom Imbesi
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of
Deloitte Touche Tohmatsu

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Condensed consolidated statement of comprehensive income

For the half-year ended 30 June 2009

	Note	Half-year 2009 \$'000	2008 \$'000
Continuing Operations			
Revenue		118,353	130,957
Cost of sale of goods		(88,380)	(83,112)
Other expenses from ordinary activities			
Warehouse and distribution		(8,803)	(9,767)
Marketing and Selling		(21,443)	(2,380)
Administration and finance		(7,029)	(5,890)
Impairment and restructuring costs		(3,270)	-
Amortisation		(77)	(1,284)
Finance costs		(3,924)	(4,022)
(Loss)/profit before income tax		(14,573)	4,548
Income tax benefit/(expense)		3,967	(1,667)
(Loss)/profit for the period from continuing operations		(10,606)	2,881
Discontinued operations			
(Loss)/profit for the period from discontinued operations	8	(14,740)	2,893
(Loss)/profit for the period		(25,346)	5,774
Other comprehensive income			
Exchange differences arising on translation of foreign operations		(488)	(1,086)
(Loss)/Gain on cash flow hedges transferred from/taken to equity		(1,745)	137
Other		6	(616)
		(2,227)	(1,565)
Total comprehensive income attributable to members of Funtastic Limited		(27,573)	4,209
Earnings per share		Cents	Cents
From continuing and discontinued operations:			
Basic (cents per share)		(15.3)	3.5
Diluted (cents per share)		(15.3)	3.5
From continuing operations:			
Basic (cents per share)		(6.4)	1.7
Diluted (cents per share)		(6.4)	1.7

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes

Condensed Consolidated balance sheet

As at 30 June 2009

	Note	30 June 2009 \$'000	31 December 2008 \$'000
Current Assets			
Cash		1,753	5,769
Trade and other receivables		58,577	56,225
Inventories		48,318	55,982
Other		33,782	28,714
Current tax assets		253	2,109
		142,683	148,799
Assets classified as held for sale		12,909	-
Total Current Assets		155,592	148,799
Non-Current Assets			
Property, plant and equipment		5,478	6,019
Goodwill		75,418	97,634
Other intangibles		598	676
Deferred tax assets		11,583	5,396
Total Non-Current Assets		93,077	109,725
Total Assets		248,669	258,524
Current Liabilities			
Trade and other payables		19,580	22,571
Borrowings		54,333	23,463
Provisions		4,311	9,251
Deferred purchase consideration		4,264	2,261
Other		27,325	23,067
Other financial liabilities		3,571	11
		113,384	80,624
Liabilities directly associated with assets classified as held for sale		1,299	-
Total Current Liabilities		114,683	80,624
Non-Current Liabilities			
Borrowings		37,873	49,370
Provisions		857	903
Deferred tax liabilities		9,525	9,083
Deferred purchase consideration		-	4,469
Other Financial Liabilities		1,523	2,294
Total Non-Current Liabilities		49,778	66,119
Total Liabilities		164,461	146,743
Net Assets		84,208	111,781
Equity			
Issued capital	5	137,201	137,201
Accumulated losses		(49,658)	(24,312)
Reserves		(3,335)	(1,108)
Total Equity		84,208	111,781

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

Condensed Consolidated statement of changes in equity
For the half-year ended 30 June 2009

	Half-year	
	2009	2008
	\$'000	\$'000
Total equity at the beginning of the half-year	111,781	166,673
Total comprehensive income attributable to members of Funtastic Limited	(27,573)	(4,209)
Total equity at the end of the half-year	84,208	170,882

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

Condensed Consolidated cash flow statement

For the half-year ended 30 June 2009

	Half-year	
	2009	2008
	\$'000	\$'000
Cash Flows from Operating Activities		
Receipts from customers (inclusive of GST)	156,651	165,385
Payments to suppliers and employees (inclusive of GST)	(174,275)	(184,343)
	(17,624)	(18,958)
Income taxes paid	1,841	(897)
Interest and other costs of finance paid	(3,726)	(4,155)
Net Cash (Outflow) from Operating Activities	(19,509)	(24,010)
Cash Flows from Investing Activities		
Interest received	14	59
Proceeds on disposal of property, plant and equipment	20	-
Payments for acquisition of businesses	(2,747)	(7)
Payments for property, plant and equipment	(1,435)	(981)
Proceeds from sale of business	50	9,447
Net Cash (Outflow)/Inflow from Investing Activities	(4,098)	8,518
Cash Flows from Financing Activities		
Proceeds from/(repayment of) commercial bills and borrowings	19,739	17,073
Proceeds from issue of shares	-	(113)
Net Cash Inflow from Financing Activities	19,739	16,960
Net (decrease)/increase in Cash Held	(3,868)	1,468
Cash and cash equivalents at the beginning of the half-year	5,769	2,726
Effect of exchange rate changes on cash held in foreign currencies	(148)	(178)
Cash and cash equivalents at the end of the half-year	1,753	4,016

