Appendix 4E

Preliminary Final Report

Year ended 31 December 2009

funtastic LIMITED

Appendix 4E – Preliminary Final Report

Name of Entity:	Funtastic Limited
ABN:	94 063 886 199
Current Financial Period Ended:	Year ended 31 December 2009
Previous Corresponding Reporting Period:	Year ended 31 December 2008

Results for Announcement to the Market

	$'000	Percentage increase / (decrease) over previous corresponding period
Revenue from ordinary activities	274,960	(25.3)%
Net Profit / (Loss) for the period from continuing operations	(41,664)	(0.3)%
Net Profit / (Loss) for the period from discontinuing operations	(16,388)	(76.2)%
Net Profit / (Loss) for the period attributable to members of Funtastic Limited	(58,052)	(14.2)%

Dividends	Amount per Security	Franked amount per security
Interim Dividend – Current reporting period	Nil	Nil
Final Dividend – Current reporting period	Nil	Nil
Record date for determining entitlements to dividends (if any)	Not applicable	
Date Dividend is payable	Not applicable	
Details of any dividend reinvestment plan in operation	The dividend reinvestment plan is in operation.	
The last date for receipt of an election notice for participation in any dividend reinvestment plan	Not applicable	

Net Tangible Assets	31 December 2009	31 December 2008
Net Tangible Assets per security	1 Cent	8 Cents

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

Refer to the attached Review of Operations

Contents

Review of operations

Key matters impacting the results for the year ended 31 December 2009 include the following:

- EBITA from continuing operations, a loss of $22m;
- divestment of the non-core business units of Apparel, Footwear, Planet Fun, Manchester and Accessories; these transactions generated cash of $10m and resulted in a loss on sale of businesses of $12m before tax;
- EBITA from discontinued operations (trading and divestment), a loss of $18m;
- impaired the remaining Judius goodwill ($14.7m);
- completed a fully underwritten Rights Issue which raised additional cash of $22.3m;
- acquired 100% of the shares in NSR (HK) Ltd (non cash);
- reduced inventories by $25m (44.6%) to $31m;
- secured ongoing bank facilities to June 2011 and reduced debt by $10.4m;
- replaced the senior management team; and
- board changes – 5 of the 6 directors were appointed since December 2008.

The table below shows the contributions from the continuing and discontinued operations and the effect on the trading result:

$'000	2009 Actual	2008 Actual	Variance $	Variance %
Revenue				
Continuing operations	229,933	279,256	(49,323)	(17.66)%
Discontinued operations	45,027	88,961	(43,934)	(49.39)%
Group Revenue	**274,960**	**368,217**	**(93,257)**	**(25.33)%**
EBITA				
Continuing operations	(22,013)	23,142	(45,155)	>(100.0)%
Discontinued operations	(18,042)	(7,143)	(10,899)	>(100.0)%
EBITA before Impairment & Restructuring Costs	**(40,055)**	**15,999**	**(56,054)**	**>(100.0)%**
Impairment Charges	(17,528)	(47,348)	29,820	(62.98)%
Restructuring Costs	(2,717)	(21,627)	18,910	(87.44)%
Group EBITA	**(60,300)**	**(52,976)**	**(7,324)**	**(13.83)%**
NPAT	**(58,052)**	**(50,847)**	**(7,205)**	**(14.17)%**

Revenue from continuing operations was down by 17.7%. This was due in part to the loss of revenue from ABC Learning Centres Limited following the collapse of ABC Group in November 2008. The tough economic environment, particularly in the pre Christmas trading period, had a negative impact on sales. Additionally brand portfolio changes resulted in lower year on year sales in the core Toys & Lifestyle Merchandise business, the key impacts being:

- Bratz supply suspended following litigation against the supplier, MGA, by Mattel. Following this litigation, Funtastic has been unable to secure supply of new ranges;
- poor performance of previous powerhouse brands of Thomas the Tank Engine, WWE and Tamigotchi.

Very strong sales from the Madman entertainment business (+24.4%) were largely offset by a similar decline in sales volume in the Interactive division due to poor consumer demand.

