Appendix 4D

Half-year report for the half-year ended 31 January 2011

funtastic LIMITED

Appendix 4D – Half-year Report

Name of Entity:	Funtastic Limited
ABN:	94 063 886 199
Current Financial Period Ended:	Six months to 31 January 2011
Previous Corresponding Reporting Period:	Six months to 31 January 2010

Results for Announcement to the Market

	$'000	**Percentage increase / (decrease) over previous corresponding period**
Continuing operations		
Revenue from ordinary activities	98,683	(9.50)%
Earnings before interest, taxation, depreciation, amortization (EBITDA)	**4,971**	**>100%**
Net Profit/(Loss)		
Net profit for the period from continuing operations	696	>100%
Net loss for the period from discontinuing operations	(330)	(79.6)%
Net profit for the period attributable to members of Funtastic Limited	**366**	**>100%**

Dividends

	Amount per Security	**Franked amount per security**
Interim Dividend	Nil	Nil
Previous Corresponding Period	Nil	Nil

Explanation of Figures Reported

Refer to the attached Review of Operations in order to understand these reported figures.

NB: Information is to be read in conjunction with the annual report for the financial year ended 31 July 2010.

TABLE OF CONTENTS

Company Information

Directors	Shane Tanner *Chairman and Independent Non-Executive Director* Stewart Downs *Managing Director and Chief Executive Officer* Nir Pizmony *Executive Director* Craig Mathieson *Non-Executive Director* James Flintoft *Independent Non-Executive Director* Stephen Heath *Independent Non-Executive Director*
Company Secretary	James Cody
Registered Office	Level 2 Tower 2 Chadstone Place 1341 Dandenong Road Chadstone Vic 3148
Principal Administrative Office	Level 2 Tower 2 Chadstone Place 1341 Dandenong Road Chadstone Vic 3148
Share Registry^	Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street Abbotsford Vic 3067
Auditors	Deloitte Touche Tohmatsu 550 Bourke Street Melbourne Vic 3000
Bankers	National Australia Bank 535 Bourke Street Melbourne Vic 3000
Solicitors	Freehills 101 Collins Street Melbourne Vic 3000

^ - As announced to the market 9 March 2011, the Group's registry management services will be transferred to Registries Limited (Level 7, 207 Kent Street, Sydney NSW 2000). Computershare will cease to be the registry provider at close of business 1 April 2011 and Registries will commence 4 April 2011.

Directors' Report

The directors of Funtastic Limited submit herewith the financial report of Funtastic Limited and its subsidiaries (the Group) for the half-year ended 31 January 2011. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

The names of the directors of the Company during or since the end of the half-year are:

- Mr. Shane Tanner
- Mr. Stewart Downs
- Mr. Craig Mathieson
- Mr. Nir Pizmony
- Mr. James Flintoft
- Mr. Stephen Heath – appointed 18 October 2010

Review of operations

Key factors for the half year ended 31 January 2011 include the following:

- The Group returned to profitability during the period in which it generated a net profit of $366,000 (continuing operations net profit of $696,000) on lower revenues illustrating the continued traction of the Group's turnaround strategy;
- Revenue from continuing operations has fallen and although Funtastic's key brands performed well as part of product rationalisation, the Group's secondary brands suffered as retailers reduced support for all but the strongest performing brands during the tough retail trading conditions; and
- Despite the 9.5% fall in continuing revenue, continuing Group EBITDA was $5.0m compared with a $29.7m loss in the comparative period. This is largely due to (i) gross margins have increased during the period as a result of improved currency hedging arrangements and reduced clearance activity as a result of improved inventory management; and (ii) the continued implementation of the Group's turnaround strategy which involves operating off a lower cost base.