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

Notes to the Condensed Consolidated Financial Statements

30 June 2009

NOTE 1: Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB134 Interim Financial Reporting. Compliance with AASB134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

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

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's annual financial report for the financial year ended 31 December 2008, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

The adoption of these new and revised Standards and Interpretations have resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements in the following areas:

- Previously, the Group reported an income statement and a statement of changes in equity. As a result of adopting AASB 101 *Presentation of Financial Statements (2007)*, the group has presented a statement of comprehensive income and a statement of changes in equity. Certain items that were previously reported in the statement of changes in equity are now included in the statement of comprehensive income.
- The adoption of AASB8 *Operating Segments* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 8* has resulted in amended segment disclosures as set out in note 2. In addition, the group has early adopted AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*, which only requires disclosure of total segment assets for each reportable segment if such amounts are regularly provided to the chief operating decision maker.

Key sources of estimation uncertainty

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next six months are discussed below.

Impairment of goodwill in continuing business segments

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amount of each cash-generating unit has been determined based on value-in-use calculations. These calculations require the use of assumptions. A significant change to these assumptions may affect the recoverable amount of the cash generating units.

Notes to the Condensed Consolidated Financial Statements

NOTE 1: Significant account policies (continued)

Remeasurement of discontinued disposal groups to fair value less cost to sell

The calculation of fair value less costs to sell in respect of the discontinued disposal groups have been based on the best information available to reflect the amount that the group will obtain from the disposal of the asset after deducting the costs of disposal.

NOTE 2: Segment information

The Group has adopted AASB 8 *Operating Segments* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 8* with effect from 1 January 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (AASB 114 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of AASB 8, the identification of the Group's reportable segments has changed.

Under AASB 114 *Segment Reporting*, Funtastic Limited reported operations in one business and one geographical segment as Funtastic Limited is a wholesaler and distributor operating predominantly in Australia.

Under the requirements of AASB 8 *Operating Segments*, information reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of performance is more specifically focused on the following categories of products:

- Toys and Lifestyle Merchandise
- Entertainment
- Softgoods (discontinuing)
- Other

The Toys and Lifestyle Merchandise reportable segment distributes licensed toys, sporting equipment, nursery equipment, educational toys and homewares. The Entertainment reportable segment distributes licensed DVD and interactive merchandise.

Prior to discontinuing, the Softgoods reportable segment distributed licensed footwear and apparel. Funtastic Limited committed to a formal disposal process of the Softgoods business in June 2009. The sale of the Footwear division of Softgoods was completed on 30 June 2009 and this transaction is set out in more detail in note 8. Binding sale agreements of the remaining Softgoods divisions have been signed and are expected to complete by 31 August 2009.

Other operations included the distribution of toys and lifestyle merchandise in New Zealand, prior to the group's discontinuance of that business. Funtastic Limited was committed to the sale of the Toys New Zealand business from 26 June 2009. A binding sale agreement for the New Zealand Toys business was signed on 14 July 2009 and was completed by 31 July 2009.

Information regarding these segments is presented below. Amounts reported for the prior period have been restated to conform to the requirements of AASB 8. The accounting policies of the new reportable segments are the same as the Group's accounting policies.

Notes to the Condensed Consolidated Financial Statements

30 June 2009

NOTE 2: Segment information (continued)

The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review:

	Note	Revenue		Segment profit	
		Half-year ended		Half-year ended	
		30 June 2009	30 June 2008	30 June 2009	30 June 2008
		\$'000	\$'000	\$'000	\$'000
Continuing operations					
Toys and Lifestyle Merchandise		87,052	99,793	6,746	21,159
Entertainment		31,301	31,123	6,540	7,681
		118,353	130,916	13,286	28,840
Central Administration		-	-	(20,588)	(18,986)
Finance Costs		-	-	(3,924)	(4,022)
Amortisation		-	-	(77)	(1,284)
Investment Revenue		-	41	-	-
Impairment & restructuring	9	-	-	(3,270)	-
Continuing segment revenue and (loss)/profit for the period		118,353	130,957	(14,573)	4,548
Discontinued operations					
Softgoods		24,962	33,389	(3,689)	1,404
Toys New Zealand		6,008	7,355	380	430
Publishing		-	1,716	-	(1,830)
Remeasurement of Softgoods to fair value less costs to sell	9	-	-	(2,064)	-
Remeasurement of Toys New Zealand to fair value less costs to sell	9	-	-	(10,426)	-
Profit on disposal of Publishing	9	-	-	-	4,558
Discontinued segment revenue and (loss)/profit for the period		30,970	42,460	(15,799)	4,562
Consolidated segment revenue and (loss)/profit before tax		149,323	173,417	(30,372)	9,110
Income tax (benefit)/expense (continuing and discontinued operations)		-	-	(5,026)	3,336
Consolidated segment revenue and (loss)/profit after tax for the period		149,323	173,417	(25,346)	5,774

Notes to the Condensed Consolidated Financial Statements

30 June 2009

NOTE 2: Segment information (continued)

The revenue reported above represents revenue generated from external customers. There were no intersegment sales during the period.

Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates, investment revenue and finance costs, income tax expense, and gains or losses on disposal of associates and discontinued operations. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

NOTE 3: Dividends

The company has not declared any dividends in the current or comparative period.

NOTE 4: Net tangible assets

	Half-year	
	2009	2008
Net tangible asset backing per ordinary security	4.95 cents	13.14 cents

NOTE 5: Issuances, repurchases and repayments of equity securities

Issued capital as at 30 June 2009 amounted to \$137,201,000 (165,498,841 ordinary shares). There were no movements in the issued capital of the company in either the current or the prior interim reporting periods.

During the half year there were no share options issued.

	Fair Value At Grant Date	Consolidated Number
2009	-	-
2008		
20 March 2008	\$0.12	200,000
23 May 2008	\$0.11	250,000

NOTE 6: Borrowings

During the six months ended 30 June 2009, Funtastic complied with its externally imposed capital requirements.

In June 2009 the Group received an offer from its banker on a new financing facility subject to the successful completion of approximately \$22 million fully underwritten capital raising and the signing of a binding purchase agreement in relation to the potential acquisition of NSR (HK) Limited.

Under the terms of the new facility, proceeds from the capital raising has been applied to reduce debt and repair the balance sheet. As described in note 12, the total bank facilities available to the Group following successful completion of the rights issue and the repayments of bank debt in accordance with the Group's new finance facility will be \$88 million (2008: \$105 million).

Notes to the Condensed Consolidated Financial Statements
30 June 2009
NOTE 7: Earnings per share

	2009 \$'000	2008 \$'000
Earnings used in the calculation of basic continuing and discontinued operations earnings per share reconciles to net profit in the income statement	(25,346)	5,774
Earnings used in the calculation of basic continuing operations earnings per share reconciles to net profit in the income statement	(10,606)	2,881
Earnings per share	Cents	Cents
From continuing and discontinued operations:		
Basic (cents per share)	(15.3)	3.5
Diluted (cents per share)	(15.3)	3.5
From continuing operations:		
Basic (cents per share)	(6.4)	1.7
Diluted (cents per share)	(6.4)	1.7
	Number	Number
Weighted average number of ordinary shares outstanding during the half-year used in the calculation of basic earnings per share.	165,498,841	165,498,841
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share.	165,498,841	165,498,841

NOTE 8: Discontinued Operations
Plan to dispose of the Toys New Zealand business

On 26 June 2009, the Board of Directors announced a plan to dispose of the Group's Toys New Zealand business, which involves the distribution of toys and lifestyle merchandise in New Zealand. The disposal is consistent with the Group's long-term strategy to focus its activities in the Australian Toys, Lifestyle Merchandise and Entertainment markets and in other international markets where the Group is in the process of securing distribution rights.

A binding sale agreement for the New Zealand Toys business was signed on 14 July 2009 and was completed by 31 July 2009. On initial reclassification of these operations as held for sale, the Group has recognised impairment losses in the amount of \$10,426,000. The Toys New Zealand business has been classified and accounted for at 30 June 2009 as a disposal group held for sale.