Gross Margin was adversely impacted by higher cost of goods sold. The impact of the weak Australian dollar in the early part of 2009 contributed to higher input costs for the majority of the year's purchases which were made in the first half of 2009. Funtastic was unable to pass these costs on through increased prices, and reduced demand resulted in excess inventory. Management were determined not to carry surplus inventory into 2010. Consequently a comprehensive inventory clearance exercise was undertaken as well as a thorough range rationalization, this clearance resulted in further margin erosion.

Additionally, following an impairment review, the Board elected to write off the remaining goodwill associated with the Judius business ($14.7m), this business has now been rebranded as Funtastic Education.
Early in 2009 the Board made the decision to withdraw from the non-core business units of Apparel, Footwear, Planet Fun, Manchester and Accessories. Transactions to sell each of these business units were entered into and

completed by the end of 2009. These transactions resulted in cash proceeds received in the year of $10.0m (before costs) with an ongoing royalty stream estimated at a further $4.9m to be received by January 31, 2011. The impact on profit of these divestments was a loss before tax of $12.0m. The trading result of these businesses prior to disposal increased this loss by $6.0m to $18.0m.

A review of the Interactive Division was undertaken which concluded that, given the category economics, it would be extremely unlikely that Funtastic would generate acceptable returns in the future. Consequently the decision was made not to renew the Disney distribution agreement and to withdraw from the category in the first half of 2010. Notwithstanding this decision, Interactive's result, an EBITA loss for the year of $9.0m, is included within continuing operations.

Capital Raising and NSR Acquisition
On August 14, 2009, the Company completed the acquisition of the Hong Kong toy company, NSR (HK) Limited, and the fully underwritten one-for-one non renounceable rights issue, which raised $22.3m.

The NSR (HK) Limited acquisition was funded by the issue of ten million shares valued at the date of completion at $1.4m plus a deferred earn out over the following two years.

Following completion of the capital raising and the divestment of the non core business units, the business has reduced debt by $10.4m.

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

Looking Forward
In the last twelve months the Board and management have taken a number of steps to transform the business for a more sustainable future:

- the Board is almost entirely new, with 5 of the 6 current directors having been appointed in the last twelve months;
- the senior management team has been completely restructured with the majority being new to the Company;
- management have reset the balance sheet through the actions taken in respect of inventory, goodwill impairment and the capital raising;
- the Toys and Lifestyle Merchandise business has been simplified and a clear growth strategy put in place around a core brand proposition and a more focused product range;
- 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 office at Chadstone and into third party warehousing; and
- a new planning system has been implemented to more accurately control purchases and inventory levels.

Funtastic has recently secured the local and/or international rights to a number of new and existing brands, these include global manufacturing for the newly launched Lego® Plush line, the global selling, marketing and manufacturing rights for iconic Australian water confidence brand Floaties® and the global manufacturing and distribution rights for Noddy.

The portfolio of 2010 brands and products and the acquisition of NSR increases the international reach and competitive position of Funtastic by developing strength in manufacturing and intellectual property.

The Board believes that the company will progressively realize the benefits of these changes, and are confident that the tough decisions made during 2009 were necessary to refocus the Company into a simplified, more efficient operation which can compete more effectively and better respond to customer needs.

Dividends
Since the end of the year the directors have decided not to declare a final dividend for the year ended 31 December 2009 (2008: Nil).

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 Annual Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases to the nearest dollar.