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

	31 January 2011	31 January 2010	Variance	
	$'000	$'000	$'000	%
Revenue				
Continuing operations	98,683	109,095	(10,412)	(9.5)
Discontinued operations	-	14,057	(14,057)	(100)
Group Revenue	**98,683**	**123,152**	**(24,469)**	**(19.9)**
EBITDA				
Continuing operations	4,971	(29,737)	34,708	>100
Discontinued operations	(330)	(1,615)	1,285	79.6
Group EBITDA	**4,641**	**(31,352)**	**35,993**	**>100**
Significant Items				
Goodwill impairment	-	(14,689)	14,689	>100
Restructuring costs	(595)	(2,286)	1,691	74.0
Group Significant items^	**(595)**	**(16,975)**	**16,380**	**>100**
Net Profit/(Loss)				
Continuing operations	696	(29,664)	30,360	>100
Discontinued operations	(330)	(1,615)	1,285	79.6
Group Net Profit/(Loss)	**366**	**(31,279)**	**31,645**	**>100**

^ - All significant items disclosed above relate to continuing operations.

Outlook

The turnaround of the Group, as discussed below, continues to progress and management remains confident of further improvements in the financial performance of the business moving forward. However, existing challenging retail conditions make it difficult to predict performance in the second half and accordingly the Directors are not in a position to announce Earnings Guidance in respect of the full year. Notwithstanding this, the Directors are confident that the Group will deliver a stronger result in the second half, with a progressive improvement towards acceptable profitability levels. Highlights with respect to the future direction of the Group are outlined below:

Funtastic Group

- In August/September, the management team undertook further cost base reductions driven in part by the tougher than expected retail environment, but also by having developed a better understanding of the optimal operating cost model for the Group; and
- The planning system implemented in 2009 is enabling more accurate purchasing decisions and therefore more sustainable inventory levels. However, the Directors note that less inventory was cleared than anticipated, all of which has been adequately provided for at the end of the half-year.

Toys & Lifestyle Merchandise

- 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 which has resulted in lower revenues;
- However, the business has progressed from a segment loss of $3.7m to a segment profit of $2.2m (contribution margin) reflecting a combination of (i) focused product range; (ii) improved inventory management (less problematic/obsolete inventory); (iii) improved foreign exchange hedging arrangements; and (iv) a lower cost base following the August/September phase of the implementation of the Group's turnaround strategy;
- The business has secured exciting new brands to complement the existing portfolio in 2011 in Zibits, Hero 108, the new Tamigotchi, Power Rangers and Air Hogs;
- As announced in December, Funtastic has secured a distribution agreement for Squinkies™ (a collection of squishy and adorable mini doll and pet pencil toppers). The product was recently launched in the United States where it became the hottest girls' collectible toy for Christmas which was confirmed in February with the US Toy Industry Association (TIA) awarding the product "Girls Toy of the Year". The Group began selling Squinkies™ in March;
- Funtastic's brand portfolio also received further accolades as leading educational toy brand, LeapFrog, received an astounding two TIA 2011Toy of the Year awards; and
- During the period, Funtastic executed an exclusive distribution partnership with Kidz@Play Pty Ltd (KAP) to manage KAP's successful LEGO license portfolio.

International

- The growth of the International business continues to expand the Group's distribution reach; and
- During the period, in order to capitalize on the International market, the Group has invested in this segment of the business and, whilst only a small contribution has been generated, the Directors are confident that the investment will generate significantly stronger returns in the second half and beyond.

Entertainment

- Whilst the Entertainment business has experienced a slowing demand for its back catalogue products, ageing inventory has been adequately provided for in accordance with the Group's accounting policy – contrary to these issues, the business has increased profitability on lower revenues which, to an extent, is also a result of exiting the Interactive market in January 2010 due to notable margin erosion.
- Whilst Madman continues to outperform its competitors in its traditional market, the broader industry is going through a period of significant change. DVD as a format is maturing and beginning to be superseded by Blu Ray; there has been a dramatic expansion in the number of free to air TV channels as well as several new internet based providers. The common denominator in all of this change is the need for content; Madman, through its extensive library and alliances with all the existing and emerging players, is incredibly well positioned to take advantage of the changing environment.

