Appendix 4D

Half-year report for the half-year ended 31 January 2013

funtastic LIMITED

Appendix 4D – Half-year Report

Name of Entity:	Funtastic Limited
ABN:	94 063 886 199
Current Financial Period Ended:	Six months to 31 January 2013
Previous Corresponding Reporting Period (pcp):	Six months to 31 January 2012

Results for Announcement to the Market

	Half Year 2013 $'000	**Half Year 2012 $'000**	**Variance $'000**	**% increase/ (decrease) over pcp**
Revenue				
Revenue from ordinary activities	86,963	88,053	(1,090)	(1.23)%
Earnings before interest, taxation, depreciation, amortisation (EBITDA)	14,745	10,608	4,137	39.00%
Net Profit				
Net profit for the period from ordinary activities	9,269	5,514	**3,755**	**68.10%**
Net profit for the period attributable to members of Funtastic Limited	**9,269**	**5,514**	**3,755**	**68.10%**
Earnings per share				
From ordinary activities				
Basic (cents per share)	1.72	1.62		
Diluted (cents per share)	1.72	1.52		

Dividends

	Amount per Security	**Franked amount per security**
Interim Dividend	0.5 cents	0.5 cents
Previous Corresponding Period	Nil	Nil

The record date for determining entitlements to the interim dividend: 5 April 2013

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

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Company Information

Directors	Shane Tanner *Chairman and Independent Non-Executive Director*
	Stewart Downs *Managing Director and Chief Executive Officer*
	Nir Pizmony *Executive Director*
	Paul Wiegard *Executive Director*
	Craig Mathieson *Non-Executive Director*
	Stephen Heath *Independent Non-Executive Director*
	Linda Norquay *Independent Non-Executive Director*
Company Secretary	James Cody
Registered Office	Level 2 Tower 2 Chadstone Place 1341 Dandenong Road Chadstone Vic 3148
Principal Administrative Office	Level 2 Tower 2 Chadstone Place 1341 Dandenong Road Chadstone Vic 3148
Share Registry	Boardroom Pty Limited Level 7 207 Kent Street Sydney NSW 2000
Auditors	Deloitte Touche Tohmatsu 550 Bourke Street Melbourne Vic 3000
Bankers	National Australia Bank 535 Bourke Street Melbourne Vic 3000
Solicitors	Clarendon Lawyers Level 17 Rialto North Tower 525 Collins Street Melbourne Vic 3000

The Directors of Funtastic Limited submit herewith the financial report of Funtastic Limited and its subsidiaries (the Group) for the half-year ended 31 January 2013. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

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

- Mr. Shane Tanner
- Mr. Stewart Downs
- Mr. Craig Mathieson
- Mr. Nir Pizmony
- Mr. Paul Wiegard
- Mr. Stephen Heath
- Ms. Linda Norquay

The Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

Review of operations

The table below details the contributions from the Group and the effect on the reported results.

	31 January 2013	31 January 2012	Variance	
	$'000	$'000	$'000	%
Revenue	**86,963**	**88,053**	**(1,090)**	**(1.23)**
EBITDA	**14,745**	**10,608**	**4,137**	**39.00**
EBITDA adjusted for Gain on early settlement of Lego earn-out	**11,474**	**10,608**	**866**	**8.17**
Net Profit after tax	**9,269**	**5,514**	**3,755**	**68.10**

Key factors since the 31 July 2012 year end include the following:

- Maintained improved profitability;
- Reinstatement of fully-franked dividend to shareholders;
- Successfully negotiated early exit of LEGO® earn-out obligations;
- Extension of borrowing facilities to October 31, 2014; and
- Continued to tightly control inventory.

Funtastic has been able to deliver on three critical promises to the market in its latest half year results – continued higher profits despite a tough retail environment, ongoing improvement in margins and rewarding shareholders by restoring fully franked dividends for the first time in six years.

Overall, revenues were down marginally for the six months ended 31 January 2013 in comparison with the prior corresponding period, this can be attributed to the tighter brand and supplier portfolio as well as the generally challenging retail environment. The bottom line was that the Group continued to improve profitability during the period, generating net profit of $9,269,000 which compares with $5,514,000 for the prior corresponding period. It should be noted that these profits include a gain on the early termination of the LEGO® earn-out arrangements of $3,271,000.

Excluding the impact of the gain, the Group generated earnings before interest, tax, depreciation and amortisation (EBITDA) for the period of $11,474,000 compared with $10,608,000 in the prior corresponding period.

Net profit has been determined in accordance with the Corporations Act 2011 and the Australian Accounting Standards, which comply with the International Financial Reporting Standards.

Earnings before interest, taxation, depreciation, amortisation (EBITDA) is reported to give information to shareholders that provides an understanding of the performance of the group prior to the allocation of finance costs and the impacts of non-cash expenses relating to prior non-current asset purchases. A reconciliation of the Net profit to the EBITDA is included in the Condensed Consolidated Statement of Profit or Loss and other Comprehensive income (reviewed by the auditor) on page 10 of this report.

Funtastic Australia:

Funtastic was able to achieve higher profits despite the challenging overall retail trading environment across Australia which caused the company to experience lower than expected domestic replenishment from its mass merchant customers, particularly in the critical Christmas trading month of December. This contrasted to the very different Christmas replenishment pattern in the prior year. Successful execution of the company's strategy to rationalise the brand portfolio of this business unit cushioned this trading impact, generating improved gross margins; higher underlying profits were also helped by careful management of the cost base.

