



29 June 2012

**Funtastic Limited – Capital Raising**

I attach a complete copy of the retail offer booklet and entitlement and acceptance form in respect of the company's Retail Entitlement Offer. These documents were despatched to eligible retail shareholders today.

James Cody  
Company Secretary  
Funtastic Limited



## **Retail Offer Booklet**

**Non-renounceable pro-rata entitlement offer by Funtastic Limited to Eligible Retail Shareholders of 1 New Share for every 3 Shares held on the Record Date at an offer price of \$0.145 per New Share.**

**The Retail Entitlement Offer closes at 5.00pm (Melbourne Time) on Wednesday, 25 July 2012.**

**This is an important document and requires your immediate attention. You should read this document in its entirety before making any investment decision. If you are in any doubt about what to do, please consult your professional adviser.**

**This document is not a prospectus or other form of disclosure document. It does not contain all of the information that an investor may require to make an informed investment decision regarding, or about the rights attaching to, the New Shares offered under this Retail Offer Booklet.**

For personal use only

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## IMPORTANT INFORMATION

This Retail Offer Booklet has been prepared by Funtastic Limited ACN 063 886 199 (**Funtastic or Company**) and is dated 29 June 2012. This Retail Offer Booklet is not a prospectus or other disclosure document under the Corporations Act and has not been lodged with ASIC. The Retail Entitlement Offer contained in this Retail Offer Booklet is being made without disclosure in accordance with section 708AA of the Corporations Act, as modified by ASIC Class Order 08/35.

Neither ASIC nor ASX, nor any of their officers or employees takes responsibility for the Retail Entitlement Offer or the merits of the investment to which the Retail Entitlement Offer relates.

The Retail Offer Booklet does not constitute financial product advice and has been prepared without taking into account Eligible Retail Shareholders' investment objectives, financial circumstances or particular needs. The Retail Offer Booklet does not purport to contain all the information that Eligible Retail Shareholders may require to make an informed investment decision regarding, or about the rights attaching to, the New Shares. If, after reading this Retail Offer Booklet, you have any questions about the Retail Entitlement Offer, you should contact your stockbroker, lawyer, accountant or other professional adviser.

Before deciding whether to apply for New Shares, each Eligible Retail Shareholder should consider whether Funtastic is a suitable investment for them in light of their own investment objectives and financial circumstances and should seek professional advice from their accountant, stockbroker, lawyer or other professional adviser before deciding whether or not to invest.

### Investment Risks

There are a number of risk factors that could potentially impact on Funtastic and its operations. For information about these risks, please refer to the "Key Risks" section of the Funtastic Capital Raising Presentation included in section 3.1. The potential tax effects of the Retail Entitlement Offer will vary between investors. All investors should satisfy themselves of any possible tax consequences by consulting their own professional tax advisers. Applications for New Shares, including any Additional Shares, by Eligible Retail Shareholders can only be made on the Entitlement and Acceptance Form sent to Eligible Retail Shareholders which accompanies this Retail Offer Booklet.

### Future performance and forward looking statements

Applicants for New Shares should note that the past share price performance of Funtastic provides no guidance as to its future share price performance. Any financial information provided in this Retail Offer Booklet is for illustrative purposes only and is not represented as being indicative of Funtastic's future financial performance.

Any forward looking statements in this Retail Offer Booklet are based on Funtastic's current expectations about future events. They are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of Funtastic and its Directors, which could cause actual results, performance and achievements to differ materially from future results, performance or achievements expressed or implied by any forward looking statements in this Retail Offer Booklet.

### Ineligible Retail Shareholders

The Retail Entitlement Offer is only made to Eligible Retail Shareholders. The Retail Entitlement Offer is not extended to, and no New Shares are offered or will be issued to, persons with registered addresses outside Australia or New Zealand (**Ineligible Retail Shareholders**).

Funtastic considers it is unreasonable to extend the Retail Entitlement Offer to Shareholders with registered addresses in jurisdictions outside Australia and New Zealand having regard to the small number and value of New Shares that would be offered in such jurisdictions and the cost of complying with the legal and regulatory requirements in those jurisdictions.

## Foreign jurisdictions and restrictions on the distribution of this Retail Offer Booklet

This Retail Offer Booklet and accompanying Entitlement and Acceptance Form do not, and are not intended to, constitute an offer of New Shares in any place outside Australia or New Zealand. The distribution of this Retail Offer Booklet and the accompanying Entitlement and Acceptance Form outside of Australia or New Zealand may be restricted by law and persons who come into possession of this Retail Offer Booklet and the accompanying Entitlement and Acceptance Form should seek advice on and observe those restrictions. Any failure to comply with those restrictions may constitute a violation of applicable securities laws. By applying for New Shares under this Retail Offer Booklet, including by submitting the Entitlement and Acceptance Form or making a payment by BPAY<sup>®1</sup> you represent and warrant that there has been no breach of such laws.

The Company disclaims all liabilities to such persons. Eligible Shareholders who are not resident in Australia or New Zealand are responsible for ensuring that taking up New Shares under the Retail Entitlement Offer does not breach the selling restrictions set out in this Retail Offer Booklet or otherwise violate the securities laws in the relevant overseas jurisdictions.

In particular, the Entitlement Offer and Placement have not been, and will not be, registered under the *Securities Act of 1933* (US) or the securities laws of any State of the United States and is not being made in the United States or to persons resident in the United States. Without limitation, neither this Retail Offer Booklet nor the accompanying Entitlement and Acceptance Form may be sent to investors in the United States or otherwise distributed in the United States.

The New Shares being offered to residents of New Zealand under this Retail Offer Booklet are offered in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2002* (New Zealand). This Retail Offer Booklet and the accompanying Entitlement and Acceptance Form have not been registered, filed or approved by any New Zealand regulatory authority under the *Securities Act 1978* (New Zealand). This Retail Offer Booklet is not an investment statement or prospectus under New Zealand law and may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

No action has been taken to register or qualify this Retail Offer Booklet, the New Shares, or the Entitlement Offer or Placement, or otherwise to permit a public offering of the New Shares, in any jurisdiction outside Australia and New Zealand.

### Disclaimer

No person is authorised to give any information, or to make any representation, in connection with the Retail Entitlement Offer not contained in this Retail Offer Booklet. Any information or representation not contained in this Retail Offer Booklet may not be relied on as having been authorised by Funtastic, or its related bodies corporate, in connection with the Retail Entitlement Offer. Except as required by law, and only to the extent so required, neither Funtastic, nor any other person, warrants the future performance of Funtastic or any return on any investment made under this Retail Entitlement Offer.

Neither the Lead Manager, nor any of its or Funtastic's respective advisers nor any of their respective affiliates or related bodies corporate nor any of their respective directors, officers, partners, employees, representatives or agents has authorised or caused the issue of this Retail Offer Booklet and they do not take any responsibility for the information set out in this Retail Offer Booklet or any action taken by you on the basis of such information.

To the maximum extent permitted by law, the Lead Manager, each of its or Funtastic's respective advisers and their respective affiliates or related bodies corporate and any of their respective directors, officers, partners, employees, representatives or agents exclude and disclaim all liability for any expenses, losses, damages or costs incurred by you as a result of your participation in the Retail Entitlement Offer or this Retail Offer Booklet being inaccurate or incomplete in any way for any reason, whether by negligence or otherwise.

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<sup>1</sup>® Registered to BPAY Pty Ltd ABN 69 079 137 518

Neither the Lead Manager, nor any of its or Funtastic's respective advisers nor any of their respective affiliates or related bodies corporate nor any of their respective directors, officers, partners, employees, representatives or agents makes any recommendations as to whether you or your related parties should participate in the Retail Entitlement Offer, nor do they make any representations or warranties to you concerning this Retail Entitlement Offer, or any information contained in the Retail Offer Booklet and you represent, warrant and agree that you have not relied on any statements made by the Lead Manager, any of its or Funtastic's respective advisers or any of their respective affiliates or related bodies corporate or any of their respective directors, officers, partners, employees, representatives or agents in relation to the New Shares or the Retail Entitlement Offer generally.

Other than in respect of the ASX Announcements included in section 3, statements made in this Retail Offer Booklet are made only as the date of this Retail Offer Booklet. The information in this Retail Offer Booklet remains subject to change without notice.

It is important to note that the Lead Manager will be acting for and providing services to Funtastic in connection with the Entitlement Offer and the Placement and will not be acting for or providing services to Shareholders or any other investor. The engagement of the Lead Manager by Funtastic is not intended to create any agency, fiduciary or other relationship between the Lead Manager and the Shareholders or any other investor.

#### **Defined terms and abbreviations**

Terms and abbreviations used in this Retail Offer Booklet are defined in section 5.

References to sections are to sections of this Retail Offer Booklet, unless otherwise stated.

#### **Queries**

If you have not received a personalised Entitlement and Acceptance Form or have any queries on how to complete the Entitlement and Acceptance Form, please contact the Share Registry on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia).

## LETTER FROM THE CHAIRMAN



29 June 2012

Dear Shareholder,

On behalf of Funtastic Limited ("**Funtastic**" or the "**Company**"), I am pleased to invite you to participate in the retail component of a 1-for-3 non-renounceable pro rata entitlement offer ("**Retail Entitlement Offer**") at an offer price of \$0.145 per share ("**Offer Price**") to raise up to approximately \$4.4 million (before expenses).

On 21 June 2012, Funtastic announced its intention to undertake a capital raising of up to approximately \$24.6 million via an institutional placement ("**Institutional Placement**") and a non-renounceable accelerated pro-rata entitlement offer ("**Entitlement Offer**") to all eligible shareholders to raise up to approximately \$17.8 million. The Entitlement Offer consists of an institutional entitlement offer ("**Institutional Entitlement Offer**") to raise approximately \$13.4 million (before expenses) and the Retail Entitlement Offer.

The Institutional Placement and the Institutional Entitlement Offer were successfully completed on 22 June 2012.

Bell Potter Securities Limited was sole Lead Manager of the Institutional Placement and the Institutional Entitlement Offer and is also the sole Lead Manager of the Retail Entitlement Offer.

The proceeds of the capital raising will be used to immediately repay debt of \$15 million, which strengthens the Company's balance sheet and significantly reduces gearing and increases interest coverage. The remaining amount will provide working capital to invest in the Company's brand portfolio, drive organic growth both domestically and internationally and to pay the costs of the capital raising. Further details are provided in the Capital Raising Presentation included in this Retail Offer Booklet.

Under the Retail Entitlement Offer, eligible shareholders are being given the opportunity to subscribe for 1 share for every 3 Funtastic ordinary shares held at 7:00pm (Melbourne time) on Tuesday, 26 June 2012 at the Offer price of \$0.145 per share.

The Offer Price represents a discount of 9.4% to the closing share price on 20 June, being the day before the raising was announced and a 6.6% discount to the theoretical ex-entitlement price calculated on that date.

Entitlements are non-renounceable and will not be tradeable on ASX or otherwise transferable.

Shareholders who do not take up all or any part of their Entitlements will not receive any payment or value in respect of those Entitlements and their equity interest in the Company will be diluted.

This Retail Offer Booklet contains important information about the Retail Entitlement Offer, including a personalised Entitlement and Acceptance Form which details your entitlement to new shares in Funtastic. If you are an eligible shareholder, and you wish to apply for all or some of the shares making up your entitlement, you must complete the accompanying Entitlement and Acceptance Form and lodge it together with a cheque or payment through BPAY. If paying by BPAY you do not need to return the Entitlement and Acceptance Form.

This Retail Offer Booklet should be read carefully and in its entirety before deciding whether or not to participate in the Retail Entitlement Offer. In particular, you should consider the key risk factors outlined in the Capital Raising Presentation (included in this Retail Offer Booklet).

If you have any questions in respect of the Retail Entitlement Offer, please consult your stockbroker, accountant, lawyer or other professional adviser.

On behalf of the Board of Funtastic, I invite you to consider this investment opportunity and thank you for your ongoing support of our Company.

Finally, as a shareholder in Funtastic myself, I would like to note that I will be taking up my full entitlement under the offer. Speaking for my fellow director shareholders, I can confirm that those directors eligible to participate in the Retail Entitlement Offer intend participating and that the Mathieson and Pizmony entities have participated in the Institutional Entitlement Offer.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Shane Tanner', written in a cursive style.