The combination of the continuing turnaround of the Group, TIA toy awards, expansion overseas and access to new brands, such as Squinkies™ and LEGO, make this a promising time for the Funtastic business.

Dividend

The directors recommend no payment of an interim dividend. The dividend position will continue to be reviewed in line with the Group's financing arrangements as outlined below.

Auditor's independence declaration

The auditor's independence declaration is included on page 8 of the half-year report.

Financing Arrangements

During the six months ended 31 January 2011, the Group complied with its externally imposed capital covenants. As negotiated in July 2010, the Group extended the maturity date of its financing arrangements to 31 August 2011. Subsequent to the end of the half-year reporting period ended 31 January 2011, the Group has, again successfully, extended the maturity date of its financing arrangements to 31 August 2013. As previously foreshadowed, the Group is now required to comply with certain financial covenants, including amortisation of its commercial bills facility which precludes the payment of dividends during the amortisation period.

Legal Issues

In 2010, the Group 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 (Mr. Moss) as guarantor of certain AHT obligations under the 2009 sale of business agreement (SBA). The Group has made a claim against AHT and Jeffrey Moss. At the time of the sale of the business, the Group booked an asset based on the expected deferred consideration of the sale of the business – this amounts to $6m as at 31 January 2011.

On February 25 Southern Cross Trading Pty Limited (formerly known as AHT) was placed into liquidation; this is a development which had been anticipated following the transaction with PlayCorp. Funtastic will now need leave of the Court to proceed with its claim against AHT - though its claim against Mr. Moss can continue without leave. It is usual for a court to impose a condition that if the claim proceeds against a company in liquidation, it will only be to the point of obtaining a judgment. The judgment amount would quantify the amount for which Funtastic would lodge a proof of debt in the liquidation.

The Directors are in the process of making contact with the liquidator's office to ascertain whether they would be prepared to consent to an order that leave to proceed be granted, on condition that no step be taken to enforce any judgement obtained. If consent is not forthcoming, Funtastic will seek leave of the Court to continue its claim against AHT.

In the absence of a creditor willing to fund the ongoing legal costs associated with bringing the counter-claim, it is considered unlikely that that claim will be pursued. Assuming that any judgement arising from the claim against AHT is unable to be met from the liquidated assets of AHT, then the Directors would look to Mr. Moss as guarantor to meet the liability. Until the outcome of any ongoing legal proceedings against AHT, it is difficult to speculate as to the likely outcome. However, the Directors are of the view that the full amount will be recovered and therefore no impairment loss has been recognised in the half-year financial 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

Other than the financing arrangements discussed above, there was no significant change in the state of affairs of the Group during the period, or subsequent to the end of the period.

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*.

Shane Tanner
Chairman
Melbourne, 31 March 2011

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

DX: 111
Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 3 9671 7001
www.deloitte.com.au

The Board of Directors
Funtastic Limited
Level 2, Tower 2, Chadstone Place
1341 Dandenong Road,
CHADSTONE VIC 3148

31 March 2011

Dear Board Members

Auditors Independence Declaration to 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 31 January 2011, 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

Patrick McLay
Partner
Chartered Accountants

Condensed consolidated statement of comprehensive income for the half-year ended 31 January 2011