Statement of Comprehensive Income

For the year ended 31 December 2009

	Note	Consolidated 2009 $'000	2008 $'000
Revenue from continuing operations	3	**229,933**	279,256
Cost of sale of goods		**(174,987)**	(175,126)
Other expenses			
Warehouse and distribution		**(17,514)**	(21,855)
Marketing and selling		**(44,894)**	(47,606)
Administration		**(14,550)**	(11,527)
Amortisation		**(209)**	(2,457)
Finance costs		**(8,751)**	(8,364)
Impairment and restructuring costs	8	**(20,245)**	(68,975)
Profit / (loss) before income tax		**(51,217)**	(56,654)
Income tax benefit / (expense)		**9,553**	15,110
Profit / (loss) for the year from continuing operations		**(41,664)**	(41,544)
Discontinued operations			
Profit / (loss) for the year from discontinued operations	7	**(16,388)**	(9,303)
Profit / (loss) for the year		**(58,052)**	(50,847)
Other Comprehensive Income			
Exchange difference arising on translation of foreign operations		**(362)**	(548)
Gain/(Loss) on cash flow hedges transferred from/taken to equity		**13**	170
Gain/(Loss) on Interest rate hedges transferred from/taken to equity		**1,192**	(3,039)
Other		**10**	-
Other Comprehensive income for the period (net of tax)		**853**	(3,417)
Total comprehensive income attributable to members of Funtastic Ltd		**(57,199)**	(54,264)
		Cents	Cents
Earnings / (Loss) per share			
From continuing and discontinued operations:			
Basic (cents per share)	5	**(25.0)**	(25.1)
Diluted (cents per share)	5	**(25.0)**	(5.6)
From continuing operations:			
Basic (cents per share)		**(17.9)**	(25.1)
Diluted (cents per share)		**(17.9)**	(25.1)

The above statement of comprehensive income should be read in conjunction with the accompanying Notes.

Statement of Financial Position

As at 31 December 2009

	Note	Consolidated 2009 $'000	2008 $'000
Current Assets			
Cash		**2,191**	5,769
Trade and other receivables		**42,276**	56,225
Inventories		**31,018**	55,982
Other assets		**26,490**	25,031
Current tax assets		**187**	2,109
Other financial assets		**5,009**	-
Total Current Assets		**107,171**	145,116
Non-Current Assets			
Property, plant and equipment		**4,643**	6,019
Goodwill		**73,045**	97,634
Other intangibles		**1,015**	676
Deferred tax assets		**16,458**	5,396
Other Financial Assets		**1,619**	-
Total Non-Current Assets		**96,780**	109,725
Total Assets		**203,951**	254,841
Current Liabilities			
Trade payables		**10,973**	22,571
Borrowings		**6,901**	23,463
Provisions		**3,416**	9,251
Interest bearing deferred purchase consideration		**8,268**	2,261
Other liabilities		**28,479**	19,404
Other financial liabilities		**597**	11
Total Current Liabilities		**58,634**	76,961
Non-Current Liabilities			
Borrowings		**55,532**	49,370
Provisions		**1,704**	903
Deferred tax liabilities		**8,977**	9,083
Interest bearing deferred purchase consideration		**2,367**	4,469
Other Financial Liabilities		**-**	2,294
Total Non-Current Liabilities		**68,580**	66,119
Total Liabilities		**127,214**	143,080
Net Assets		**76,737**	111,761
Equity			
Issued capital	4	**159,377**	137,202
Retained profits / (accumulated deficit)		**(82,385)**	(24,333)
Reserves		**(255)**	(1,108)
Total Equity		**76,737**	111,761

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

Statement of Changes in Equity

For the year ended 31 December 2009

	Consolidated					
	Fully Paid Ordinary Shares	Accumulated Losses	Currency Translation Reserve	Equity-settled Benefits	Cash Flow Hedging	TOTAL
Balance at 1 January 2008	137,202	26,514	(171)	1,848	1,260	166,653
Loss for the year	-	(50,847)	-	-	-	(50,847)
Other Comprehensive Loss	-	-	(548)	(628)	(2,869)	(4,045)
Total Comprehensive Loss	-	(50,847)	(548)	(628)	(2,869)	(54,892)
Balance at 31 December 2008	137,202	(24,333)	(719)	1,220	(1,609)	111,761
Balance at 1 January 2009	137,202	(24,333)	(719)	1,220	(1,609)	111,761
Loss for the year	-	(58,052)	-	-		(58,052)
Other Comprehensive Gain/(Loss)	-	-	(362)	11	1,204	853
Total Comprehensive Income	-	(58,052)	(362)	11	1,204	(57,199)
Rights Issue	22,342	-	-	-	-	22,342
Shares Issue to NSR(HK) Ltd	1,400	-	-	-	-	1,400
Capital Raising costs	(1,567)	-	-	-	-	(1,567)
Balance at 31 December 2009	**159,377**	**(82,385)**	**(1,081)**	**1,231**	**(405)**	**76,737**