Mr Shane Tanner  
Chairman



## KEY DETAILS RELATING TO THE RETAIL ENTITLEMENT OFFER

### Key data relating to the Retail Entitlement Offer

Retail Entitlement Offer	1 New Share for every 3 Shares held on the Record Date
Offer Price per New Share	\$0.145
Discount of the Offer Price to the closing price of Shares on ASX on 20 June 2012 (being the last day on which Shares in Funtastic traded before announcement of the Entitlement Offer and Placement)	9.4%
Maximum number of New Shares to be offered under the Retail Entitlement Offer	30,726,022* New Shares
Approximate proceeds from the Retail Entitlement Offer (before expenses)	\$4.5 million*

\* Subject to rounding-up of individual holdings and assuming the Retail Entitlement Offer including under the Shortfall facility is fully subscribed.

### Summary of key Retail Entitlement Offer dates\*\*

Trading halt	Thursday, 21 June 2012
Announcement of the Retail Entitlement Offer	Thursday, 21 June 2012
Securities resume trading on an "ex"-entitlement basis	Monday, 25 June 2012
<b>Record Date</b> to determine Entitlements	7.00pm (Melbourne Time) on Tuesday, 26 June 2012
Despatch of Retail Offer Booklet and Entitlement and Acceptance Forms	Friday, 29 June 2012
Retail Entitlement Offer opens	Friday, 29 June 2012
<b>Closing Date</b>	<b>5.00pm (Melbourne Time) on Wednesday, 25 July 2012</b>
Allotment of New Shares	Wednesday, 1 August 2012
Trading of New Shares expected to commence on ASX	Thursday, 2 August 2012
Holding statements expected to be despatched to Shareholders	Friday, 3 August 2012

\*\* These dates are indicative only and are subject to change. Funtastic reserves the right, subject to the Corporations Act and the Listing Rules, to amend this indicative timetable in consultation with the Lead Manager. In particular, Funtastic reserves the right to extend the Closing Date, accept late applications under the Retail Entitlement Offer (either generally or in particular cases) and to withdraw or vary the Retail Entitlement Offer without prior notice. Any extension of the Closing Date will have a consequential effect on the date for the allotment of New Shares.

## ANSWERS TO KEY QUESTIONS

Question	Answer	Further Information
What is the Entitlement Offer?	<p>The Entitlement Offer constitutes the offer of 1 Share for every 3 Shares held at an Offer Price of \$0.145 per Share.</p> <p>The Entitlement Offer comprises the Retail Entitlement Offer and the Institutional Entitlement Offer.</p>	Section 1.1
Who can participate in the Retail Entitlement Offer?	<p>Only Eligible Retail Shareholders can participate in the Retail Entitlement Offer.</p> <p>Eligible Retail Shareholders are retail shareholders of Funtastic with registered addresses in Australia and New Zealand and who are registered holders of Shares at 7:00 pm (Melbourne Time) on the Record Date.</p>	Section 1.4
How much do I have to pay to participate in the Retail Entitlement Offer?	<p>The Offer Price for each New Share is \$0.145.</p> <p>You may subscribe for all, or part, of your Entitlement. You may also subscribe for additional New Shares in excess of your Entitlement (see below and section 1.13).</p>	Section 1.6
What are the terms of the New Shares?	The New Shares issued under the Retail Entitlement Offer will rank equally with all existing Shares.	Section 1.17
What is the purpose of the Retail Entitlement Offer?	<p>Proceeds from the Retail Entitlement Offer, along with proceeds from the Placement and Institutional Entitlement Offer, will be used to:</p> <ul style="list-style-type: none"> <li>• repay \$15 million of debt due on the balance sheet of the Company, significantly reducing gearing and increasing interest coverage; and</li> <li>• provide working capital to invest in the Company's brand portfolio, drive organic growth both domestically and internationally and pay the costs of the Entitlement Offer and Placement.</li> </ul>	Section 3
Is the Entitlement Offer underwritten?	The Entitlement Offer is not underwritten.	Section 1.11
Can I apply for New Shares in excess of my Entitlement?	<p>Yes. Eligible Retail Shareholders who take up their full Entitlement under the Retail Entitlement Offer may apply for more New Shares than the number shown on their Entitlement and Acceptance Form.</p> <p>Applications for Additional Shares may be considered if a Shortfall under the Retail Entitlement Offer exists.</p>	Section 1.13

	Additional Shares will be issued to Eligible Retail Shareholders at the discretion of the Directors, in consultation with the Lead Manager. There is no guarantee that you will receive Additional Shares.	
What are the risks associated with applying for New Shares under the Retail Entitlement Offer?	<p>An investment in Funtastic involves general risks associated with any investment in the share market, including that the price of New Shares may rise or fall.</p> <p>There are also a number of risk factors, both specific to Funtastic and of a general nature, which may affect the future operating and financial performance of Funtastic and the value of an investment in Funtastic.</p>	“Key Risks” section of the Funtastic Capital Raising Presentation included in section 3.1
What are my options?	<p>You may either:</p> <ul style="list-style-type: none"> <li>• take up all, or part, of your Entitlement;</li> <li>• take up all of your Entitlement and apply for Additional Shares; or</li> <li>• do nothing and allow all of your Entitlement to lapse, in which case the New Shares comprising your Entitlement may be placed by the Directors at their discretion in consultation with the Lead Manager.</li> </ul>	Section 2
How do I accept my Entitlement?	<p>If you are an Eligible Retail Shareholder, and you wish to apply for all or some of the New Shares making up your Entitlement, you must complete the accompanying Entitlement and Acceptance Form and lodge it together with a cheque or payment through BPAY for the Application Monies. If paying by BPAY you do not need to return the Entitlement and Acceptance Form.</p> <p>Please refer to section 2 for further details on how to accept your Entitlement.</p> <p>If you have not received a personalised Entitlement and Acceptance Form, or if you have any queries about how to accept your Entitlement, please call the Share Registry on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia).</p>	Section 2.2
Can I sell or transfer my Entitlement?	No. The Retail Entitlement Offer is non-renounceable and, accordingly, you cannot sell or transfer any of your Entitlement.	Section 1.9
How can I obtain further information?	Funtastic encourages you to seek advice from your financial or other professional adviser in respect of the Retail Entitlement Offer including any possible tax consequences.	

# 1 DETAILS OF ENTITLEMENT OFFER AND ELIGIBILITY

## 1.1 Overview of the Entitlement Offer and Placement

Funtastic is undertaking the Entitlement Offer under which it is offering Eligible Shareholders the opportunity to subscribe for 1 Share in Funtastic for every 3 Shares held at an Offer Price of \$0.145 per Share (**Offer Price**).

The Entitlement Offer is comprised of the following components:

- (1) **Institutional Entitlement Offer** – Eligible Institutional Shareholders were given the opportunity to take up all or part of their Institutional Entitlement prior to 5.00pm (Melbourne Time) on Friday, 22 June 2012. Institutional Entitlements under the Institutional Entitlement Offer were non-renounceable and were not able to be traded on ASX;
- (2) **Institutional Shortfall Bookbuild** – Institutional Entitlements not taken up and Shares that would have otherwise been offered to ineligible institutional shareholders had they been eligible to participate in the Institutional Entitlement Offer were placed through a bookbuild process on Friday, 22 June 2012;
- (3) **Retail Entitlement Offer** – Eligible Retail Shareholders will be provided with the opportunity to take up all or part of their Entitlement under the Retail Entitlement Offer; and
- (4) **Retail Shortfall Bookbuild** – Entitlements not taken up by Eligible Retail Shareholders by the close of the Retail Entitlement Offer (including through the Shortfall facility described in section 1.13) and Shares that would have otherwise been offered to Ineligible Retail Shareholders had they been eligible to participate in the Retail Entitlement Offer, may be sold through a Retail Shortfall Bookbuild conducted by the Lead Manager immediately following the Closing Date at the Offer Price. Alternatively, such Shares may be placed by the Company in consultation with the Lead Manager within 3 months of the Closing Date.

In conjunction with the Entitlement Offer, Funtastic completed a \$6.8 million placement of new Shares on 22 June 2012 to institutional and sophisticated investors at an issue price of \$0.145 per Share (**Placement**).

Institutional and sophisticated investors who participated in the Placement or the Institutional Entitlement Offer will not be entitled to participate in the Retail Entitlement Offer.

## 1.2 Results of the Institutional Entitlement Offer, Institutional Shortfall Bookbuild and Placement

Please refer to Funtastic's ASX Announcement of 25 June 2012 which sets out the results of the Institutional Entitlement Offer, Institutional Shortfall Bookbuild and Placement. A copy of this announcement has been included in section 3.3.

## 1.3 The Retail Entitlement Offer

Under the Retail Entitlement Offer, Eligible Retail Shareholders are invited to subscribe for 1 New Share for every 3 Shares held at 7.00pm (Melbourne Time) on Tuesday, 26 June 2012 (**Record Date**) at the Offer Price per New Share.

The offer ratio and Offer Price under the Retail Entitlement Offer are the same as for the Institutional Entitlement Offer.

The Retail Entitlement Offer opens on Friday, 29 June 2012 and will close at **5.00pm (Melbourne Time) Wednesday, 25 July 2012**.

The number of New Shares to which you are entitled to subscribe for is shown on the accompanying Entitlement and Acceptance Form. Fractional Entitlements have been rounded up to the nearest whole Share. You may also wish to apply for additional New Shares under the Shortfall facility set out in section 1.13.

#### 1.4 **Eligibility to participate in the Retail Entitlement Offer**

A person will be eligible to participate in the Retail Entitlement Offer if:

- (1) the person was a registered holder of Shares at the Record Date;
- (2) the person's registered address is in Australia or New Zealand; and
- (3) the person was not invited to participate (other than as nominee, in respect of other underlying holdings) under the Institutional Entitlement Offer, and was not treated as an ineligible institutional shareholder under the Institutional Entitlement Offer.

Funtastic reserves the right to determine whether a shareholder is an Eligible Retail Shareholder or an Ineligible Retail Shareholder.

Funtastic may (in its absolute discretion) extend the Retail Entitlement Offer to any institutional Shareholder that was eligible to participate in the Institutional Entitlement Offer but was not invited to participate in the Institutional Entitlement Offer (subject to compliance with applicable laws).

#### 1.5 **Shareholders outside Australia and New Zealand**

The Company has determined that it is not practical for holders of Shares with registered addresses in other jurisdictions to participate in the Retail Entitlement Offer, having regard to the number and value of New Shares they would be offered and the costs of complying with the regulatory requirements in those places.

To the extent that a person holds Shares on behalf of another person resident outside Australia or New Zealand, it is that person's responsibility to ensure that any acceptance complies with all applicable foreign laws.

#### 1.6 **Offer Price**

The Offer Price payable for each New Share is \$0.145 which represents a 9.4% discount to the closing market price of Shares on ASX on 20 June 2012 (being the last day on which Shares in Funtastic traded prior to the announcement of the Entitlement Offer and Placement on 21 June 2012).

Eligible Retail Shareholders will not be obliged to pay brokerage or other fees in respect of New Shares acquired under the Retail Entitlement Offer, although the Company may pay certain professional and other fees to third parties.

Eligible Retail Shareholders should note that the market price of Shares may rise and fall between the date of this Retail Entitlement Offer and the date when New Shares are allotted under the Retail Entitlement Offer. Accordingly, the price you pay per New Share pursuant to this Retail Entitlement Offer may be either higher or lower than the market price of Shares at the time of this Retail Entitlement Offer or at the time the New Shares are allotted under this Retail Entitlement Offer.

Funtastic recommends that you monitor the price of Shares, which can be found in the financial pages of major Australian metropolitan newspapers, or on the ASX website at [www.asx.com.au](http://www.asx.com.au) (ASX code: FUN).

## 1.7 Closing Date

The Retail Entitlement Offer is scheduled to close at **5.00pm (Melbourne Time) on Wednesday, 25 July 2012**. Please refer to section 2 for details on how to accept your Entitlement.