	Note	Half-year 31 January 2011 $'000	31 January 2010 $'000
Continuing Operations			
Revenue		**98,683**	109,095
Cost of sale of goods		**(62,743)**	(84,075)
Gross profit		**35,940**	25,020
Warehouse and distribution		**(8,021)**	(8,316)
Marketing and selling		**(17,351)**	(20,839)
Administration and finance		**(5,002)**	(8,627)
Impairment and restructuring costs		**(595)**	(16,975)
Earnings before interest, taxation, amortization, depreciation (EBITDA)		**4,971**	(29,737)
Depreciation and amortization expenses		**(857)**	(901)
Finance costs		**(3,679)**	(4,612)
Profit/(loss) before income tax		**435**	(35,250)
Income tax benefit		**261**	5,586
Profit/(loss) for the period from continuing operations		**696**	(29,664)
Discontinued operations			
Loss for the period from discontinued operations	2	**(330)**	(1,615)
Profit/(loss) for the period		**366**	(31,279)
Other comprehensive income (net of tax)			
Exchange differences arising on translation of foreign operations		**(141)**	125
(Loss)/Gain on cash flow hedges transferred from/taken to equity		**(400)**	2,949
Gain on equity settled benefits taken to equity		**64**	6
		(477)	3,080
Total comprehensive income attributable to members of Funtastic Limited		**(111)**	(28,199)
Earnings per share		**Cents**	Cents
From continuing and discontinued operations:			
Basic (cents per share)	7	**0.11**	(9.52)
Diluted (cents per share)	7	**0.10**	(9.52)
From continuing operations:			
Basic (cents per share)	7	**0.20**	(9.03)
Diluted (cents per share)	7	**0.20**	(9.03)

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

Condensed consolidated balance sheet as at 31 January 2011

	Note	31 January 2011 $'000	31 July 2010 $'000
Current Assets			
Cash		**3,131**	972
Trade and other receivables		**32,255**	38,563
Inventories		**28,881**	29,469
Other		**28,642**	25,522
Current tax assets		**-**	-
Other financial assets		**4,835**	4,835
Total Current Assets		**97,744**	99,361
Non-Current Assets			
Property, plant and equipment		**2,678**	2,948
Goodwill	5,9	**75,352**	73,608
Other intangibles		**4,219**	2,822
Deferred tax assets		**15,135**	14,374
Other financial assets		**1,563**	1,606
Total Non-Current Assets		**98,947**	95,358
Total Assets		**196,691**	194,719
Current Liabilities			
Trade and other payables		**11,943**	11,675
Borrowings	6	**79,710**	-
Provisions		**1,459**	1,706
Deferred purchase consideration	9	**4,111**	2,367
Other		**16,244**	17,728
Current tax liabilities		**5**	97
Other financial liabilities		**1,514**	971
Total Current Liabilities		**114,986**	34,544
Non-Current Liabilities			
Borrowings	6	**-**	78,876
Provisions		**66**	147
Deferred tax liabilities		**7,433**	6,775
Other		**1,057**	1,117
Total Non-Current Liabilities		**8,556**	86,915
Total Liabilities		**123,542**	121,459
Net Assets		**73,149**	73,260
Equity			
Issued capital		**159,377**	159,377
Accumulated losses		**(85,598)**	(85,964)
Reserves		**(630)**	(153)
Total Equity		**73,149**	73,260

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 31 January 2011

	Fully Paid Ordinary Shares $'000	Accumulated Losses $'000	Foreign Currency Translation Reserve $'000	Equity-settled Benefits Reserve $'000	Cash Flow Hedging Reserve $'000	Total $'000
Balance at 1 August 2009	137,202	(52,791)	(1,208)	1,231	(3,358)	81,076
Loss for the period	-	(31,279)	-	-	-	(31,279)
Other comprehensive gain	-	-	125	6	2,949	3,080
Total comprehensive income	-	(31,279)	125	6	2,949	(28,199)
Share issues to NSR (HK) Ltd	1,400	-	-	-	-	1,400
Rights issue	20,775	-	-	-	-	20,775
Balance at 31 January 2010	**159,377**	**(84,070)**	**(1,083)**	**1,237**	**(409)**	**75,052**
Balance at 1 August 2010	159,377	(85,964)	(1,048)	1,374	(479)	73,260
Profit for the period	-	366	-	-	-	366
Other comprehensive (loss)/gain	-	-	(141)	64	(400)	(477)
Total comprehensive income	-	366	(141)	64	(400)	(111)
Balance at 31 January 2011	**159,377**	**(85,598)**	**(1,189)**	**1,438**	**(879)**	**73,149**

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

Condensed Consolidated cash flow statement
for the half-year ended 31 January 2011