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

Cash Flow Statement

For the year ended 31 December 2009

	Note	Consolidated 2009 $'000	2008 $'000
Cash Flows from Operating Activities			
Receipts from customers (inclusive of GST)		**314,748**	416,362
Payments to suppliers and employees (inclusive of GST)		**(323,973)**	(399,643)
		(9,225)	16,719
Income taxes received		**1,835**	3,872
Interest and other costs of finance paid		**(8,363)**	(8,379)
Net Cash (Outflow)/Inflow from Operating Activities		**(15,753)**	12,212
Cash Flows from Investing Activities			
Interest received		**54**	416
Payments for earnouts relating to the acquisition of businesses		**(2,365)**	(2,751)
Payments for property, plant and equipment		**(3,459)**	(2,169)
Proceeds from sale of property, plant and equipment		**-**	90
Proceeds from sale of business		**7,571**	10,178
Net Cash Inflow from Investing Activities		**1,801**	5,764
Cash Flows from Financing Activities			
Proceeds from issue of shares	4	**22,342**	-
Repayment of borrowings		**(10,400)**	(14,947)
Share issue transaction costs		**(1,568)**	-
Net Cash inflow/(outflow) from Financing Activities		**10,374**	(14,947)
Net (Decrease) / Increase in Cash Held		**(3,578)**	3,029
Cash and cash equivalents at the beginning of the year		**5,769**	2,726
Effect of exchange rate changes on cash held in foreign currencies		**-**	14
Cash and cash equivalents at the end of the year		**2,191**	5,769

The above cash flow statement should be read in conjunction with the accompanying Notes.

NOTE 1:

Summary of significant accounting policies

This preliminary final report for the year ended 31 December 2009 has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and the *Corporations Act 2001.*

This financial report does not include notes of the type normally included in an annual financial report. Accordingly, it is to be read in conjunction with the annual report for the year ended 31 December 2009 and any public announcements made by Funtastic Limited (the Company) during the year in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

The accounting policies adopted are consistent with those of the previous financial year. Comparatives for the year ended 31 December 2008 have been reclassified where necessary for consistency with current year disclosures.

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
- Other
- Softgoods (discontinuing)

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. The Other reportable segment incorporates all other trading operations.

Prior to discontinuing, the Softgoods reportable segment distributed licensed footwear and apparel. Funtastic Limited committed to a formal disposal process of the Softgoods business from June 2009. The sale of the Footwear division of Softgoods was completed on 30 June 2009, the sale of Manchester division of Softgoods was completed on 31 July 2009 and the sale of Apparel division of Softgoods were completed on 31 August 2009 and these transactions are set out in more detail in note 7.

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 and the sale of New Zealand Toys business was completed on 1 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 Financial Statements
31 December 2009

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

	Revenue		Segment profit	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Continuing operations				
Toys and Lifestyle Merchandise	**135,495**	179,168	**4,140**	36,863
Entertainment	**75,455**	72,016	**10,987**	17,953
Other	**17,297**	27,719	**572**	6,770
	228,247	278,903	**15,699**	61,586
Central Administration	**-**	-	**(37,711)**	(40,625)
Finance Costs	**-**	-	**(8,751)**	(8,364)
Amortisation	**-**	-	**(209)**	(2,457)
Investment Revenue	**1,686**	353	**-**	-
Impairment & restructuring	**-**	-	**(20,245)**	(83,368)
Continuing segment revenue and (loss) for the period before tax	**229,933**	279,256	**(51,217)**	(73,228)
Discontinued operations				
Softgoods	**39,020**	70,457	**(5,891)**	2,910
Toys New Zealand	**6,009**	16,788	**375**	1,979
Publishing	**(2)**	1,716	**(12)**	(1,830)
(Loss)/Gain on divestment of Softgoods business	**-**	-	**(2,133)**	-
(Loss)/Gain on divestment of Toys New Zealand business	**-**	-	**(10,381)**	-
Profit on disposal of Publishing business	**-**	-	**-**	4,212
Discontinued segment revenue and (loss)/profit for the period before tax	**45,027**	88,961	**(18,042)**	7,271
Consolidated segment revenue and (loss) before tax	**274,960**	368,217	**(69,259)**	(65,957)
Income tax (benefit) (continuing and discontinued operations)	**-**	-	**11,207**	15,110
Consolidated segment revenue and (loss) after tax for the period	**274,960**	368,217	**(58,052)**	(50,847)