Please note that Funtastic reserves the right, subject to the Corporations Act and the Listing Rules, to amend the Closing Date of the Retail Entitlement Offer in consultation with the Lead Manager. Any extension of the Closing Date will have a consequential effect on the date for the allotment of New Shares.

## 1.8 No cooling off rights

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your Application once it has been accepted.

## 1.9 No Trading of Entitlements

The Entitlement Offer is made on a non-renounceable basis and, accordingly, Eligible Shareholders may not sell, trade or transfer all or part of their Entitlement.

## 1.10 Minimum Subscription

There is no minimum subscription for the Entitlement Offer.

## 1.11 Underwriting

The Entitlement Offer is not underwritten.

## 1.12 Impact of the Entitlement Offer and Placement on your shareholding

The issue of New Shares pursuant to the Retail Entitlement Offer and the issue of new Shares under the Institutional Entitlement Offer and Placement are not expected to have any material effect or consequence on the control of Funtastic.

However, to the extent that any Shareholder fails to take up their rights for New Shares under the Retail Entitlement Offer, that Shareholder's percentage holding in Funtastic will be diluted by those other Shareholders who take up some or all of their Entitlement. Shareholders generally will also have their percentage holdings diluted by the issue of Shares in the Placement.

## 1.13 Shortfall facility

Subject to the Corporations Act and the requirements of the Listing Rules, Eligible Retail Shareholders who subscribe for their full Entitlement may apply for more New Shares than the number shown on their Entitlement and Acceptance Form. That is, those Shareholders may apply for Additional Shares. The issue price of each Additional Share will be the Offer Price, (that is, the same price for new Shares as under the Entitlement Offer and Placement).

Applications for Additional Shares may be considered if a Shortfall exists. Additional Shares will be issued to Eligible Retail Shareholders at the discretion of the Directors, in consultation with the Lead Manager.

Eligible Retail Shareholders may apply for Additional Shares by entering the number of Additional Shares they wish to subscribe for in Section B of the Entitlement and Acceptance Form entitled "Apply for Additional Shares (if available)" (please refer to section 2.3 for further information).

There is no guarantee that you will receive Additional Shares and the Directors do not represent that any application for Additional Shares will be successful. In particular, the Directors may allocate to an Eligible Retail Shareholder a lesser number of Additional Shares than the Eligible Retail Shareholder applied for, or reject any Application for Additional Shares. If the number of

Additional Shares allotted to an Eligible Retail Shareholder is less than the number applied for by that Eligible Retail Shareholder, surplus Application Monies will be refunded in full. Interest will not be paid on monies refunded.

If the Directors decide to issue Additional Shares, the Additional Shares will be allotted at the same time as the New Shares under the Retail Entitlement Offer are allotted.

#### 1.14 **Placement of Shortfall outside the Shortfall facility**

The Directors reserve the right to place any Shortfall at their discretion with persons interested in subscribing for Shares in the Company following the close of the Retail Entitlement Offer, including via the Shortfall facility and the Retail Shortfall Bookbuild. Shortfall under the Retail Entitlement Offer may be issued outside the Shortfall facility set out in section 1.13.

Any placement of the Shortfall will be made within 3 months after the close of the Retail Entitlement Offer.

The Directors will consult with the Lead Manager in relation to the placement of the Shortfall.

#### 1.15 **Quotation and Trading**

Funtastic has applied to the ASX for official quotation of the New Shares in accordance with the Listing Rule requirements. ASX has advised Funtastic that official quotation of the New Shares will be granted subject to compliance with certain usual conditions and deferred to a date to be decided by ASX. If ASX does not grant quotation of the New Shares, Funtastic will repay all Application Monies (without interest).

#### 1.16 **Allotment of New Shares including Additional Shares**

Funtastic expects to issue the New Shares, including any Additional Shares which the Directors exercise their discretion to allot, on or before 1 August 2012 and expects to despatch holding statements for New Shares including any Additional Shares on or before 3 August 2012. Quotation of New Shares including any Additional Shares which the Directors exercise their discretion to allot, is expected to commence on Thursday, 2 August 2012.

Applications Monies will be held in trust for applicants until New Shares including any Additional Shares are allotted. Interest earned on Applications Monies will be for the benefit of Funtastic and will be retained by Funtastic irrespective of whether New Shares or any Additional Shares are issued.

#### 1.17 **Rights attaching to New Shares**

New Shares including any Additional Shares will be fully paid and rank equally in all respects with existing Shares and will carry the same voting rights, dividend rights and other entitlements at the date they are issued.

The rights and liabilities attaching to the New Shares including any Additional Shares are set out in Funtastic's constitution, a copy of which can be obtained from the Company Secretary of Funtastic.

#### 1.18 **Reconciliation, Top-Up Shares and the rights of Funtastic**

The Entitlement Offer is a complex process and in some instances investors may believe that they will own more Shares than they ultimately did as at the Record Date or are otherwise entitled to more Shares than initially offered to them. This may result in a need for reconciliation. If reconciliation is required, it is possible that Funtastic may need to issue additional Shares (**Top-Up Shares**) to ensure that the relevant Shareholders receive their appropriate allocation of Shares. The price at which these Top-Up Shares would be issued is not known.

Funtastic reserves the right to reduce the size of an Entitlement or the number of Shares allocated to Eligible Shareholders, or persons claiming to be Eligible Shareholders or other

applicable investors, if Funtastic believes in its complete discretion that their claims are overstated or if they or their nominees fail to provide information requested to substantiate their claims. In that case, Funtastic may, in its discretion, require the relevant Shareholder to transfer excess Shares to another Shareholder or third party at the Offer Price per Share. If necessary, the relevant Shareholders may need to transfer existing Shares held by them or to purchase additional Shares on-market to meet this obligation. The relevant Shareholder will bear any and all losses caused by subscribing for Shares in excess of their Entitlement and any actions they are required to take in this regard.

By applying under the Entitlement Offer, those doing so irrevocably acknowledge and agree to do the above as required by Funtastic in its absolute discretion. Those applying acknowledge that there is no time limit on the ability of Funtastic to require any of the actions set out above.

#### 1.19 **Notice to nominees and custodians**

Nominees and custodians should note that the Retail Entitlement Offer is not available to Eligible Institutional Shareholders who were invited to participate in the Institutional Entitlement Offer (whether they accepted their Entitlement or not) and institutional Shareholders who were treated as ineligible institutional shareholders under the Institutional Entitlement Offer.

Persons acting as nominees for other persons must not take up any Entitlements on behalf of, or send any documents related to the Retail Entitlement Offer to, any person in the United States or any person that is acting for the account or benefit of a person in the United States.

Funtastic is not required to determine whether or not any registered Shareholder or investor is acting as a nominee or custodian or the identity or residence of any beneficial owners of existing Shares or Entitlements. Where any person is acting as a nominee or custodian for a foreign person, that person, in dealing with its beneficiary, will need to assess whether indirect participation in the Entitlement Offer by the beneficiary complies with applicable foreign laws. Funtastic is not able to advise on foreign laws.

#### 1.20 **Information availability**

If you are in Australia or New Zealand, you can obtain a copy of this Retail Offer Booklet during the term of the Entitlement Offer on Funtastic's website at [www.funtastic.com.au](http://www.funtastic.com.au) or you can call the Share Registry on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia) between 8.30am and 5.30pm (Sydney time), Monday to Friday.

A replacement Entitlement and Acceptance Form can also be requested by calling Boardroom Pty Limited.

If you access the electronic version of this Retail Offer Booklet, you should ensure that you download and read the entire Retail Offer Booklet. The electronic version of this Retail Offer Booklet on the Funtastic website will not include an Entitlement and Acceptance Form.

#### 1.21 **Privacy**

If you complete an Entitlement and Acceptance Form, you will be providing personal information to the Company (directly or through the Share Registry). The Company collects, holds and will use that information to assess your Application, service your needs as a Shareholder of Funtastic and to facilitate distribution payments and corporate communications to you as a Shareholder of Funtastic.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Share Registry.

You can access, correct and update the personal information that is held about you. If you wish to do so please contact the Share Registry at the relevant contact numbers set out in this Retail Offer Booklet.



Collection, maintenance and disclosure of certain personal information is governed by legislation, including the *Privacy Act 1988* (Cth) (as amended) and the Corporations Act. You should note that if all information required on the Entitlement and Acceptance Form is not provided, the Company may not be able to accept or process your Application.

#### 1.22 **Risks**

An investment in Funtastic involves general risks associated with any investment in the share market, including that the price of New Shares may rise or fall.

There are also a number of important risk factors, both specific to Funtastic and of a general nature, which may affect the future operating and financial performance of Funtastic and the value of an investment in Funtastic. A number of these specific and general risk factors are described in the “Key Risks” section of the Funtastic Capital Raising Presentation included in section 3.1. Before deciding to invest in Funtastic, you should consider these factors carefully.

For personal use only

## 2 HOW TO APPLY FOR NEW SHARES

### 2.1 What Eligible Retail Shareholders may do

The number of New Shares to which you are entitled is shown on the accompanying Entitlement and Acceptance Form.

You may either:

- (1) take up all of your Entitlement (refer to section 2.2);
- (2) in addition to applying for all of your Entitlement, apply for Additional Shares under the Shortfall facility described in section 1.13 (refer to section 2.3);
- (3) take up part of your Entitlement and allow the balance of your Entitlement to lapse (refer to section 2.2); or
- (4) allow all of your Entitlement to lapse (refer to section 2.6).

### 2.2 Applying for New Shares

An Eligible Retail Shareholder may take up all or part of their Entitlement by completing the Entitlement and Acceptance Form which accompanies this Retail Offer Booklet and returning it, together with correct Application Monies in cleared funds (refer to section 2.4), to:

*2012 Funtastic Entitlement Offer*  
c/o Boardroom Pty Limited  
GPO Box 3993  
Sydney NSW 2001

by no later than 5.00pm (Melbourne Time) on the Closing Date.

The Company may, but is not obliged to, accept an Application received after the Closing Date if the Application is postmarked prior to the Closing Date. If the Company does not accept an Application for any reason, the Company will refund any excess Application Monies to the Eligible Retail Shareholder, without interest, not later than 10 Business Days after the New Shares are allotted.

Entitlement and Acceptance Forms (and payments for any Application Monies) will not be accepted at the Company's registered or corporate offices or other offices of Boardroom Pty Limited.

For the convenience of Eligible Retail Shareholders, an Australian reply paid envelope has been enclosed with this Retail Offer Booklet.

Please note that if you have more than one holding of Shares, you will be sent more than one personalised Entitlement and Acceptance Form and you will have separate Entitlements for each separate holding. A separate Entitlement and Acceptance Form and payment of Application Monies must be completed for each separate Entitlement you hold.

If you allow part of your Entitlement to lapse, your shareholding in Funtastic will be diluted.

### 2.3 Applying for Additional Shares

Eligible Retail Shareholders who subscribe for their full Entitlement may apply for Additional Shares under the Shortfall facility described in section 1.13.

To do this, please enter the number of Additional Shares you wish to subscribe for in Section B of the Entitlement and Acceptance Form entitled “Apply for Additional Shares (if available)”.

The amount of Application Monies you submit with your Application (refer to section 2.4) must equal the Offer Price multiplied by the total number of New Shares including Additional Shares you wish to subscribe for.

## 2.4 Form of payment

Payment of Application Monies (which must equal the Offer Price multiplied by the number of New Shares including any Additional Shares you wish to subscribe for) will only be accepted in Australian currency and as follows:

- Through BPAY. Eligible Retail Shareholders can make their payment by BPAY in accordance with the instructions set out in accompanying personalised Entitlement and Acceptance Form. Payment must be made using the reference number on the form and must be made by 5.00pm (Melbourne Time) on the Closing Date.

The reference number is used to identify your holding. If you have multiple holdings you will have multiple reference numbers. You must use the reference number on each Entitlement and Acceptance Form to pay for each holding separately.

*Eligible Retail Shareholders making a payment by BPAY are not required to return their Entitlement and Acceptance Form.*

Applicants who choose to use BPAY should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment of Application Monies. You may also have your own limit on the amount that can be paid via BPAY. It is your responsibility to check that the amount you wish to pay via BPAY does not exceed your limit.