	Half-year	
	31 January 2011	31 January 2010
	$'000	$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	**114,859**	153,250
Payments to suppliers and employees (inclusive of GST)	**(107,967)**	(136,026)
Cash generated from operations	***6,892***	*17,224*
Income taxes (paid) / received	**(129)**	294
Interest and other costs of finance paid	**(3,753)**	(4,281)
Net cash provided by operating activities	**3,010**	13,237
Cash flows from investing activities		
Interest received	**70**	49
Proceeds on disposal of property, plant and equipment	**8**	-
Payments for acquisition of businesses	**-**	(929)
Payments for property, plant and equipment	**(456)**	(2,269)
Proceeds from sale of businesses	**-**	5,185
Payments for intangible assets	**(946)**	-
Net cash provided by / (used in) investing activities	**(1,324)**	2,036
Cash flows from financing activities		
Proceeds from issue of shares	**-**	22,342
Proceeds from/(repayment of) commercial bills and borrowings	**834**	(36,643)
Borrowings transaction costs	**(588)**	-
Share issue transaction costs	**-**	(1,568)
Net cash provided by / (used in) financing activities	**246**	(15,869)
Net increase/(decrease) in cash held	**1,932**	(596)
Cash and cash equivalents at the beginning of the half-year	**972**	1,462
Effect of exchange rate changes on cash held in foreign currencies	**227**	162
Cash and cash equivalents at the end of the half-year	**3,131**	1,028

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

Notes to the Condensed Consolidated Financial Statements

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 Group's annual financial report for the financial year ended 31 July 2010, 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.

Going concern basis

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realization of assets and the settlement of liabilities in the ordinary course of business. As at 31 January 2011, Funtastic Limited is net current asset deficient by $17,242,000.

As negotiated in July 2010, the Group extended the maturity date of its financing arrangements to 31 August 2011. In accordance with AASB 101 *Presentation of Financial Statements,* the Group is required to present its banking facilities as current as at 31 January 2011. Subsequent to the end of the half-year reporting period ended 31 January 2011, the Group has, again successfully, extended the maturity date of its financing arrangements to 31 August 2013. As previously foreshadowed, the Group is now required to comply with certain financial covenants, which includes amortisation of its commercial bills facility and precludes the payment of dividends during the facility period.

The ability of the Group to continue as a going concern is dependent on its ability to generate sufficient funds from its operational activities and operate within the requirements of its banking facilities.

Notwithstanding these factors, the financial report has been prepared on the basis that the Group is a going concern. The directors are of the view that this is appropriate due to the following factors:

- The directors have prepared detailed financial forecasts for the 12 months ending 31 March 2012. These forecasts include the requirement for the Group to reduce its commercial bill facility by $5 million in June 2011 and a further $5 million in December 2011 in line with the agreed debt amortisation schedule referred to above. These forecasts incorporate the turnaround strategy previously announced to the market, whereby the Group has been reviewing the capital requirements of the business, the gearing of its balance sheet and the assessment of non-core assets with a view to reducing the level of external borrowings within the Group.
- The directors have considered the existing challenging retail conditions and the likely range of impacts that this may have upon the forecast trading of the Group. This process has included applying appropriate sensitivities to the Group's sales and cash forecasts and assessing the resultant impact on funding headroom and compliance with all financial covenants. The range of impacts has been appropriately considered and reflected within the Group's forecasts and the directors' assessment of going concern.
- The Group has the continuing support of its bankers and has successfully extended its financing arrangements to 31 August 2013. Had the Group secured this extension on or before 31 January 2011, $69,710,000 of its financing facilities would have been presented as non-current and $10,000,000 presented as current in this half-year financial report.

In arriving at their conclusion that the Group will continue as a going concern, the directors have satisfied themselves with the uncertainties inherent with the continued support from the Group's bankers and forecast trading.

Whilst there can be no certainty that the Group will achieve its forecasts, the directors consider that the Group will be able to operate within its banking facilities and will continue to have the support of its bankers for the foreseeable future.

The financial report does not include any adjustments that may be appropriate relating to the recoverability and classification of assets or to the amounts and classification of liabilities that might be necessary if the going concern basis was no longer appropriate.