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, finance costs, impairment and restructuring 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.

Geographical Information

The group operates in three principal geographical areas – Australia, New Zealand and Hong Kong. The group's revenue from external customers and information by geographical location is as follows:

	Revenue from External Customers	
	2009	2008
	$'000	$'000
Australia	**258,185**	345,025
New Zealand	**10,592**	17,740
Hong Kong	**6,183**	14
USA	**-**	5,438
	274,960	368,217

NOTE 3:
Revenue

	Consolidated	
	2009	2008
	$'000	$'000
Revenue from the sale of goods		
Gross revenue	**257,037**	302,681
Less settlement discounts and rebates	**(28,790)**	(31,555)
	228,247	271,126
Interest from bank deposits	**10**	380
Interest on Convertible Notes	**72**	-
Commissions received	**106**	305
Other	**1,498**	7,445
	1,686	8,130
Continuing operations	**229,933**	279,256
Discontinued operations	**45,027**	88,961
Total Revenue from ordinary activities	**274,960**	368,217

NOTE 4:

Equity securities issued

	2009 Shares	2008 Shares	2009 $'000	2008 $'000
Issue of ordinary shares during the year				
Rights Issue	**165,498,841**	-	**22,342**	-
Share issue to NSR (HK) Ltd	**10,000,000**	-	**1,400**	-
	175,498,841	-	**23,742**	-

	Consolidated Number
Issue of share options under the Funtastic Executive Share Option Plan	
2009	
21 August 2009	**5,000,000**
2008	
22 May 2008	250,000
20 March 2008	200,000
Issue of performance rights under the Funtastic Employee Performance Share Rights Plan	
2009	**Nil**
2008	
3 July 2008	292,500

Reconciliation of issued ordinary shares and the issued capital account	**No. of shares**	**$'000**
Opening balance as at 31 December 2008	**165,498,841**	**137,202**
One for one Rights Issue	165,498,841	**22,342**
Share issue to NSR (HK) Ltd	10,000,000	**1,400**
Capital raising costs	-	**(1,567)**
Closing balance as at 31 December 2009	**340,997,682**	**159,377**

Notes to the Financial Statements
31 December 2009

NOTE 5:

Earnings per share

	Consolidated	
	2009 Cents per share	2008 Cents per share
Basic earnings per share		
From continued operations	**(17.9)**	(25.1)
From discontinued operations	**(7.1)**	(5.6)
Total earnings / (loss) per share	**(25.0)**	(30.7)
Diluted earnings per share		
From continued operations	**(17.9)**	(25.1)
From discontinued operations	**(7.1)**	(5.6)
Total diluted earnings / (loss) per share	**(25.0)**	(30.7)

Basic earnings per share
The earnings and weighted average number of ordinary shares used in the calculation of earnings per share are as follows:

	2009 $'000	2008 $'000
Net profit / (loss)	**(58,052)**	(50,847)
Earnings used in the calculation of basic EPS	**(58,052)**	(50,847)
Adjustments to exclude profit / (loss) for the period from discontinued operations	**(16,388)**	(9,303)
Earnings / (loss) used in the calculation of basic EPS from continuing operations	**(41,664)**	(41,544)

	2009 No. '000	2008 No. '000
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share.	**232,333**	165,498

Diluted earnings per share

The earnings used in the calculation of diluted earnings per share are as follows:

	2009 $'000	2008 $'000
Net profit / (loss)	**(58,052)**	(50,847)
Earnings used in the calculation of diluted EPS	**(58,052)**	(50,847)
Adjustments to exclude profit / (loss) for the period from discontinued operations	**(16,388)**	(9,303)
Earnings used in the calculation of diluted EPS from continuing operations	**(41,664)**	(41,826)

	2009 No. '000	2008 No. '000
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share.	**232,333**	165,498
Shares deemed to be issued for no consideration in respect of:		
Share options and performance share rights	**-**	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share.	**232,333**	165,498

NOTE 5: Earnings per share (continued)

The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share:

	2009 **No. '000**	2008 No. '000
Potential options non dilutive	**-**	-
	-	-

Weighted average number of converted, lapsed or cancelled potential ordinary shares included in the calculation of diluted earnings per share:

	2009 **No. '000**	2008 No. '000
Options to purchase ordinary shares pursuant to the employee share option plan	**-**	**-**
	-	-

NOTE 6:
Dividends

Since the end of the year the directors have decided not to declare a final dividend for the year ended 31 December 2009 (2008: Nil).

NOTE 7:
Discontinued operations

Disposal 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. The Group has recognised impairment losses in the amount of $10,381,000. The Toys New Zealand business has been classified and accounted for at 31 December 2009 as a discontinued operation.

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

	Year ended December 2009 $'000	Year ended December 2008 $'000
Profit of Toys New Zealand business for the period after tax	**262**	1,424
(Loss)/Gain on divestment	**(10,381)**	-
(Loss)/profit for the year from discontinued operations after tax	**(10,119)**	1,424

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

	Year ended December 2009 $'000	Year ended December 2008 $'000
Revenue	**6,009**	18,169
Operating expenses	**(5,634)**	(16,761)
Profit before income tax	**375**	1,408
Income tax (expense) / benefit	**(113)**	16
Profit after income tax	**262**	1,424

Disposal 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 was completed on 31 August 2009. The Group has recognised impairment losses in the amount of $2,133,000. The Softgoods business has been accounted for at 31 December 2009 as a discontinued operation.

NOTE 7:

Discontinued operations (continued)

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

	Year ended December 2009 $'000	Year ended December 2008 $'000
(Loss)/profit of Softgoods business for the period after tax	**(4,120)**	546
(Loss)/Gain on divestment	**(2,133)**	-
(Loss)/Profit for the year from discontinued operations after tax	**(6,253)**	546

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

	Year ended December 2009 $'000	Year ended December 2008 $'000
Revenue	**39,020**	74,258
Operating expenses	**(44,911)**	(73,478)
(Loss)/profit before income tax	**(5,891)**	780
Income tax benefit/(expense)	**1,771**	(234)
(Loss)/profit after income tax	**(4,120)**	546

Disposal of Publishing business

In the corresponding period of 2008, Funtastic Limited sold its Publishing business. Amounts in respect of the sale, which are included in the statement of consolidated income are shown here for comparative purposes.

	Year ended December 2009 $'000	Year ended December 2008 $'000
(Loss) of publishing business for the period after tax	**(16)**	(1,079)
(Loss)/Gain on divestment	**-**	2,687
Profit/(Loss) for the year from discontinued operations after tax	**(16)**	1,608

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

	Year ended December 2009 $'000	Year ended December 2008 $'000
Revenue	**(2)**	1,716
Operating expenses	**(10)**	(3,546)
(Loss) before income tax	**(12)**	(1,830)
Income tax expense	**(4)**	751
(Loss) after income tax	**(16)**	(1,079)

NOTE 7:

Discontinued operations (continued)

Analysis of profit for the year from discontinued operations

The combined results of the discontinued operations (i.e. Toys New Zealand and Softgoods) included in the statement of comprehensive income are set out below. The comparative profit and cash flows from discontinued operations have been represented to include those operations classified as discontinued in the current period.