The results of the Toys New Zealand business, which have been included in the comprehensive statement of income, are presented below:

	6 months ended June 2009 \$'000	6 months ended 30 June 2008 \$'000
Profit of Toys New Zealand business for the period after tax	266	301
Loss on remeasurement to fair value less costs to sell	(10,426)	-
(Loss)/profit for the period from discontinued operations after tax	(10,160)	302

The following were the trading results of the Toys New Zealand business for the period:

	6 months ended June 2009 \$'000	6 months ended 30 June 2008 \$'000
Revenue	6,008	7,355
Operating expenses	(5,628)	(6,925)
Profit before income tax	380	430
Income tax expense	114	128
Profit after income tax	266	302

Plan to dispose of the Softgoods business

On 26 June 2009, the Board of Directors announced a plan to dispose of the Group's Softgoods business, which involves the distribution of licensed footwear and apparel. The disposal is consistent with the Group's long-term strategy as explained above.

Binding sale agreements in relation to individual operational units that make up the Softgoods business have been signed and are expected to complete by 31 August 2009. On initial reclassification of these operations as held for sale, the Group has recognised impairment losses in the amount of \$2,064,000. The Softgoods business has been classified and accounted for at 30 June 2009 as a disposal group held for sale.

NOTE 8: Discontinued Operations (continued)

The results of the Softgoods business, which has been included in the consolidated statement of income are presented below:

	6 months ended June 2009 \$'000	6 months ended 30 June 2008 \$'000
(Loss)/profit of Softgoods business for the period after tax	(2,516)	983
(Loss) on remeasurement to fair value less costs to sell	(2,064)	-
(Loss)/profit for the period from discontinued operations after tax	(4,580)	983

The following were the trading results of the Softgoods business for the period:

	6 months ended June 2009 \$'000	6 months ended 30 June 2008 \$'000
Revenue	24,962	33,389
Operating expenses	(28,651)	(31,985)
(Loss)/profit before income tax	(3,689)	1,404
Income tax benefit/(expense)	1,173	(421)
(Loss)/profit after income tax	(2,516)	983

Disposal of Publishing business

In the corresponding first half of 2008, Funtastic Limited sold its Publishing business to Parragon Publishing Limited. Amount in respect of the sale, which are included in the Statement of consolidated income are shown here for comparative purposes.

	6 months ended June 2009 \$'000	6 months ended 30 June 2008 \$'000
(Loss) of publishing business for the period after tax	-	(1,079)
Gain on disposal of the publishing business after tax	-	2,687
Profit/(Loss) for the period from discontinued operations after tax	-	1,608

The following were the trading results of the publishing business for the period:

	6 months ended June 2009 \$'000	6 months ended 30 June 2008 \$'000
Revenue	-	1,716
Operating expenses	-	(3,546)
(Loss) before income tax	-	(1,830)
Income tax expense	-	751
(Loss) after income tax	-	(1,079)

NOTE 8: Discontinued Operations (continued)

The net assets of the publishing business at the date of disposal were as follows:

	6 months ended June 2009 \$'000	6 months ended June 2008 \$'000
Total consideration	-	10,178
Less Net assets disposed of	-	(4,178)
Less Costs of disposal	-	(1,442)
Gain on disposal before tax	-	4,558

NOTE 9: Goodwill Impairment and Restructuring Costs

The following goodwill impairment and restructuring costs are included within the loss from continuing operations in the Income Statement for the half year ended 30 June 2009:

Continuing Operations	Consolidated 2009 \$'000	2008 \$'000
Goodwill impairment:		
Goodwill impairment – Nursery	2,839	-
Impairment of prepaid product costs	209	-
Total impairment from Continuing operations	3,048	-
Other Corporate restructuring costs	222	-
Total Other	222	-
Total impairment and restructuring costs	3,270	-

Impairment - Nursery

During the year, as a result of the ongoing group restructure that was announced in 2008, the Group transferred the management and operations of the Nursery division to its Toys and Lifestyle Merchandise business. At the same time the Group reassessed the goodwill attached to the business for impairment. The recoverable amount of the Nursery division was based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a five year period and using a discount rate of 16.7% which represents the estimated weighted average cost of capital for the division as determined. Cash flow projections during and beyond the budget period were based on normalized gross margins and an average growth rate of 0%. This resulted in the recognition of goodwill impairment loss for the Nursery business of \$2,839,000 and an impairment of prepaid product costs of the nursery Cash Generating Unit (CGU) of \$209,000.

