



August 16, 2010

FUNTASTIC LIMITED (ASX: FUN) TRADING UPDATE

1. FUNTASTIC RECORDS A PROFIT FOR THE SIX MONTHS TO JUNE 2010

Further to guidance provided at the Company's recent AGM, Funtastic advises that its unaudited financial results for the six months ended June 2010 show a return to profitability:

- Sales from continuing operations were 8% below the same period last year reflecting the Company's portfolio rationalization as well as the tough retail environment. International sales delivered pleasing growth;
- Margins increased as a result of improved currency hedging arrangements and reduced clearance activity as a result of improved inventory management;
- The improvement in margins combined with a lower cost base drove an improvement in profitability. EBITA from Continuing Operations of \$3.4m compared with a loss for the corresponding period of \$7.3m, representing a \$10.7m turnaround;
- After accounting for amortization expenses and interest charges, Profit Before Tax for the six months ended June 2010 was \$0.4m.

	1H10 \$m	1H09 \$m	+/- \$m	+/- %
Continuing Operations:				
Revenue	108.9	118.4	(9.5)	(8%)
EBITA	3.4	(7.3)	10.7	147%
Discontinued Operations, Goodwill Impairment & Restructuring Charges	0.0	(19.1)	19.1	100%
Profit Before Tax	0.4	(30.4)	30.8	101%

Funtastic's CEO Stewart Downs said that "Funtastic's key brands in the Toys & Sporting business performed well in the first half but our secondary brands suffered as retailers reduced their support for all but the strongest performing brands during the tough retail environment." Stewart went on to say that "Madman continues to perform well in spite of very tough retail conditions which have impacted the home entertainment side of the business. However growth in ancillary sales and the very strong theatrical performance from Animal Kingdom have compensated for this."

2. CHANGE OF YEAR END

As previously announced Funtastic has changed its year end to July 31. Funtastic will produce an annual report covering the transitional period for the seven months ended July 2010. Funtastic has been granted relief from ASIC from providing half-year financial accounts to June 2010. Therefore Funtastic will not lodge an Appendix 4D for the half-year ended June 2010 and will lodge an Appendix 4E for the seven months ended July 2010.

3. BANKING FACILITY

Following the change in year end, the Company has recently negotiated an extension in the term of its banking facilities with National Australia Bank, to August 31, 2011 on similar terms.

4. PERFORMANCE FOR THE SEVEN MONTHS ENDED JULY 2010

Financial performance in the month of July, traditionally a very soft period for the industry, is likely to be loss-making and would therefore represent a drag on the result for the first six months. Whilst management expects that the Company will be profitable at an EBITA level for the seven months ended July 2010, it believes that, on a profit before tax basis, the Company will be slightly loss making.

5. LEGAL PROCEEDINGS – AUSTRALIAN HORIZONS TRADING PTY LIMITED

The Company has recently commenced legal proceedings to recover unpaid debts resulting from the sale of its apparel business in August 2009. The proceedings have been issued against Australian Horizons Trading Pty Limited (AHT) and Jeffrey Moss as guarantor of certain AHT obligations under the 2009 sale of business agreement (SBA).

It was recently announced that PlayCorp Pty Limited has acquired the assets of the AHT business.

Funtastic's claim against AHT is for:

- Payment of \$2.25m of existing unpaid debts;
- An order that AHT pay the commission based on sales for the period June 2010 – December 2010 earned by AHT or PlayCorp;
- Damages;
- Interest and costs.

A similar claim has been lodged against Jeffrey Moss.

Funtastic booked an asset at the time of the sale of the apparel business based on the expected future cash receipts. This amounts to \$5.8m at June 2010. The Company is of the view that the full amount will be recovered and that no impairment is therefore warranted at this stage.

6. OUTLOOK

The turnaround of Funtastic continues to progress and management are confident of further improvements in the financial performance of the business moving forward.

SF Tanner
Chairman

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