- By bank cheque in Australian currency drawn on and redeemable at any Australian bank; or
- By personal cheque in Australian currency drawn on and redeemable at any Australian bank.

Cheques or bank cheques should be made payable to “**Funtastic Limited**” and crossed “**Not Negotiable**”.

You should ensure that sufficient funds are held in the relevant account(s) to cover the full Application Monies.

Eligible Retail Shareholders are asked **not** to forward cash as cash payments will **not** be accepted. Receipts for payment will not be provided.

If the amount of Application Monies is insufficient to pay in full for the number of New Shares including any Additional Shares you applied for, or is more than the number of New Shares including any Additional Shares you applied for, you will be taken to have applied for such whole number of New Shares including any Additional Shares which is covered in full by your Application Monies. Alternatively, the Company may in its discretion reject your Application, in which case any Application Monies will be refunded to you (without interest).

If you do not receive any or all of the Additional Shares you applied for, any excess Application Monies will be returned to you (without interest).

## 2.5 **Effect of Application**

By applying for New Shares under the Retail Entitlement Offer (including by way of a payment through BPAY), an Eligible Retail Shareholder is taken to:

- (1) agree to be bound by the terms and conditions set out in this Retail Offer Booklet and the accompanying Entitlement and Acceptance Form;
- (2) acknowledge the statement of risks in the “Key Risks” section of the Funtastic Capital Raising Presentation included in section 3.1, and that investments in Funtastic are subject to risk;
- (3) represent and warrant that they satisfy each of the criteria set out in section 1.4;
- (4) authorise the Company to place the Eligible Retail Shareholder’s name on the Company’s shareholder register in respect of those New Shares; and
- (5) agree to be bound by the Company’s constitution.

Any application for New Shares under the Retail Entitlement Offer (including by way of a payment through BPAY), once lodged, cannot be withdrawn.

## 2.6 **Allowing your Entitlement to lapse**

If you do nothing, all of your Entitlement will lapse and your shareholding in Funtastic will be diluted.

## 2.7 **Enquires concerning Entitlement and Acceptance Form**

If you have any questions on how to complete the Entitlement and Acceptance Form or take part or all of your Entitlement, please contact the Share Registry on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia).

### **3 ASX ANNOUNCEMENTS**

#### **3.1 Funtastic Capital Raising Presentation**

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Capital Raising Presentation  
June 2012



ersonal use only

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The historical information in this Presentation is, or is based upon, information that has been released to the Australian Securities Exchange (ASX). This Presentation should be read in conjunction with FUN's other periodic and continuous disclosure announcements lodged with the ASX, which are available at [www.asx.com.au](http://www.asx.com.au).

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The retail offer booklet for the Retail Entitlement Offer will be available following its lodgement with ASX. Any eligible retail shareholder who wishes to participate in the Retail Entitlement Offer should consider the retail offer booklet in deciding to apply under that offer. Anyone who wishes to apply for New Shares under the Retail Entitlement Offer will need to apply in accordance with the instructions contained in the retail offer booklet and the entitlement and application form.

This Presentation does not constitute investment or financial product advice (nor tax, accounting or legal advice) or any recommendation to acquire entitlements or New Shares and does not and will not form any part of any contract for the acquisition of entitlements or New Shares.

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# Disclaimer



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**Investment risk:** An investment in FUN shares is subject to known and unknown risks, some of which are beyond the control of FUN. FUN does not guarantee any particular rate of return or the performance of FUN. Investors should have regard to the risk factors outlined in this Presentation when making their investment decision.

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The pro forma financial information has been prepared by FUN in accordance with the measurement and recognition requirements, but not the disclosure requirements, of applicable accounting standards and other mandatory reporting requirements in Australia. Investors should also note that the pro forma financial information does not purport to be in compliance with Article 11 of Regulation SX of the rules and regulations of the U.S. Securities and Exchange Commission.

Investors should be aware that certain financial data included in this presentation are “non-GAAP financial measures” under Regulation G of the U.S. Securities Exchange Act of 1934. These measures include Net Debt.

The disclosure of such non-GAAP financial measures in the manner included in the Presentation may not be permissible in a registration statement under the U.S. Securities Act. These non-GAAP financial measures do not have a standardized meaning prescribed by Australian Accounting Standards and therefore may not be comparable to similarly titled measures presented by other entities, and should not be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Although FUN believes these non-GAAP financial measures provide useful information to users in measuring the financial performance and condition of its business, investors are cautioned not to place undue reliance on any non-GAAP financial measures included in this Presentation.



# Disclaimer



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There can be no assurance that actual outcomes will not differ materially from these forward-looking statements. A number of important factors could cause actual results or performance to differ materially from the forward looking statements, including the risk factors set out in this Presentation. Investors should consider the forward looking statements contained in this Presentation in light of those disclosures. The forward looking statements are based on information available to FUN as at the date of this Presentation.

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The lead manager and its advisers, affiliates, related bodies corporate, directors, officers, partners, employees and agents make no recommendations as to whether you or your related parties should participate in the Entitlement Offer nor do they make any representations or warranties to you concerning the Offer, and you represent, warrant and agree that you have not relied on any statements made by the lead manager, or its advisers, affiliates, related bodies corporate, directors, officers, partners, employees or agents in relation to the Offer and you further expressly disclaim that you are in a fiduciary relationship with any of them.

Statements made in this Presentation are made only as the date of this Presentation. The information in this Presentation remains subject to change without notice. FUN reserves the right to withdraw the Offer or vary the timetable for the Offer without notice.

# Summary



- Funtastic Limited (“Funtastic” or the “Company”) has delivered a strong operational turnaround, returned to profitability and established a platform for sustainable growth
- The Company is undertaking a capital raising of up to \$24.6m at an offer price of \$0.145 per share to existing and new shareholders via a placement and accelerated non-renounceable entitlement offer (together the “Offer”)
- The Offer will be used to lower debt and substantially improve balance sheet ratios allowing for:
  - increased flexibility to invest in key brands and drive organic growth;
  - increased liquidity in the Company via the introduction of new institutional and sophisticated investors;
  - the recommencement of fully franked dividends; and
  - the potential for more attractive lending terms on its remaining bank facilities
- The Company’s major shareholders intend to participate in the Offer
- Funtastic reaffirms its earnings guidance for FY12 of \$20.1m EBITDA<sup>1</sup> and \$10.4m NPAT<sup>2</sup>
- In addition, the Company provides FY13 guidance<sup>3</sup> of \$23m-\$25m EBITDA<sup>1</sup> driven by:
  - overall annual sales growth in the range of 5-8%; and
  - operational improvements already achieved

<sup>1</sup> EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortisation

<sup>2</sup> NPAT = Net Profit After Tax

<sup>3</sup> All guidance numbers are Company estimates only. Please refer to the Disclaimer in this presentation for more detail

# Details of the Offer<sup>1</sup>



<b>Offer Size</b>	<p>Capital raising of up to \$24.6m to existing and new shareholders consisting of:</p> <ul style="list-style-type: none"> <li>• \$6.8m placement to institutional and sophisticated investors (“Institutional Placement”)</li> <li>• \$13.4m 1 for 3 Accelerated Non-Renounceable Entitlement Issue to institutional and sophisticated investors (“Institutional Entitlement Offer”); and</li> <li>• \$4.4m 1 for 3 Non-Renounceable Entitlement Issue to retail investors (“Retail Entitlement Offer”)</li> </ul> <p>Total of up to 537.8 million shares on issue post the Offer</p>
<b>Offer Price</b>	<ul style="list-style-type: none"> <li>• \$0.145 per fully paid ordinary share</li> <li>• 9.4% discount to last closing price of \$0.16 per share<sup>2</sup></li> <li>• 11.0% discount to 10 day VWAP<sup>2</sup></li> <li>• 14.7% discount to 30 day VWAP<sup>2</sup></li> <li>• 6.6% discount to the Theoretical Ex-Rights Price (TERP)<sup>3</sup> of \$0.155 per share</li> </ul>
<b>Institutional Entitlement Offer</b>	<ul style="list-style-type: none"> <li>• Institutional Entitlement Offer is open to eligible institutional investors from Thursday 21 June 2012; and</li> <li>• Institutional entitlements not taken up and entitlements of ineligible institutional shareholders will be placed into the Institutional Entitlement Offer shortfall bookbuild to be conducted on Thursday 21 June 2012</li> </ul>
<b>Retail Entitlement Offer</b>	<ul style="list-style-type: none"> <li>• Retail Entitlement Offer is open to eligible shareholders from Friday 29 June 2012 to 5:00pm Melbourne time Wednesday 25 July 2012;</li> <li>• The Retail Entitlement Offer will include an over-subscription facility to allow retail investors the opportunity to subscribe for shares in excess of their entitlement; and</li> <li>• Retail entitlements not taken up by eligible retail shareholders and entitlements of ineligible retail shareholders under the Retail Entitlement Offer may be placed into the Retail Entitlement Offer shortfall bookbuild</li> </ul>
<b>Ranking</b>	<ul style="list-style-type: none"> <li>• New Shares will rank equally with existing shares from the date of allotment</li> </ul>
<b>Record Date</b>	<ul style="list-style-type: none"> <li>• 7:00pm on Tuesday 26 June 2012</li> </ul>
<b>Lead Manager</b>	<ul style="list-style-type: none"> <li>• Bell Potter Securities Limited is acting as sole lead manager to the Offer</li> </ul>

<sup>1</sup> All dates are 2012 and times refer to Melbourne time. Dates and times are indicative only and are subject to change.

<sup>2</sup> Calculated with reference to Funtastic’s last closing price on Wednesday 20 June 2012

<sup>3</sup> Theoretical Ex-Rights Price (TERP) is the theoretical price at which Funtastic shares should trade immediately after the ex-date for the Offer, assuming 100% take-up of the Offer. TERP is a theoretical calculation only: the actual price at which Funtastic’s shares will trade immediately after the ex-date will depend on many factors and may not be equal to TERP. TERP is calculated with reference to Funtastic’s closing share price on Wednesday 20 June 2012

# Balance Sheet Improvement



The proceeds from the Offer (less associated costs) will be used to:

- immediately repay debt of \$15m to strengthen the balance sheet, which significantly reduces gearing and increases interest coverage; and
- provide working capital to invest in the Company’s brand portfolio and drive organic growth both domestically and internationally

Funtastic intends to reduce debt further in FY13 and FY14

The Company expects operating cashflow to finance additional scheduled debt repayments of:

- \$5m by 31 January 2013; and
- \$5m by 31 July 2013

Total Sources and Uses of Funds			
Source	Amount <sup>1</sup>	Uses	Amount <sup>1</sup>
Placement	\$6.8m	Reduction of bank loan	\$15.0m
Institutional Entitlement Offer	\$13.4m	Working capital and costs of the Offer	\$9.6m
Retail Entitlement Offer	\$4.4m		
<b>Total sources</b>	<b>\$24.6m</b>	<b>Total uses</b>	<b>\$24.6m</b>

<sup>1</sup> Assumes 100% take-up of the Offer

# Fundamental Improvements



Since FY2009, management have delivered a strong operational turnaround, a return to profitability and established a platform for sustainable growth. This has been driven by:

## Strategic Initiatives

- Continual investment to grow and develop Funtastic owned brands and intellectual property
  - acquisition of Pillow Pets
- Shift in focus from promotionally driven to core range every day proposition

## Operational Improvements

- Divestment of underperforming non-core brands which has enabled the Company to have:
  - a much smaller and more focused portfolio that emphasises strong everyday brands; and
  - a significant reduction in inventory
- Substantially reduced fixed costs to reset the cost base of the business; and
- Delivered further rationalisation efficiencies:
  - reduced divisions from 22 to 3
  - sold 5 businesses
  - closed 1 business
  - reduced headcount by 59%
  - reduced stock-keeping unit by 79%
  - reduced brands by 65%
  - reduced suppliers by 61%
  - reduced warehouse space by 72%

# Growth Drivers



The Offer will allow Funtastic to capitalise on future Australian and International opportunities:

## Australia

- home of brands strategy with full service model and market leading demand generation;
- strong portfolio management and product / brand acquisition pipeline for future;
- maintain fundamental proposition – Brand, Value & Innovation;
- ability to react quickly to market opportunities; and
- Madman investment in driving digitalisation transformation

## International

- overseas markets are emerging as a strong growth area for Funtastic
- proactive approach to world trends and development within children's products;
- continually building global talent base to further leverage brand success and opportunity;
- focused brand and product portfolio with appropriate cost structure as a foundation for growth and profitability; and
- investment in own intellectual property drives international growth opportunities, reduces risk and improves sustainability of revenues

# Guidance & Dividend



- Funtastic confirms previous earnings guidance for FY12 of \$20.1m EBITDA<sup>1</sup> and \$10.4m NPAT<sup>2</sup>
  - the Company continues to perform strongly
- In addition, the Company provides FY13 guidance<sup>3</sup> of \$23m-\$25m EBITDA<sup>1</sup> based on assumptions including:
  - no improvement to current Australian retail conditions which are expected to remain challenging for the foreseeable future;
  - no major change in the domestic customer landscape; and
  - reliance on existing foreign exchange hedging policy.
- FY13 forecast growth is driven by overall sales growth in the range of 5-8% and operational improvement changes already achieved including:
  - a substantially reduced fixed cost base;
  - a more focused portfolio with emphasis on strong everyday brands; and
  - full year contributions from Pillow Pets and Lego in Australia and international markets.
- The Board proposes to recommence the payment of a fully franked dividend in FY13
  - the Company has received approval from its lender to pay an interim dividend following the results for the half year ended 31 January 2013 conditional on the Company complying with bank conditions including repayment of \$20m of debt by 31 January 2013 and achieving a ratio of gross debt/EBITDA<sup>4</sup> of less than 2.5 times;
  - the Company expects these conditions to be achieved and, on this basis, the Board is proposing to adopt a dividend policy to pay-out 50% of NPAT in dividends for FY13 commencing with a dividend for the half year ending 31 January 2013; and
  - the Company currently has a franking credit balance of approximately \$21.2m and would expect dividends to be fully franked. In addition, the Company has accumulated tax losses of \$60.2m.

<sup>1</sup>EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortisation

<sup>2</sup>NPAT = Net Profit After Tax

<sup>3</sup>All guidance numbers are Company estimates only. Please refer to the Disclaimer in this presentation for more detail

<sup>4</sup>Measured for the 12 months to 31 January 2013



# Pro-forma Balance Sheet



	Balance <sup>1</sup> as at 31 January 2012	Impact of Equity Raising	Pro forma as at 31 January 2012
<b>Current Assets</b>			
Cash and cash equivalents	2.5	0.6	3.1
Trade and other receivables	28.4		28.4
Inventories	17.2		17.2
Other	19.0		19.0
<b>Total Current Assets</b>	<b>67.1</b>	<b>0.6</b>	<b>67.6</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	2.8		2.8
Goodwill	69.8		69.8
Other intangibles	5.5		5.5
Deferred tax assets	12.5		12.5
Other	0.3		0.3
<b>Total Non-Current Assets</b>	<b>91.0</b>	<b>0.0</b>	<b>91.0</b>
<b>Total Assets</b>	<b>158.0</b>	<b>0.6</b>	<b>158.6</b>
<b>Current Liabilities</b>			
Trade and other payables	15.6	(6.5)	9.1
Borrowings	9.9		9.9
Provisions	3.9		3.9
Deferred purchase consideration	0.8		0.8
Other Liabilities	9.0	(1.3)	7.6
Current tax liabilities	0.3		0.3
Other financial liabilities	2.8		2.8
<b>Total Current Liabilities</b>	<b>42.2</b>	<b>(7.8)</b>	<b>34.3</b>
<b>Non-Current Liabilities</b>			
Borrowings	65.7	(15.0)	50.7
Provisions	1.3		1.3
Deferred tax liabilities	4.7		4.7
Other	0.9		0.9
<b>Total Non-Current Liabilities</b>	<b>72.5</b>	<b>(15.0)</b>	<b>57.5</b>
<b>Total Liabilities</b>	<b>114.7</b>	<b>(22.8)</b>	<b>91.8</b>
<b>Net Assets</b>	<b>43.4</b>	<b>23.4</b>	<b>66.8</b>
<b>Equity</b>			
Issued capital	163.2	23.4	186.6
Accumulated losses	(118.7)		(118.7)
Reserves	(1.1)		(1.1)
<b>Total Equity</b>	<b>43.4</b>	<b>23.4</b>	<b>66.8</b>

<sup>1</sup> Adjusted for impact of shares issued in March 2012 in relation to finalisation of the earn-out in respect of the 2009 NSR acquisition

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# Indicative Offer Timetable



<b>Trading halt, Institutional Placement and Institutional Entitlement Offer opens</b>	Thursday 21 June, 2012
<b>Institutional shortfall and Institutional Placement bookbuild</b>	Thursday 21 June, 2012
<b>Funtastic shares recommence trading on ASX</b>	Monday 25 June, 2012
<b>Record date for eligibility in the Retail Entitlement Offer</b>	7:00pm Tuesday 26 June, 2012
<b>Retail Offer Booklet to be dispatched to eligible retail shareholders</b>	Friday 29 June, 2012
<b>Retail Entitlement Offer opens</b>	Friday 29 June, 2012
<b>Settlement and allotment of New Shares under the Institutional Entitlement Offer and Institutional Placement</b>	Friday 29 June, 2012
<b>Trading of New Shares issued under the Institutional Entitlement Offer and Institutional Placement</b>	Monday 2 July, 2012
<b>Retail Entitlement Offer closes</b>	5:00pm Wednesday 25 July, 2012
<b>Retail shortfall bookbuild (if required)</b>	Monday 30 July, 2012
<b>Settlement of Retail Entitlement Offer</b>	Tuesday 31 July, 2012
<b>Allotment of New Shares under the Retail Entitlement Offer</b>	Wednesday 1 August, 2012
<b>Trading of New Share issued under the Retail Entitlement Offer</b>	Thursday 2 August, 2012

Note: The above timetable is indicative only and subject to change. All references are Melbourne time. The Company reserves the right, subject to the Corporations Act and the ASX Listing Rules, to amend the indicative timetable set out above or to withdraw the Offer at any time

# Key Risks



Investors should be aware that there are risks associated with an investment in the Company. Activities of the Company and its controlled entities, as in any business, are subject to risks which may impact on the Company's future performance. There are a number of factors, both specific to the Company and of a general nature, which may affect the future operating and financial performance and position of the Company and the outcome of an investment in the Company. Some of these risks can be adequately mitigated by the use of safeguards and appropriate systems but many are beyond the control of the Company and its Directors and cannot be mitigated.

Prior to deciding whether to take up their New Shares under the Offer, Shareholders should read this entire Investor Presentation and review announcements made by the Company to ASX (at [www.asx.com.au](http://www.asx.com.au), ASX:FUN) in order to gain an appreciation of the Company, its activities, operations, financial position and prospects. Shareholders should also consider the summary risk factors set out below which the Directors believe represent some of the general and specific risks that Shareholders should be aware of when evaluating the Company and deciding whether to participate in the Offer. The risk factors set out below are not intended to be an exhaustive list of all of the risk factors to which the Company is exposed. Shareholders should also have regard to their own investment objectives and financial circumstances and should seek professional guidance from their stockbroker, solicitor, accountant or other professional advisor before deciding whether to invest.

## Specific Risks

**Consumer demand** – Funtastic's operating and financial performance is dependent on consumer demand for its products. If Funtastic does not deliver products that appeal to consumers, or if there is a decline in consumer demand for Funtastic's products, Funtastic's financial and operating performance could be materially adversely affected. If product input costs increase and Funtastic seeks to pass on such increases to consumers through higher prices, this could result in a reduction in consumer demand for Funtastic's products and a fall in revenue.

**Interest rates, foreign exchange risks (to the extent they are not hedged)** – Adverse movements in exchange rates may impact product costs and price competitiveness which may impact the operations and financial performance of Funtastic. Also, adverse fluctuations in interest rates, to the extent that they are not hedged, may impact Funtastic's financial performance.

**Retailer relationships** – Any adverse change in Funtastic's existing relationships with key distributors and retailers could have a material adverse impact on its operations and financial performance. Any action by distributors or retailers to reduce their inventories could also result in a fall in revenue for Funtastic.

**Damage to Funtastic's and/or its licensor's brands** – The reputation and value associated with Funtastic's and/or its licensor's brand names could be adversely impacted by a number of factors including failure to provide customers with the quality of products they expect, disputes or litigation with third parties such as employees, suppliers or customers or adverse media coverage. Significant erosion in the reputation of, or value associated with, Funtastic's and/or its licensor's brands could have an adverse effect on the Company's future financial performance.

**Debt covenants** – Funtastic has various covenants in relation to its banking facilities. Factors such as a decline in Funtastic's operational and financial performance could lead to a breach in debt covenants. In such an event Funtastic's lenders may require their loans to be repaid immediately.

# Key Risks



## Specific Risks (cont'd)

**Competition** – Funtastic competes in the toy, sporting and confectionery products industry in both Australia and overseas. Funtastic has a wide range of competitors including major international companies, and a large number of small to medium operators. The actions of these competitors or changes in consumer preferences may materially adversely affect Funtastic's financial performance.

**Product sourcing and licensing** – Funtastic relies on a range of parties for its product sourcing and licensing strategy. Any change in existing relationships (including the termination of any key supply arrangements) or any change in terms or conditions of overseas suppliers and any change in the international political or economic environment may lead to material adverse changes to Funtastic's operational and financial performance.

**Supply chain disruptions** – Funtastic has established an extensive and reliable supply chain that allows it to procure and deliver products to customers in a timely and efficient manner. Disruption to any aspect of this supply chain could have a material adverse impact on Funtastic's operational and financial performance.

**Litigation and disputes** – Legal and other disputes may arise from time to time in the ordinary course of operations. Any such dispute may impact on earnings or affect the value of Funtastic's assets.

**Counterparty risk** – Third parties, such as customers, suppliers and other counterparties to contracts may not be willing or able to perform their obligations to Funtastic. Funtastic provides credit to its customers and the inability of its customers to pay their debts may materially impact its financial performance.

**Operations** – Funtastic is exposed to a range of operational risks including equipment failures and other accidents, industrial action or disputes, lease renewals, damage by third parties, floods, fire, major cyclone, earthquake, terrorist attack or other disaster. These risks may have a material adverse impact on Funtastic's financial performance and cash flows.

**IT systems** – Funtastic is reliant on the capability and reliability of its information technology systems and backup systems and those of its external service providers (such as communication carriers), to process transactions, manage inventory, report financial results and manage its business. The failure of any of Funtastic's or its customer's IT systems, including inventory management systems, could have a significant impact on Funtastic's ability to trade. Such failures may have an adverse effect on the Company's future financial performance.

**Loss of key personnel may occur** – Funtastic's success depends to a significant extent on its key personnel, in particular its management team. These individuals have extensive experience in, and knowledge of, the industries Funtastic operates in and Funtastic's business. The loss of key personnel and the time taken to recruit a suitable replacement(s) or additional personnel could adversely affect the Company's future financial performance.

# Key Risks



## General Risks

**General economic factors** – General economic conditions, globally or in one or more of the markets we service, may adversely affect our financial performance. Recessionary or low economic growth conditions in our key markets may significantly impact our business and financial performance.

**Australian law changes** – Future changes in Australian law, including tax laws and employment laws may impact Funtastic’s financial performance. Further, changes in tax law, or Funtastic’s methods of calculation, may impact its tax assets and/or liabilities.

## Risks specific to the Shares

**Investments in equities** – The trading price of shares in Funtastic may fluctuate with movements in equity capital markets in Australia and internationally. Generally applicable factors which may affect the market price of shares include: general movements in Australian and international stock markets; investor sentiment; Australian and international economic conditions and outlook, changes in interest rates and the rate of inflation; changes in government regulation and policies; and geo-political instability, including international hostilities and acts of terrorism. None of Funtastic, its Board or any other person guarantees the market performance of the new shares.