NOTE 9: Goodwill Impairment and Restructuring Costs (continued)

The following impairment and restructuring costs are included within the loss from discontinuing operations in the Income Statement for the half year ended 30 June 2009:

	Consolidated	
	2009	2008
	\$'000	\$'000
Discontinuing Operations		
Impairment of Goodwill & other assets	9,763	-
Costs to sell / Closure costs	2,727	-
Total Goodwill impairment and restructuring costs from Discontinuing operations	12,490	-
Allocated to:		
Softgoods	2,064	-
Toys New Zealand	10,426	-
Total	12,490	-
	Consolidated	
	2009	2008
	\$'000	\$'000
Total Continuing & Discontinuing Operations		
Goodwill Impairment:		
Continuing Operations	2,839	-
Discontinuing Operations	9,763	-
Total Goodwill Impairment	12,602	-
Restructuring Costs:		
Impairment of prepaid product costs	209	-
Costs to sell / Closure costs	2,727	-
Other Corporate restructuring costs	222	-
Total Restructuring	3,158	-
Total goodwill impairment and restructuring costs	15,760	-

NOTE 10: Commitments

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

NOTE 11: Contingent liabilities

The company and group are parties to a number of licensing arrangements. In the ordinary course of business, the licensors may periodically conduct audits to assess compliance with the conditions of the licence arrangements. Included in this financial report are amounts provided in respect of the company's best estimate of the amounts required to settle claims arising from the current licence audits. Negotiations on the outcomes of these audits are still in progress, and the final amounts have not yet been determined.

NOTE 12: Subsequent events

Since the 30 June 2009 the following sales of non core assets have been completed or are substantially complete:

- The sale of Toys New Zealand business was completed 31 July 2009 to its Auckland based senior management and local investors;
- The sale of the remaining Softgoods business which is expected to be completed by 31 August 2009.

The carrying amounts of the assets held for sale at 30 June 2009 have been adjusted to reflect the expected recoverable amounts (see note 8).

On 13 August 2009 the company completed a renegotiation of its banking facilities with the National Australia Bank expiring in June 2011. The company is confident that it will comply with the conditions of the new banking facilities.

The total bank facilities available to the Group following successful completion of the rights issue and the repayments of bank debt in accordance with the Group's new finance facility will be \$88 million (2008: \$105 million).

The company acquired 100% of voting rights in NSR (HK) Limited on 14 August 2009 and the issue and allotment of shares under its fully underwritten non-renounceable rights issue to raise approximately \$22 million before expenses. Since 30 June 2009 the company has reduced bank debt by approximately \$21million following the completion of the rights issue and the sale of Toys New Zealand.

The NSR (HK) Limited acquisition was funded via the issue of ten million shares valued at the date of completion at \$1.4 million. The value of the business acquired was determined by reference to an external valuation. NSR (HK) Limited is a Hong Kong based toy distributor.

Preliminary assessment of the acquisition values:

	\$'000
Equity to Vendor	1,400
Direct costs relating to the acquisition	610
Total Consideration	2,010
Fair value of net identifiable assets acquired	(3,702)
Goodwill	5,712
Identifiable intangible	543
Total Intangibles allocated to NSR	6,255

NOTE 12: Subsequent Events (continued)

The provisional fair value of assets and liabilities, are detailed below.

Assets acquired and liabilities assumed at the date of acquisition	
Debtors	962
Other current assets	463
Inventories	21
Plant and equipment	88
Deferred tax asset	620
Bank overdraft	(1,688)
Trade creditors	(1,240)
Shareholders loans	(667)
Employee benefits	(20)
Other liabilities	(2,225)
Make good provision	(16)
Net identifiable assets acquired	(3,702)

Directors' Declaration**For the half-year ended 30 June 2009**

The directors declare that:

- (a) In the directors' opinion, there are reasonable ground to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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



G. Yeomans

Chairman

Melbourne dated 31 August 2009



Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78B
Melbourne VIC 3001 Australia

DX111
Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 3 9671 7001
www.deloitte.com.au

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

We have reviewed the accompanying half-year financial report of Funtastic Limited, which comprises the condensed consolidated balance sheet as at 30 June 2009, and the condensed consolidated statement of comprehensive income, condensed consolidated cash flow statement, condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 8 to 23.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Funtastic Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

Member of
Deloitte Touche Tohmatsu

Deloitte.

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

Auditor's Independence Declaration

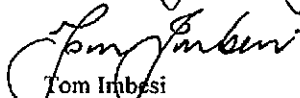
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Funtastic Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.


DELOITTE TOUCHE TOHMATSU


Tom Imbesi
Partner
Chartered Accountants

Melbourne, 31 August 2009