

## **Appendix 4E**

### **Preliminary Final Report**

**Year ended 31 December 2009**



## Appendix 4E – Preliminary Final Report

<b>Name of Entity:</b>	Funtastic Limited
<b>ABN:</b>	94 063 886 199
<b>Current Financial Period Ended:</b>	Year ended 31 December 2009
<b>Previous Corresponding Reporting Period:</b>	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.....	4
Statement of Comprehensive Income.....	6
Statement of Financial Position.....	7
Statement of Changes in Equity .....	8
Cash Flow Statement .....	9
Summary of Significant Accounting Policies .....	10
Segment Information .....	10
Revenue .....	12
Equity Securities Issued.....	13
Earnings Per Share .....	14
Dividends .....	15
Discontinued Operations .....	16
Goodwill Impairment and Restructuring Costs .....	19
Contingent Liabilities.....	20
Subsequent Events.....	21
Compliance Statement.....	Error! Bookmark not defined.

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

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

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

		<b>Consolidated</b>	
		<b>2009</b>	<b>2008</b>
	<b>Note</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Current Assets</b>			
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	-
<b>Total Current Assets</b>		<b>107,171</b>	<b>145,116</b>
<b>Non-Current Assets</b>			
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	-
<b>Total Non-Current Assets</b>		<b>96,780</b>	<b>109,725</b>
<b>Total Assets</b>		<b>203,951</b>	<b>254,841</b>
<b>Current Liabilities</b>			
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
<b>Total Current Liabilities</b>		<b>58,634</b>	<b>76,961</b>
<b>Non-Current Liabilities</b>			
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
<b>Total Non-Current Liabilities</b>		<b>68,580</b>	<b>66,119</b>
<b>Total Liabilities</b>		<b>127,214</b>	<b>143,080</b>
<b>Net Assets</b>		<b>76,737</b>	<b>111,761</b>
<b>Equity</b>			
Issued capital	4	159,377	137,202
Retained profits / (accumulated deficit)		(82,385)	(24,333)
Reserves		(255)	(1,108)
<b>Total Equity</b>		<b>76,737</b>	<b>111,761</b>

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

	<b>Consolidated</b>					
	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)
<b>Balance at 31 December 2009</b>	<b>159,377</b>	<b>(82,385)</b>	<b>(1,081)</b>	<b>1,231</b>	<b>(405)</b>	<b>76,737</b>

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
<b>Cash Flows from Operating Activities</b>			
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)
<b>Net Cash (Outflow)/Inflow from Operating Activities</b>		<b>(15,753)</b>	<b>12,212</b>
<b>Cash Flows from Investing Activities</b>			
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
<b>Net Cash Inflow from Investing Activities</b>		<b>1,801</b>	<b>5,764</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issue of shares	4	22,342	-
Repayment of borrowings		(10,400)	(14,947)
Share issue transaction costs		(1,568)	-
<b>Net Cash inflow/(outflow) from Financing Activities</b>		<b>10,374</b>	<b>(14,947)</b>
<b>Net (Decrease) / Increase in Cash Held</b>		<b>(3,578)</b>	<b>3,029</b>
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
<b>Cash and cash equivalents at the end of the year</b>		<b>2,191</b>	<b>5,769</b>

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

# Notes to the Financial Statements

31 December 2009

---

## 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
<b>Continuing operations</b>				
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
	<b>228,247</b>	<b>278,903</b>	<b>15,699</b>	<b>61,586</b>
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	<b>229,933</b>	<b>279,256</b>	<b>(51,217)</b>	<b>(73,228)</b>
<b>Discontinued operations</b>				
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	<b>45,027</b>	<b>88,961</b>	<b>(18,042)</b>	<b>7,271</b>
Consolidated segment revenue and (loss) before tax	<b>274,960</b>	<b>368,217</b>	<b>(69,259)</b>	<b>(65,957)</b>
Income tax (benefit) (continuing and discontinued operations)	-	-	11,207	15,110
Consolidated segment revenue and (loss) after tax for the period	<b>274,960</b>	<b>368,217</b>	<b>(58,052)</b>	<b>(50,847)</b>

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

# Notes to the Financial Statements

31 December 2009

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 \$'000	2008 \$'000
Australia	258,185	345,025
New Zealand	10,592	17,740
Hong Kong	6,183	14
USA	-	5,438
	<b>274,960</b>	<b>368,217</b>

## NOTE 3: Revenue

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

# Notes to the Financial Statements

31 December 2009

## NOTE 4:

Equity securities issued

	2009 Shares	2008 Shares	2009 \$'000	2008 \$'000
<b>Issue of ordinary shares during the year</b>				
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
<b>Issue of share options under the Funtastic Executive Share Option Plan</b>	
<b>2009</b>	
21 August 2009	5,000,000
<b>2008</b>	
22 May 2008	250,000
20 March 2008	200,000
<b>Issue of performance rights under the Funtastic Employee Performance Share Rights Plan</b>	
<b>2009</b>	Nil
<b>2008</b>	
3 July 2008	292,500

<b>Reconciliation of issued ordinary shares and the issued capital account</b>	<b>No. of shares</b>	<b>\$'000</b>
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

<b>Consolidated</b>	
<b>2009</b>	<b>2008</b>
<b>Cents per share</b>	<b>Cents per share</b>
<b>Basic earnings per share</b>	
From continued operations	(17.9) (25.1)
From discontinued operations	(7.1) (5.6)
<b>Total earnings / (loss) per share</b>	<b>(25.0) (30.7)</b>

## Diluted earnings per share

From continued operations	(17.9) (25.1)
From discontinued operations	(7.1) (5.6)
<b>Total diluted earnings / (loss) per share</b>	<b>(25.0) (30.7)</b>

## Basic earnings per share

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

	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
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)
<b>Earnings / (loss) used in the calculation of basic EPS from continuing operations</b>	<b>(41,664)</b>	<b>(41,544)</b>

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

## Diluted earnings per share

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

	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
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)
<b>Earnings used in the calculation of diluted EPS from continuing operations</b>	<b>(41,664)</b>	<b>(41,826)</b>

	<b>2009</b>	<b>2008</b>
	<b>No. '000</b>	<b>No. '000</b>
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share.	<b>232,333</b>	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.

<b>232,333</b>	<b>165,498</b>
----------------	----------------

## Notes to the Financial Statements

31 December 2009

### 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).

# Notes to the Financial Statements

31 December 2009

## 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)	-
<b>(Loss)/profit for the year from discontinued operations after tax</b>	<b>(10,119)</b>	<b>1,424</b>

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.



# Notes to the Financial Statements

31 December 2009

## 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)	-
<b>(Loss)/Profit for the year from discontinued operations after tax</b>	<b>(6,253)</b>	<b>546</b>

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
<b>Profit/(Loss) for the year from discontinued operations after tax</b>	<b>(16)</b>	<b>1,608</b>

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)

# Notes to the Financial Statements

31 December 2009

## 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.

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

# Notes to the Financial Statements

31 December 2009

## 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 \$'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:		
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
<b>Total impairment and restructuring costs</b>	<b>20,245</b>	<b>68,975</b>

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.

# Notes to the Financial Statements

31 December 2009

## 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
<b>Total impairment and restructuring costs items</b>	<b>12,514</b>	<b>14,393</b>
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
<b>Total impairment and restructuring costs</b>	<b>32,759</b>	<b>83,368</b>

## NOTE 9:

### Contingent liabilities

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

## Notes to the Financial Statements

31 December 2009

---

### 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.

For personal use only

## 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: 26<sup>th</sup> February 2010