NOTE 1: Significant account policies (continued)

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.

- *Recoverability of prepaid and committed royalty and license agreements*

In order to secure product distribution rights the Group is required to prepay for royalties relating to licensed products. The Group reviews the recoverability of prepaid royalty and license agreements on an annual basis. The Group takes into account current and projected market sell through in assessing the recoverability of royalty commitments.

- *Settlement of licence audits*

Product licence agreements contain audit rights for licensors. At year end in respect of licensor audits the Group has provided for the best estimate of amounts payable. The final amounts payable will be subject to negotiation with the licensor and may differ to the amounts provided.

- *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.

Clarification of terminology used in statement of comprehensive income

Under the requirements of AASB 101 *Presentation of Financial Statements*, expenses (apart from finance costs) must be classified according to either the nature (type) of the expense or the function (activity to which the expense relates). Expenses have been classified using the nature classification as it more accurately reflects the type of operations undertaken. The presentation in the statement of comprehensive income has been amended where necessary to present expense items more clearly using the nature classification and comparatives have been restated accordingly.

Earnings before interest, income tax, depreciation, amortisation expenses ("EBITDA") reflects the results from continuing, recurring operational performance. This is believed to be a relevant and useful financial measure used by management to measure the Group's ongoing performance.

NOTE 2: Segment information

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
- International
- Entertainment
- Other

The Toys and Lifestyle Merchandise reportable segment distributes licensed toys, sporting equipment, nursery equipment and confectionary. The International reportable segment designs and sources unique product offerings for worldwide distribution. The Entertainment reportable segment distributes licensed DVD merchandise. The Other reportable segment incorporates all other trading operations.

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	
		31 January 2011	31 January 2010	**31 January 2011**	31 January 2010
		$'000	$'000	**$'000**	$'000
Continuing operations					
Toys and Lifestyle Merchandise		**58,857**	60,838	**2,163**	(3,667)
International		**8,273**	8,623	**128**	587
Entertainment		**29,188**	34,181	**5,674**	4,449
Other		**2,136**	3,767	**51**	(122)
		98,454	107,409	**8,016**	1,247
Other revenue		**229**	1,686	**-**	-
Central administration		**-**	-	**(2,450)**	(14,009)
Finance costs		**-**	-	**(3,679)**	(4,612)
Depreciation & amortization		**-**	-	**(857)**	(901)
Impairment & restructuring costs	3	**-**	-	**(595)**	(16,975)
Continuing segment revenue and profit/(loss) for the period		**98,683**	109,095	**435**	(35,250)
Discontinued operations					
Softgoods		**-**	14,056	**(330)**	(2,215)
Toys New Zealand		**-**	1	**-**	(5)
Remeasurement of Softgoods to fair value less costs to sell		**-**	-	**-**	(69)
Remeasurement of Toys New Zealand to fair value less costs to sell		**-**	-	**-**	45
Discontinued segment revenue and loss for the period		**-**	14,057	**(330)**	(2,244)
Consolidated segment revenue and profit/(loss) before tax		**98,683**	123,152	**105**	(37,494)
Income tax benefit (continuing and discontinued operations)		**-**	-	**261**	6,215
Consolidated segment revenue and profit/(loss) after tax for the period		**98,683**	123,152	**366**	(31,279)

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: Impairment and restructuring costs

	Half-year	
	31 January 2011 $'000	31 January 2010 $'000
Goodwill impairment – Educational toys & furniture	**-**	14,689
Corporate restructuring costs*	**595**	2,286
	595	16,975

* - Costs in relation to the implementation of the Group's turnaround strategy.

NOTE 4: Net tangible assets

	Half-year	
	31 January 2011	31 January 2010
Net tangible asset backing per ordinary security	**(1.88) cents**	(0.93) cents

NOTE 5: Goodwill

The Directors have reviewed the requirements of AASB 134 *Interim Financial Reporting* and AASB 136 *Impairment of Assets* and are satisfied that any indicators of impairment have been rebutted at the reporting date, and to the date of signing the Directors' declaration, and accordingly no impairment loss has been recorded against the Group's goodwill.

