

Wednesday, 16 December 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 provides a Trading Update

Attached is an Announcement concerning a trading and general update.

Yours faithfully

Graeme Yeomans
Chairman

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ASX ANNOUNCEMENT Funtastic Limited Trading Update

Funtastic provides the following trading update for the 2009 financial year and announces further key strategic initiatives.

Trading Update for the 2009 Year

Further to our earlier market updates Funtastic Limited advises that the 2009 trading result from continuing operations (EBITA before goodwill impairment and restructuring costs) will be a loss for the 12 months ended 31 December 2009 in the range of \$20-23m. In addition the discontinued businesses will report a loss of approximately \$4m. Previously advised Goodwill impairment charges are \$16m which relate to the disposal of non-core businesses, and restructuring costs of \$2m. The Board of Directors has decided to write off the remaining Goodwill associated with the Judius business, this amounts to approximately \$15m.

Continuing business	Ranges \$20-23m loss
Discontinuing business	\$4m loss
Non-Core Asset Sale Impairment	\$16m loss
Restructuring & Site Consolidation	\$2m loss
Judius Impairment	\$15m loss
Total Group EBITA	\$57-60m loss

The full year result for the continuing operations has been adversely impacted by a number of factors including:

- The continued decline in general trading conditions and particularly tough retail conditions in September and October;
- Lower margins as a result of clearance activity and increased stock provisioning in our toy business;
- The volatility of the Australian dollar in the earlier part of the year has continued to impact gross margins in the second half;
- Lower revenue and profit contribution from the Judius business due to lower levels of business originating from the ABC Learning Centres (which remain under Receivership and Administration).

Revenue in 2009 is expected to be approximately 15% lower than for the corresponding year. This negative performance has been driven by the Toy and Judius businesses. The Madman and Sporting businesses have both seen strong sales during the year.

Asset Sales and Discontinuing Businesses

Since announcing the first half results, the company has continued the process of divesting a number of non core businesses;

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

Restructuring & Site Consolidation

In order to streamline processes, reduce supply chain costs and improve the culture, the Board of Directors decided to consolidate operations into a new Corporate head office at Chadstone and into third party warehousing. The cost associated with the site consolidations, make good and asset write off is expected to be approximately \$2m.

Future Direction

Funtastic has recently secured the local and/or international rights to a number of new and existing brands, including global manufacturing for the newly launched Lego® Plush line and the global selling, marketing and manufacturing rights for iconic Australian water confidence brand Floaties®. Our resulting portfolio of brands and products for 2010 has received enthusiastic support from our key customers.

As well as helping to drive growth in 2010, our resulting portfolio of 2010 brands and products also increases our international reach and competitive position by developing strength in manufacturing and intellectual property.

Funtastic has undergone a comprehensive transformation to underpin a sustainable future based on its core competencies of Toys & Lifestyle Merchandise, Madman Entertainment and the newly acquired NSR entity.

Whilst 2009 has been tough, many hard decisions and improvements have been made:

- 4 new Board members
- New Senior Executive Team
- The Toys & Lifestyle Merchandise business has been simplified
- The negative performance of the Interactive business has resulted in a review of the viability of its operation. A new business model has been presented to Disney and is awaiting a decision from both parties
- New planning system has been implemented to more accurately control purchases and inventory levels

The Board of Directors believe that the lower than expected 2009 performance is not representative of the long term earning potential of the core businesses of Toys & Lifestyle, Madman and NSR. A number of difficult decisions have been taken throughout 2009 for the long term benefit of all shareholders. The Company have a strong portfolio of exciting new products and remains confident that together each division will be a key contributor to the ongoing earnings and return to profitability of the wider group.

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For more information on Funtastic, visit the web site at www.funtastic.com.au and for comment contact Anna Kirby, Public Relations for Funtastic Limited Ph: 03 9486 9357.