	Consolidated	
	2009	2008
	$'000	$'000
Profit for the year from discontinued operations		
Revenue	**44,940**	88,248
Other income	**87**	713
	45,027	88,961
Expenses		
Cost of sales	**(39,797)**	(80,330)
Warehouse and distribution	**(1,377)**	(2,453)
Marketing and selling	**(8,861)**	(15,239)
Administration	**(520)**	(1,263)
	(50,555)	(99,285)
(Loss)/Profit before tax	**(5,528)**	(10,324)
Attributable income tax benefit / (expense)	**1,654**	1,021
	(3,874)	(9,303)
(Loss) / gain on divestment	**(12,514)**	-
(Loss)/Profit for the year from discontinued operations	**(16,388)**	(9,303)

NOTE 8:

Goodwill Impairment and Restructuring Costs

The following impairment and restructuring costs are included within the loss from continuing operations in the Income Statement for the year ended 31 December 2009:

Continuing Operations

	Consolidated	
	2009	2008
	$'000	$'000
ABC Group related:		
Trade receivable write off	**-**	11,348
Write down intangible assets	**-**	36,000
Provision for restructure costs – Australia & USA	**107**	7,453
Total ABC Group related	**107**	54,801
Goodwill impairment:		
Goodwill impairment – Judius	**14,689**	-
Goodwill impairment – Nursery	**2,839**	-
Total Goodwill impairment	**17,528**	-
Other:		
Impairment of material contracts	**-**	13,700
Costs associated with proposed takeover	**-**	474
Impairment of prepaid product costs - Nursery	**313**	-
Restructuring and Site Consolidation Costs	**2,297**	-
Total Other	**2,610**	14,174
Total impairment and restructuring costs	**20,245**	68,975

The Group performed impairment testing of goodwill for the year ending 31 December 2009. As a result of this testing, the carrying amount of the Judius and Nursery cash generating units, were determined to be higher than the recoverable amounts. As a result the following impairment losses were recognised: Judius $14,689,000 (2008: Nil) and Nursery $2,839,000 (2008: Nil). The impairment loss was allocated fully to goodwill and is included in Impairment and restructuring costs.

NOTE 8:
Goodwill Impairment and Restructuring Costs (Continued)

The following impairment and restructuring costs are included within the loss from discontinuing operations in the Statement of Comprehensive Income for the year ending 31 December 2009.

Discontinuing Operations	**Consolidated**	
	2009 $'000	2008 $'000
Impairment of Goodwill & Other Assets	**11,760**	14,393
Costs to sell / Closure Costs	**754**	-
Total Goodwill impairment and restructuring costs from Discontinuing operations	**12,514**	14,393
Allocated to:		
Softgoods	**2,133**	13,047
Toys New Zealand	**10,381**	1,346
Total impairment and restructuring costs items	**12,514**	14,393

Total Continuing & Discontinuing Operations	**Consolidated**	
	2009 $'000	2008 $'000
ABC Group related:		
Trade receivable write off	**-**	11,348
Write down intangible assets	**-**	36,000
Provision for restructure costs – Australia & USA	**107**	7,453
Total ABC Group related	**107**	54,801
Goodwill impairment:		
Continuing Operations	**17,528**	-
Discontinuing Operations	**11,760**	14,393
Total Goodwill impairment	**29,288**	14,393
Restructuring Costs and Other:		
Impairment of material contracts	**-**	13,700
Costs associated with proposed takeover	**-**	474
Cost to sell / Closure costs	**754**	-
Impairment of prepaid product costs - Nursery	**313**	-
Other Corporate restructuring costs	**2,297**	-
Total Other	**3,364**	14,174
Total impairment and restructuring costs	**32,759**	83,368

NOTE 9:

Contingent liabilities

The company has no significant contingent liabilities that require disclosure in this Appendix 4E.

NOTE 10:
Subsequent events

There have been no major events since December 31, 2009 which have a material impact on the current financial position or the financial prospects of Funtastic Limited.

Compliance Statement

1. This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and other standards acceptable to ASX.

2. This report, and the accounts upon which the report is based (if separate), use the same accounting policies.

3. This report does give a true and fair view of the matters disclosed.

4. This report is based on accounts which are in the process of being audited

5. The entity has a formally constituted audit committee.

Graeme Yeomans - Chairman

Dated: 26th February 2010