NOTE 6: Borrowings

During the six months ended 31 January 2011, the Group complied with its externally imposed capital covenants.

As negotiated in July 2010, the Group extended the maturity date of its financing arrangements to 31 August 2011. Subsequent to the end of the half-year reporting period ended 31 January 2011, the Group has, again successfully, extended the maturity date of its financing arrangements to 31 August 2013. As previously foreshadowed, the Group is now required to comply with certain financial covenants, including amortisation of its commercial bills facility which precludes the payment of dividends during the amortisation period.

However, in accordance with AASB 101 *Presentation of Financial Statements*, the Group's financing arrangements with its senior lender have been presented as current in this half-year financial report. Had the Group secured the aforementioned extensions on or before 31 January 2011, its banking facilities ($79,710,000) would have been presented as non-current in this half-year financial report.

NOTE 7: Earnings per share

	31 January 2011 $'000	**31 January 2010 $'000**
Earnings used in the calculation of basic continuing and discontinued operations earnings per share reconciles to net profit in the statement of comprehensive income	**366**	(31,279)
Earnings used in the calculation of basic continuing operations earnings per share reconciles to net profit in the statement of comprehensive income	**696**	(29,664)
Earnings per share	**Cents**	Cents
From continuing and discontinued operations:		
Basic (cents per share)	**0.11**	(9.52)
Diluted (cents per share)	**0.10**	(9.52)
From continuing operations:		
Basic (cents per share)	**0.20**	(9.03)
Diluted (cents per share)	**0.20**	(9.03)
	Number	**Number**
Weighted average number of ordinary shares outstanding during the half-year used in the calculation of basic earnings per share.	**340,997,682**	328,530,551
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share.	**354,145,491**	340,244,026

NOTE 8: Commitments

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

NOTE 9: Deferred purchase consideration

On 13 August 2009, the Group acquired 100% of the issued share capital of NSR (HK) Limited ("NSR"). Under the Share Sale Agreement, an earnout may be payable, satisfied by the issue of ordinary shares, for the 2010 calendar year subject to the achievement of an EBIT target and the reduction of the shareholder loans. As at 31 July 2010, the Group had recognized an amount payable of $2,367,000 (11,835,000 shares) based on forecasts; during the half-year period, management has revised this payable to $4,111,000 (20,557,000 shares) based on a draft EBIT calculation for the 2010 calendar year. The acquisition of NSR is governed by the former AASB 3 *Business Combinations* and, accordingly, the increase to the payable of $1,744,000 has been recorded in goodwill and not profit or loss.

NOTE 10: Contingent liabilities

A claim has been made against Funtastic Limited, and the Group, regarding a material contract. The directors are refuting that claim and Funtastic has made material claims against the other party. While the eventual outcome of this matter cannot be reliably estimated at this time, the directors are confident that there will not be any amount owing to the other party. Accordingly, no provision has been recognised in the financial statements at year end.

NOTE 11: Dividends

There were no dividends paid or proposed during the half-year. The directors have not recommended the payment of dividends since the period end.

NOTE 12: Subsequent events

Subsequent to the end of the half-year reporting period 31 January 2011, the Group has extended the maturity date of its financing arrangements to 31 August 2013 (refer note 6 for further detail).

Other than the item above, there has not been any matter or circumstance occurring subsequent to the end of the financial period that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Directors' Declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds 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 Group.

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

On behalf of the Directors

Shane Tanner

Chairman

Melbourne, 31 March 2011

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

DX: 111
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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Funtastic Limited which comprises the condensed statement of financial position as at 31 January 2011, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed 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 9 to 19.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 a 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 31 January 2011 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.

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.

Deloitte.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Funtastic Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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 company's financial position as at 31 January 2011 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

Patrick McLay
Partner
Chartered Accountants
Melbourne, 31 March 2011