**Dividends** – The payment of dividends on Funtastic’s shares is dependent on a range of factors, including the repayment of \$20 million of debt by 31 January 2013, profitability of the Company, the availability of cash and capital requirements of the business. Any future dividend levels will be determined by the Funtastic’s Board having regard to its operating results and financial position at the relevant time. That said, there is no guarantee that any dividend will be paid by Funtastic.

**Risks associated with not accepting rights under the Offer**– You should note that if you do not take up all or part of those New Shares offered to you under the Offer, then your percentage shareholding in the Company will be diluted by not participating to the full extent in the Offer and you will not be exposed to future increases or decreases in the Company’s share price in respect of those New Shares which would have been issued to you had you taken up all of your entitlement.

# Foreign Selling Restrictions



This document does not constitute an offer of new ordinary shares ("New Shares") of the Company in any jurisdiction in which it would be unlawful. New Shares may not be offered or sold in any country outside Australia or New Zealand, except to the extent such offer or sale is in compliance with applicable local laws.

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[www.funtastic.com.au](http://www.funtastic.com.au)

3.2 Entitlement Offer and Placement launch announcement

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21 June 2012

## Funtastic Limited announces capital raising of up to A\$24.6m

- Capital raising proceeds will substantially reduce bank debt and improve gearing ratios
- Provides capital to invest in key brands and drive organic growth
- Confirmation of earnings guidance for FY12 of \$20.1m EBITDA and \$10.4m NPAT
- Guidance for FY13 EBITDA of \$23m-25m
- Board intends to recommence payment of fully franked dividends in FY13

Funtastic Limited (“**Funtastic**” or the “**Company**”) today announces a capital raising of up to \$24.6m for new Funtastic ordinary shares (“**New Share**”) at an offer price of \$0.145 per New Share (“**Offer Price**”) to existing and new shareholders (the “**Offer**”) consisting of a:

- \$6.8m placement to institutional and sophisticated investors (“**Institutional Placement**”);
- 1-for-3 Accelerated Non-Renounceable Entitlement Issue to institutional and sophisticated investors of approximately \$13.4m (“**Institutional Entitlement Offer**”), together with an institutional shortfall bookbuild; and
- 1-for-3 Non-Renounceable Entitlement Issue to retail shareholders (“**Retail Entitlement Offer**”) to raise up to approximately \$4.4m

The Offer Price of \$0.145 per New Share represents a discount of:

- 9.4% to the closing price of Funtastic on the ASX on 20 June 2012
- 11.0% to 10 day VWAP
- 14.7% to 30 day VWAP
- 6.6% to the Theoretical Ex-Rights Price (TERP)<sup>1</sup>

Bell Potter Securities Limited is acting as sole Lead Manager to the Offer.

### Rationale for the Offer

While Funtastic has delivered strong operational improvements in the past year, shareholder returns are currently constrained by the Company’s high levels of debt. The Company believes that the capital raising will give its shareholders greater opportunity for enhanced returns through:

- increased flexibility to invest in key brands and drive organic growth;
- increased liquidity in the Company via the introduction of new institutional and sophisticated investors;
- the recommencement of fully franked dividends; and
- the potential for more attractive lending terms on its remaining bank facilities.

Managing Director Stewart Downs stated that “whilst our forecast growth is not dependent on an Australian retail turnaround, the Board felt that it was prudent to strengthen the company’s balance sheet both to insulate the business from further economic shocks as well as to ensure that we are appropriately

<sup>1</sup> Theoretical Ex-Rights Price (TERP) is the theoretical price at which Funtastic shares should trade immediately after the ex-date for the Offer, assuming 100% take-up of the Offer. TERP is a theoretical calculation only; the actual price at which Funtastic’s shares will trade immediately after the ex-date will depend on many factors and may not be equal to TERP. TERP is calculated with reference to Funtastic’s closing share price on Wednesday 20 June 2012

funded to enable the business to fully capitalise on the opportunities we have". He went on to say that "the Board believes that the structure of the capital raising provides the fairest outcome for all shareholders".

### **Use of Funds**

The proceeds from the Offer (less associated costs) will be used to:

- immediately repay debt of \$15m to strengthen the balance sheet which significantly reduces gearing and increases interest coverage; and
- provide working capital to invest in the Company's brand portfolio, drive organic growth both domestically and internationally and pay the costs of the Offer.

The Company intends to reduce debt further in FY13 and FY14 and has agreed scheduled debt repayments by 31 January 2013 and 31 July 2013.

### **Reaffirmation of FY12 guidance and new guidance for FY13**

On 1 May 2012 Funtastic released market guidance to the ASX that it expected EBITDA of \$20.1m and NPAT of \$10.4m for the financial year ending 31 July 2012 ("FY12"). Funtastic reaffirms this guidance for FY12 and confirms the business continues to perform strongly.

In addition to reaffirming guidance for FY12, the Company is pleased to provide guidance for the financial year ending 31 July 2013 ("FY13") of \$23-25m EBITDA .

The FY13 forecast growth is driven by overall sales growth in the range of 5%-8% and operational improvements already achieved including:

- a substantially reduced fixed cost base;
- a more focused portfolio with emphasis on strong everyday brands; and
- full year contributions from Pillow Pets and Lego in Australia and international markets.

The FY13 guidance is based on assumptions including:

- no improvement to current Australian retail conditions which are expected to remain challenging for the foreseeable future;
- no major change in the domestic customer landscape; and;
- reliance on the existing foreign exchange hedging policy.

Stewart Downs commented that "Funtastic is enjoying a strong position today as a direct result of the numerous initiatives the management team have executed over the last three years". He singled out the company's shift from a promotionally driven business to one which is focussed on providing a core range as one of the main drivers of its success, noting that "the increased predictability this affords us improves our ability to forecast and enables us to concentrate on brands, innovation and value which our research shows are important to consumers".

### **Fully franked dividend for FY13**

On successful completion of the Offer the Company Board proposes to recommence the payment of a fully franked dividend in FY13. The capital raising and the strong forward earnings outlook give the Company the capacity to recommence payment of dividends to its shareholders.

The Company has received approval from its lender to pay an interim dividend for the half year ended 31 January 2013 conditional on the Company complying with bank conditions including repayment of \$20m of debt by 31 January 2013 and achieving a ratio of gross debt/EBITDA of less than 2.5 times.

The Company expects to satisfy these conditions through successful completion of the Offer and future cashflows. On that basis, the Board are proposing to adopt a dividend policy of 50% of NPAT in dividends for FY13 commencing with a dividend for the half year ending 31 January 2013.

The Company currently has a dividend franking credit balance of approximately \$21.2m and would expect dividends to be fully franked. In addition, the Company has accumulated tax losses of approximately \$60.2m.

### **Details of the Entitlement Offer**

The Entitlement Offer is non-renounceable and comprises an accelerated Institutional Entitlement Offer and a Retail Entitlement Offer. New Shares issued under the Entitlement Offer will rank equally with existing Funtastic ordinary shares in all respects.

Key dates of the Entitlement Offer are provided at the end of this announcement.

### **Institutional Entitlement Offer**

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer which will take place from Thursday, 21 June 2012 to Friday, 22 June 2012.

New Shares taken up under the Institutional Entitlement Offer and the institutional shortfall bookbuild are expected to settle on Friday 29 June 2012 and commence trading on Monday 2 July 2012.

### **Retail Entitlement Offer**

Eligible retail shareholders will be invited to participate in the Retail Entitlement Offer at the same Offer Price and offer ratio as the Institutional Entitlement Offer. The Retail Entitlement Offer will open on Friday 29 June 2012 and close at 5:00pm (Melbourne time) on Wednesday 25 July 2012.

The Entitlements under the Retail Entitlement Offer may only be exercised by eligible retail shareholders, being persons who are registered holders of Funtastic ordinary shares at 7:00pm (Melbourne time) on Tuesday, 26 June 2012 and have a registered address in Australia or New Zealand.

### **Shareholder enquiries**

Eligible retail shareholders will be sent a Retail Offer Booklet on or around 29 June 2012 and a retail offer document will also be lodged with the ASX on or around 29 June 2012. In addition, further information on the transaction can be found in the Capital Raising Presentation released by Funtastic on the ASX today. This presentation and other announcements can also be downloaded from the Funtastic website at [www.funtastic.com.au](http://www.funtastic.com.au)

## Timetable

Event	Date
Trading halt, Institutional Placement and Institutional Entitlement Offer opens	Thursday 21 June, 2012
Institutional shortfall and Institutional Placement bookbuild	Thursday 21 June, 2012
Funtastic shares recommence trading on ASX	Monday 25 June, 2012
Record date for eligibility in the Retail Entitlement Offer	7:00pm Tuesday 26 June, 2012
Retail Offer Booklet to be dispatched to eligible retail shareholders	Friday 29 June, 2012
Retail Entitlement Offer opens	Friday 29 June, 2012
Settlement and allotment of New Shares under Institutional Entitlement Offer and Institutional Placement	Friday 29 June, 2012
Trading of New Shares issued under Institutional Entitlement Offer and Institutional Placement	Monday 2 July, 2012
Retail Entitlement Offer closes	5:00pm Wednesday 25 July, 2012
Retail shortfall bookbuild (if required)	Monday 30 July, 2012
Settlement of Retail Entitlement Offer	Tuesday 31 July, 2012
Allotment of New Shares under Retail Entitlement Offer	Wednesday 1 August, 2012
Trading of New Share issued under the Retail Entitlement Offer	Thursday 2 August, 2012

Note: The above timetable is indicative only and subject to change. All references to time are to Melbourne time. The Company reserves the right, subject to the *Corporations Act 2001* (Cth) and the ASX Listing Rules, to amend the indicative timetable set out above or to withdraw the Offer at any time.

## About Funtastic

Funtastic is a publicly listed Australian company. With our head office in Melbourne and offices in Hong Kong and China, we supply retailers and customers across the country, and the world, with an array of leading products for kids of all ages.

For more information on Funtastic visit the web site at [www.funtastic.com.au](http://www.funtastic.com.au) and for comment contact Stewart Downs (CEO) on 03 8531 0002.

## Important Information

This announcement should be read in conjunction with the Capital Raising Presentation lodged with ASX today, including all key risks.

This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States or in any other jurisdiction in which such an offer would be illegal. Neither the New Shares nor the entitlements have been, or will be, registered under the U.S. Securities Act of 1933 (the "US Securities Act") or the securities law of any state or other jurisdiction of the United States. Accordingly, the entitlements, and the New Shares may not be offered or sold, directly or indirectly, in the United States, unless they have been registered under the U.S Securities Act, or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any other applicable state securities laws.

3.3 Institutional Entitlement Offer and Placement completion announcement

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25 June 2012

## **Funtastic announces successful completion of the \$20.2m institutional component of its capital raising with strong investor support**

Funtastic Limited (“**Funtastic**” or the “**Company**”) today announces the successful completion of the institutional component of its capital raising announced on 21 June 2012 (the “**Institutional Offer**”). The Institutional Offer, comprising a \$6.8 million institutional placement (the “**Institutional Placement**”) and the institutional component of a 1-for-3 non-renounceable entitlement issue (the “**Institutional Entitlement Offer**”), raised approximately \$20.2 million (before expenses).

The Institutional Offer was conducted with an offer price of \$0.145 per new Funtastic ordinary share (“**New Share**”). New Shares issued under the Institutional Offer are expected to be allotted on Friday 29 June 2012 and commence trading on a normal basis on ASX on Monday 2 July 2012.

The proceeds of the Institutional Offer will be used to repay debt of \$15m, which strengthens the balance sheet and significantly reduces gearing and increases interest coverage. The remaining amount will provide working capital to invest in the Company’s brand portfolio and drive organic growth both domestically and internationally and to pay the costs of the capital raising.

The Institutional Entitlement Offer and Institutional Placement received strong support from our large existing shareholders and a number of new and leading domestic institutional investors. Each of the substantial shareholders, including the three with Board representation, have taken up all or some of their entitlements under the Institutional Entitlement Offer. Bell Potter Securities was sole Lead Manager of the Institutional Offer.

Funtastic’s Managing Director, Stewart Downs said “we are very pleased with the outcome of this offer and the support shown by our existing major shareholders. We also welcome the support from some of Australia’s leading institutional investors which has helped create a very strong share register for Funtastic.” Downs went on to say that “the Board felt it was prudent to strengthen the Company’s balance sheet and reduce our debt levels in order to insulate the business from further economic shocks. Following operational improvements and the return to profit, Funtastic now has a strong and sustainable base from which to grow and drive shareholder returns.” Finally he added that “the strong institutional support is especially pleasing to the Board and highlights that our focussed approach to costs and growth has resonated with investors in these challenging retail times. This raising means the Company is well funded to capitalise on its growth opportunities in order to take Funtastic to the next level.”

Funtastic’s shares will recommence trading with effect from market open on Monday 25 June 2012 on an ex-entitlement basis.

### **Retail Entitlement Offer**

The retail component of the capital raising (the “**Retail Entitlement Offer**”) is expected to raise approximately \$4.4 million (before expenses). The Retail Entitlement Offer will open on Friday 29 June 2012 and close at 5:00pm (Melbourne time) on Wednesday 25 July 2012.

Eligible retail shareholders, will be able to subscribe for 1 New Share for every 3 Funtastic ordinary shares held on the record date of 7:00pm (Melbourne time) on Tuesday, 26 June 2012, at the same offer price of \$0.145 as the Institutional Offer. It is the responsibility of retail shareholders to inform themselves of the eligibility criteria for exercise of their entitlements under the Retail Entitlement Offer.

Eligible retail shareholders will be sent a Retail Offer Booklet on or around Friday 29 June 2012. The Retail Offer Booklet will also be lodged with ASX on or around the same date. The Retail Offer Booklet is an important document and eligible retail shareholders should read it carefully (including restrictions on eligibility to participate in the Retail Entitlement Offer and the risk factors outlined in the capital raising presentation) in assessing the investment opportunity. Any eligible retail shareholders who wish to acquire New Shares under the Retail Entitlement Offer will need to complete, or otherwise apply in accordance with, the personalised Entitlement and Acceptance Form which accompanies the Retail Offer Booklet.

### Shareholder enquiries

Eligible retail shareholders will be sent further details about the Retail Entitlement Offer via the Retail Offer Booklet which will also be lodged with ASX on or before Friday 29 June 2012.

### Timetable

Event	Date
Trading halt, Institutional Placement and Institutional Entitlement Offer opens	Thursday 21 June, 2012
Institutional shortfall and Institutional Placement bookbuild	Thursday 21 June, 2012
Funtastic shares recommence trading on ASX	Monday 25 June, 2012
Record date for eligibility in the Retail Entitlement Offer	7:00pm Tuesday 26 June, 2012
Retail Offer Booklet to be dispatched to eligible retail shareholders	Friday 29 June, 2012
Retail Entitlement Offer opens	Friday 29 June, 2012
Settlement and allotment of New Shares under Institutional Entitlement Offer and Institutional Placement	Friday 29 June, 2012
Trading of New Shares issued under Institutional Entitlement Offer and Institutional Placement	Monday 2 July, 2012
Retail Entitlement Offer closes	5:00pm Wednesday 25 July, 2012
Retail shortfall bookbuild (if required)	Monday 30 July, 2012
Settlement of Retail Entitlement Offer	Tuesday 31 July, 2012
Allotment of New Shares under Retail Entitlement Offer	Wednesday 1 August, 2012
Trading of New Share issued under the Retail Entitlement Offer	Thursday 2 August, 2012

**Note:** The above timetable is indicative only and subject to change. All references to time are to Melbourne time. The Company reserves the right, subject to the *Corporations Act 2001* (Cth) and the ASX Listing Rules, to amend the indicative timetable set out above or to withdraw the Offer at any time.

### About Funtastic

Funtastic is a publicly listed Australian company. With our head office in Melbourne and offices in Hong Kong and China, we supply retailers and customers across the country, and the world, with an array of leading products for kids of all ages.

For more information on Funtastic visit the web site at [www.funtastic.com.au](http://www.funtastic.com.au) and for comment contact Stewart Downs (CEO) on 03 8531 0002.

### Important Information

This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States or in any other jurisdiction in which such an offer would be illegal. Neither the new shares nor the entitlements have been, or will be, registered under the U.S. Securities Act of 1933 (the "US Securities Act") or the securities law of any state or other jurisdiction of the United States. Accordingly, the entitlements, and the new shares may not be offered or sold, directly or indirectly, in the United States, unless they have been registered under the U.S Securities Act, or are offered and sold in a transaction

exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any other applicable state securities laws.

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## 4 ADDITIONAL INFORMATION

### 4.1 Reliance on Retail Offer Booklet

This Retail Offer Booklet has been prepared pursuant to section 708AA of the Corporations Act, as modified by ASIC Class Order 08/35, for the offer of New Shares without disclosure to investors under Part 6D.2 of the Corporations Act.

This Retail Offer Booklet was lodged with ASX on 29 June 2012.

Section 708AA of the Corporations Act requires an entity who seeks to rely on the disclosure exemption in section 708AA to lodge a "cleansing notice" with ASX which (among other things):

- (1) sets out any information that had been excluded from a continuous disclosure notice in accordance with the Listing Rules and that investors and their professional advisers would reasonably require, and would reasonably expect to find in a disclosure document, for the purpose of making an informed assessment of:
  - (a) the assets and liabilities, financial position and performance, profits and losses and prospects of Funtastic; or
  - (b) the rights and liabilities attaching to the New Shares; and
- (2) states the potential effect of the issue of the New Shares on control of Funtastic and the consequences of that effect.

Funtastic lodged a cleansing notice in respect of the Entitlement Offer with ASX on 21 June 2012.

In deciding whether or not to apply for New Shares including any Additional Shares under the Retail Entitlement Offer, you should rely on your own knowledge of Funtastic, refer to the documents lodged and the disclosures made by the Company on ASX (which are available on the ASX website at [www.asx.com.au](http://www.asx.com.au) (ASX code: FUN)) and seek advice from your financial or other professional adviser.

### 4.2 Interests of the Directors

The interests of the Directors and their related parties in securities of the Company immediately prior to the date of this Retail Offer Booklet are as follows:

	Number of Shares held in Funtastic*	Number of Options held in Funtastic
Mr Shane Tanner	200,000	0
Mr Stewart Downs	1,742,890	4,000,000
Mr Nir Pizmony	27,581,683	0
Mr Paul Wiegard	1,555,870	0
Mr Stephen Heath	500,000	0
Mr Craig Mathieson	93,659,663	0
Ms Linda Norquay	0	0

\* Determined prior to completion of the Institutional Entitlement Offer. In this regard, Mr Stewart Downs, Mr Nir Pizmony and Mr Craig Mathieson were invited to participate in the Institutional Entitlement Offer.

#### 4.3 Copies of Documents

The annual financial report of Funtastic for the year ended 31 July 2011, being the most recently lodged annual financial report of Funtastic before the date of this Retail Offer Booklet, the half yearly financial report of Funtastic for the half year ended 31 January 2012 and all continuous disclosure notices given by Funtastic from early January 2011 are available on the Company's website at [www.funtastic.com.au](http://www.funtastic.com.au) (in the "Investor Relations" section).

These documents are also available on the ASX website at [www.asx.com.au](http://www.asx.com.au) (ASX code: FUN).

#### 4.4 Estimated Expenses of the Entitlement Offer and Placement

The estimated expenses of the Entitlement Offer and Placement (excluding GST) are \$1.4 million.

The total expenses can only be estimated at the date of this Retail Offer Booklet as final expenses are dependent on the number of New Shares including Additional Shares subscribed for under the Retail Entitlement Offer and the total amount of Shortfall placed.

#### 4.5 Risks

The Capital Raising Presentation details important factors and risks that could affect the financial and operating performance of Funtastic. You should refer to the "Key Risks" section of the Funtastic Capital Raising Presentation included in section 3.1. You should consider these factors in light of your personal circumstances, including financial and taxation issues, before making a decision in relation to your Entitlement.

#### 4.6 Taxation

Shareholders should be aware that there may be taxation implications of participating in the Retail Entitlement Offer. Shareholders should consult their own professional taxation advisers to obtain advice in relation to the taxation laws and regulations applicable to their personal circumstances.

#### 4.7 Alteration of terms

Funtastic reserves the right, at its discretion but in consultation with the Lead Manager, to vary, suspend or cancel the Entitlement Offer at any time, subject to the Corporations Act, the Listing Rules and any other law or regulation to which the Company is subject.

Any variation, suspension or cancellation does not give rise to any liability on the part of or any action against, Funtastic or any Director and will be binding on all Eligible Shareholders.

If the Directors determine to suspend or cancel the Entitlement Offer, any Application Monies received by the Company in relation to Shares not already issued will be refunded in accordance with the Corporations Act, without interest, as soon as reasonably practical after the suspension or cancellation and in any event within 10 Business Days after the Closing Date. In circumstances where allotment under the Institutional Entitlement Offer has occurred, Funtastic may only be able to withdraw the Entitlement Offer with respect to New Shares to be issued under the Retail Entitlement Offer.

#### 4.8 Overseas jurisdictions

This Retail Offer Booklet does not, and is not intended to, constitute an offer, invitation or issue in any place in which, or to any person to whom, it would be unlawful to make such an offer, invitation or issue. By applying for New Shares, including by submitting the Entitlement and Acceptance Form or making a payment by BPAY you represent and warrant that there has been no breach of such laws.

The distribution of this Retail Offer Booklet outside of Australia and New Zealand may be restricted by law and persons who come into possession of it should seek advice and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. The Company disclaims all liabilities to such persons. Eligible Shareholders who are not resident in Australia or New Zealand are responsible for ensuring that taking up New Shares under the Entitlement Offer does not breach the selling restrictions set out in this Retail Offer Booklet or otherwise violate the securities laws in the relevant overseas jurisdictions.

No action has been taken to register or qualify this Retail Offer Booklet, the New Shares, the Entitlement Offer or the Placement, or otherwise to permit a public offering of the New Shares, in any jurisdiction outside Australia and New Zealand.

#### 4.9 **ASX waivers**

In order to conduct the Entitlement Offer, ASX has granted Funtastic waivers from Listing Rules 3.20, 7.1, 7.40 and 10.11 subject to a number of customary conditions.

The waivers also allow Funtastic to ignore, for the purpose of determining Entitlements, transactions occurring after the announcement of the trading halt in Shares (other than registrations of ASX Trade transactions which were effected before the announcement (**post ex-date transactions**)). Such transactions are to be ignored in determining holders and registered holders, and holdings and registered holdings, of existing Shares as at the Record Date, and references to such holders, registered holders, holdings and registered holdings are to be read accordingly. Therefore, if you have acquired Shares in a post ex-date transaction, you will not receive an Entitlement in respect of those Shares.

#### 4.10 **Governing Law**

This Retail Offer Booklet, the Entitlement Offer, the Placement, and the contracts formed on acceptance are governed by the laws of Victoria. Each applicant for New Shares submits to the non-exclusive jurisdiction of the courts of Victoria.

#### 4.11 **Enquires**

If you have any questions in respect of the Entitlement Offer or the Placement, please contact the Share Registry on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia).

## 5 DEFINITIONS

Terms and abbreviations used in this Retail Offer Booklet have the following meaning:

<b>Additional Shares</b>	New Shares applied for by Eligible Retail Shareholders in excess of their Entitlement.
<b>Application</b>	A valid application by way of an Entitlement and Acceptance Form
<b>Application Monies</b>	Monies paid by Eligible Retail Shareholders in respect of New Shares including any Additional Shares they apply for
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASX</b>	ASX Limited ABN 98 008 624 691, or the market operated by it, as the context requires
<b>Business Day</b>	An Australian business day that is not a Saturday, Sunday, or any other day which is a public holiday or bank holiday in the place where an act is to be performed or a payment is to be made
<b>Capital Raising Presentation</b>	The capital raising presentation lodged by the Company with ASX on Thursday, 21 June 2012, a copy of which is included in section 3.1
<b>Closing Date</b>	5:00pm (Melbourne Time) on Wednesday, 25 July 2012 (unless extended)
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth)
<b>Directors</b>	The directors of the Company
<b>Eligible Institutional Shareholder</b>	Those institutional or sophisticated shareholders of the Company to whom offers were made under the Institutional Entitlement Offer
<b>Eligible Retail Shareholder</b>	A person who meets the requirements set out in section 1.4
<b>Eligible Shareholder</b>	An Eligible Retail Shareholder or Eligible Institutional Shareholder (as applicable)
<b>Entitlement</b>	The entitlement of an Eligible Shareholder under the Institutional Entitlement Offer or Retail Entitlement Offer (as applicable)
<b>Entitlement and Acceptance Form</b>	The entitlement and acceptance form which accompanies this Retail Offer Booklet
<b>Entitlement Offer</b>	The Retail Entitlement Offer together with the Institutional Entitlement Offer
<b>Funtastic or Company</b>	Funtastic Limited ACN 063 886 199
<b>GST</b>	Goods and services or any similar tax
<b>Ineligible Retail Shareholder</b>	Has the meaning given under "Ineligible Retail Shareholders" on page 1

<b>Institutional Entitlement Offer</b>	The offer made by the Company to Eligible Institutional Shareholders to apply for 1 Share for every 3 Shares held
<b>Lead Manager</b>	Bell Potter Securities Limited ABN 25 006 390 772
<b>Listing Rules</b>	The Listing Rules of ASX
<b>New Share</b>	A Share to be issued pursuant to the Retail Entitlement Offer
<b>Offer Price</b>	\$ 0.145 per New Share
<b>Option</b>	An option to acquire a Share
<b>Placement</b>	The placement referred to in section 1.1
<b>Record Date</b>	7.00pm (Melbourne Time) on Tuesday, 26 June 2012
<b>Retail Entitlement Offer</b>	The offer to Eligible Retail Shareholders to apply for 1 New Share for every 3 Shares held on the Record Date under this Retail Offer Booklet
<b>Retail Offer Booklet</b>	This document dated 29 June 2012, including the accompanying Entitlement and Acceptance Form
<b>Share</b>	A fully paid ordinary share in the Company
<b>Share Registry</b>	Boardroom Pty Limited ACN 003 209 836
<b>Shareholder</b>	A registered holder of Shares
<b>Shortfall</b>	Those New Shares not subscribed for under the Retail Entitlement Offer, together with any New Shares which would have been offered to Ineligible Retail Shareholders had they been eligible to participate in the Retail Entitlement Offer

For personal use only

## 6 CORPORATE DIRECTORY

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### Directors

Mr Shane Tanner – *Chairman, Non-Executive Director*  
Mr Stewart Downs – *Managing Director, Chief Executive Officer*  
Mr Nir Pizmony – *Executive Director*  
Mr Paul Wiegard – *Executive Director*  
Mr Stephen Heath – *Non-Executive Director*  
Mr Craig Mathieson – *Non-Executive Director*  
Ms Linda Norquay – *Non-Executive Director*

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### Company Secretary

Mr James Cody

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### Registered Office

Level 2, Tower 2,  
Chadstone Place  
1341 Dandenong Road  
CHADSTONE VIC 3148

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### Website

[www.funtastic.com.au](http://www.funtastic.com.au)

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### Lead Manager

Bell Potter Securities Limited  
Level 29, 101 Collins Street  
MELBOURNE VIC 3000  
Phone: +61 3 9256 8700  
Fax: +61 2 9247 9133  
[www.bellpotter.com.au](http://www.bellpotter.com.au)

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### Legal Advisers

Norton Rose Australia  
RACV Tower  
485 Bourke Street  
MELBOURNE VIC 3000  
Phone: +61 3 8686 6000  
Fax: +61 3 8686 6505  
[www.nortonrose.com](http://www.nortonrose.com)

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### Share Registry

Boardroom Pty Limited  
Level 7, 207 Kent Street  
SYDNEY NSW 2000  
Phone: 1300 737 760  
Fax: 1300 653 459

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funtastic LIMITED

ABN: 94 063 886 199

# ENTITLEMENT AND ACCEPTANCE FORM

BoardRoom

Boardroom Pty Limited  
GPO Box 3993  
Sydney NSW 2001

Tel: 1300 737 760 (within Aust)  
Tel: + 61 2 9290 9600 (outside Aust)  
Fax: + 61 2 9279 0664

www.boardroomlimited.com.au  
enquiries@boardroomlimited.com.au

Entitlement No.

Subregister

SRN/HIN.

Number of Shares held at 7pm  
Melbourne time on 26 June  
2012

Retail Entitlement Offer Closes: **5pm Melbourne time  
25 July 2012**

Print Barcode Here

NON-RENOUCEABLE ACCELERATED ENTITLEMENT OFFER OF NEW SHARES AT AN OFFER PRICE OF \$0.145 EACH ON THE BASIS OF 1 NEW SHARE FOR EVERY 3 SHARES HELD AT 7.00PM (MELBOURNE TIME) ON TUESDAY 26 JUNE 2012, PAYABLE IN FULL UPON ACCEPTANCE OF THIS RETAIL ENTITLEMENT OFFER.

## A Entitlement Acceptance

If you wish to accept **ALL OF YOUR ENTITLEMENT** please complete and return this form **WITH YOUR PAYMENT OF THE APPLICATION MONIES SHOWN BELOW**. (Please refer to Section C below for available payment methods). The return of this form by the Closing Date with payment will constitute acceptance of the Retail Entitlement Offer, no signature is required.

Entitlement to New Shares on the basis of 1 New Share for every 3 Shares held	Offer Price	Application Monies for full acceptance, at \$0.145 per New Share
	x \$0.145 per New Share =	

If you wish to accept **PART OF YOUR ENTITLEMENT** please complete this form showing in the box below the **NUMBER OF NEW SHARES BEING ACCEPTED** and then return this form **WITH YOUR PAYMENT OF THE APPROPRIATE APPLICATION MONIES**. (Please refer to Section C below for available payment methods).

Number of New Shares accepted	Offer Price	Application Monies
	x \$0.145 per New Share =	\$

## B Apply for Additional Shares (if available)

If you accept **ALL OF YOUR ENTITLEMENT** and also wish to apply for Additional Shares, please insert the number of Additional Shares in the box below and then return this form **WITH YOUR PAYMENT OF THE APPLICATION MONIES FOR YOUR FULL ENTITLEMENT AND ANY ADDITIONAL SHARES APPLIED FOR**. Additional Shares will only be allotted if a Shortfall exists and, in any case at the discretion of the Directors. There is no guarantee that you will receive all or part of the number of Additional Shares applied for, and the Directors do not represent that any application for Additional Shares will be successful.

Number of Additional Shares Applied for	Offer Price	Application Monies
	x \$0.145 per Additional Share =	\$

## C Payment

Payment of Application Monies may only be made by BPAY or cheque. Cash will not be accepted via the mail or at the Funtastic Limited Share Registry.

### Payment Option 1 - BPAY



Billers Code:

Ref:

#### Telephone & Internet Banking - BPAY®

Contact your bank, credit union or building society to make this payment from your cheque or savings account.

More info: [www.bpay.com.au](http://www.bpay.com.au)

© Registered to BPAY Pty Ltd ABN 69 079 137 518

- To pay via BPAY please contact your participating financial institution
- If paying by BPAY you do not need to return the Entitlement and Acceptance Form
- If paying by BPAY the amount of your Application Monies received in the account divided by the Offer Price will be deemed to be the total number of New Shares and, if applicable, Additional Shares you are applying for. If paying by BPAY and the amount of your Application Monies received in the account divided by the Offer Price is greater than your Entitlement, any payment received in excess will be deemed to be in application for Additional Shares.

### Payment Option 2 – Cheque (Record cheque details below)

DRAWER	CHEQUE NO.	BSB NO.	ACCOUNT NO.	AMOUNT \$AUD
				\$

- Only cheques or bank drafts in Australian dollars and drawn on a bank or financial institution in Australia will be accepted.
- Your cheque or bank draft must be made payable to "Funtastic Limited" and crossed Not Negotiable.
- Please ensure that you submit the correct amount. Incorrect payments may result in your application being rejected.

**THIS FORM CONTINUES OVERLEAF**

## D Contact Details

CONTACT NAME	TELEPHONE WORK	TELEPHONE HOME	EMAIL ADDRESS
	( )	( )	

By submitting this Entitlement and Acceptance Form or by using the BPAY facility to accept the Retail Entitlement Offer, I/We represent and warrant that I/we have read and understood the Retail Offer Booklet to which this Entitlement and Acceptance Form relates and declare that this Application is completed and lodged according to the Retail Offer Booklet and the instructions on the reverse of the Entitlement and Acceptance form and declare that all details and statements made by me/us are complete and accurate. I/We agree to be bound by the constitution of Funtastic Limited and agree to the terms and conditions of the Retail Entitlement Offer under the Retail Offer Booklet. I/We represent and warrant that I/we have not relied on any other information provided by or on behalf of the Company other than as set out in the Retail Offer Booklet when making my/our decision to invest.

## LODGEMENT INSTRUCTIONS TO APPLICANTS

Please read these instructions carefully

### A ACCEPTANCE OF YOUR ENTITLEMENT IN FULL OR PART

Multiply the number of New Shares for which you are accepting by \$0.145 then fill in the acceptance details, where necessary, in the space provided on the front of this form.

Completed forms should be mailed to the following address by no later than **5.00pm (Melbourne Time) on the Closing Date**:

#### **2012 Funtastic Entitlement Offer**

c/o Boardroom Pty Limited  
GPO Box 3993  
SYDNEY NSW 2001

If paying by BPAY you do not need to return this Entitlement and Acceptance Form.

### B APPLICATIONS FOR ADDITIONAL SHARES

Multiply the number of Additional Shares (if any) for which you wish to apply for by \$0.145 then fill in the acceptance details, where necessary, in the space provided on the front of this form.

**If you do not accept your Entitlement, it will lapse at 5.00 pm Melbourne time on 25 July 2012. The signed Entitlement and Acceptance Form, as well as Application Monies, must be received before 5.00 pm Melbourne time on 25 July 2012.**

### C PAYMENT

#### **Cheque or Draft**

All cheques or drafts (expressed in Australian currency) are to be made payable to "**Funtastic Limited**" and crossed "Not Negotiable".

Please complete your cheque details on the front of this form.

#### **BPAY**

If you make payment using BPAY you must contact your Australian bank, credit union or building society to make this payment from your cheque or savings account. For more information: [www.bpay.com.au](http://www.bpay.com.au). Refer to the front of this form for the Biller Code and Customer Reference Number. Payments must be received by BPAY **before 5.00 pm Melbourne time on 25 July 2012**. If paying by BPAY you do not need to return this Entitlement and Acceptance Form.

#### **Payment – Overseas Residents**

Overseas shareholders who are Eligible Retail Shareholders must obtain a draft in Australian currency payable on a bank in Australia, or where that shareholder has an account with a bank in Australia, by a cheque drawn on that bank within Australia.

The Australian currency draft or cheque should be attached to your completed form and the document mailed to:

#### **2012 Funtastic Entitlement Offer**

c/o Boardroom Pty Limited  
GPO Box 3993  
SYDNEY NSW 2001

OVERSEAS SHAREHOLDERS ARE ADVISED TO ENSURE THEIR DOCUMENTS ARE POSTED TO AUSTRALIA BY AIRMAIL.

Personal cheques drawn on overseas banks in Australian or any foreign currency will not be accepted. These will be returned and the acceptance deemed to be invalid.

Overseas shareholders who are Ineligible Retail Shareholders are not permitted to apply for New Shares or Additional Shares.

## INTERPRETATION

Terms used in this Entitlement and Acceptance Form have the same meaning as defined in the Retail Offer Booklet.

#### **Privacy Statement:**

Boardroom Pty Limited advises that Chapter 2C of the Corporations Act 2001 (Cth) requires information about you as a shareholder (including your name, address and details of the shares you hold) to be included in the public register of the entity in which you hold shares. Information is collected to administer your share holding and if some or all of the information is not collected then it might not be possible to administer your share holding. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting us at the address or telephone number shown on the Application Form.

Our privacy policy is available on our website ([http://www.boardroomlimited.com.au/help/share\\_privacy.html](http://www.boardroomlimited.com.au/help/share_privacy.html)).