It is important to note recent industry acknowledgement of Funtastic's product mix, with the company being awarded the top selling infant / preschool toy for 2012 for the Leapfrog Leappad Tablet as well as the 18" Pillow Pet being awarded the top selling plush toy. Additionally, Funtastic received the overall award for the number one top selling item in the Australian toy market in 2012 - the 18" Pillow Pet.

Funtastic Brands:

These first half results underline that Funtastic Brands has become the growth engine of the Funtastic Group. The business generated first half revenues of $11,635,000 which compares with $4,009,000 in the prior corresponding period, an increase of 190%. The business also delivered a profit of $1,435,000 for the period against a prior corresponding period profit of $36,000.

This result was highlighted by the performance of Pillow Pets™ which delivered very strong global sales. They say that imitation is the highest form of flattery and Pillow Pets™ achieved sales growth only slightly below expected levels in the period because of counterfeit and imitation products, mainly in Europe. This constraining effect is expected to be reduced in the coming period as a result of legal action taken by Funtastic to protect its intellectual property (IP) rights.

The other major contributor to the Funtastic Brands performance in the half came from the LEGO® licenses acquired in 2012. The LEGO® business performance was very strong, only limited by the longer than expected timeframe to gain traction in the key US market. However, management is comfortable with progress as they believe a long term approach is required to optimize the LEGO® opportunity.

Madman Entertainment:

Madman's first half profit performance was better than anticipated, driven by higher than forecast revenues as it continues to buck the broader category trend. Short-term investment in costs, associated with the digital conversion of the catalogue and increased inventory holding costs resulted in constrained profits of $4,998,000, down from $6,003,000 in the prior corresponding period.

Outlook

Funtastic Australia:

Whilst it's clear that the general retail sluggishness in Australia had some impact on first half sales, the second half expectations are solid. The business has great product and both the improving margins and the current cost base are sustainable. However, given the experience of Christmas 2012, management will focus efforts on reducing reliance on the mass merchant retailers over time, by seeking to develop new channels for the future.

Funtastic Brands:

The company is now beginning to reap the benefits of owning and developing Funtastic's own IP and that remains at the forefront of the company's strategic planning. For that reason the company expects ongoing performance improvement in this business unit for the full year. Since 31 July 2012, the business has further strengthened its international brand portfolio by successfully securing the rights to the global manufacturing and distribution of an exciting new concept that will be launched in the second half to be marketed under the Chill Factor™ brand globally. This new release will be the first in a category of developments based on a patent protected technology that allows the easy creation of frozen drinks within minutes. This brand launch, together with new innovations to the Pillow Pets™ brand and further product developments in the LEGO® licensed portfolio, will further bolster the growth prospects of this business unit.

Madman Entertainment:

The product line-up for the second half for Madman is strong which indicates that another solid performance should be achieved in the second half.

Overall Outlook

Whilst the Group's first half financial results have been strong and illustrated its strategy for growth is working, the period ahead contains challenges and the relatively weak retail environment continues to influence the Board's view on future prospects. Without a discernible lift in consumer confidence, the Board does not foresee a change to current retail conditions in the short term, and consequently retains a consistently cautious outlook for the remainder of the year.

Despite a tough external environment, the Board is comfortable with the position and progress of each of the businesses within the Group. The Board remains committed to the strategy and is confident that the Group will continue to see improvements in profitability beyond this financial year.

Dividend

In light of the solid progress made in the last 2 years, the Board is delighted to announce the resumption of dividend payments commencing with an interim fully franked dividend of 0.5 cents per share. The record date for determining entitlements to the interim dividend is 5 April 2013 and the payment date will be 22 May 2013.

The Board sees no reason in the foreseeable future why it will not continue to reward shareholders with further future dividends.

Auditor's independence declaration

The auditor's independence declaration is included on page 9 of the half-year report.

Financing Arrangements

The Group's senior lender, National Australia Bank (NAB), has supported the Group through a number of extremely difficult financial periods. This support was rewarded with the resumption of debt repayments during the FY12 financial year. The Group made payments of $10,000,000 against its facilities during the year in line with the Facilities Agreement. Additionally, the Group repaid a further $10,000,000 with proceeds from the successful capital raising completed in July 2012. In exchange for the additional debt amortisation, NAB agreed to allow the company to resume dividend payments during FY13. Additionally, when management presented an opportunity to facilitate an early exit from an existing earn-out obligation to the vendors of the LEGO® business acquired early in 2012, NAB agreed to the proposal and provided a new line of credit of $5,000,000 to facilitate the transaction. The Group made permanent repayments against its facilities between 31 July 2012 and the date of signing the accounts of $5,272,000.

The Group successfully renegotiated its borrowing arrangements with NAB on 31 January 2013.

Pursuant to the renegotiation of its borrowings, maturity of the facilities has been extended to 31 October 2014 with certain financial and non financial undertakings being retained. These include the amortisation of the commercial bills facility, in particular repaying a further $6,276,000 of borrowings from the date of signing these accounts until the end of the 2013 financial year, and $12,729,000 in the 2014 financial year.

Up to and including the date of signing this report, all the financial covenants associated with the renegotiated borrowings have been met.

Legal Issues

In late 2012 Funtastic commenced legal proceedings against Freehills who it alleges were professionally negligent in the advice they provided in respect of the sale by Funtastic of its apparel business to Australia Horizons Trading Pty Limited (AHT) and Jeffrey Moss in 2009. Freehills have lodged their defense to Funtastic's statement of claim. A Directions Hearing was held for this matter on 15 March 2013 at which the parties consented to an order to partake in mediation prior to 26 April 2013. If the matter does not settle at mediation, there will be a further Directions Hearing on 17 May 2013.

Directors' Report (continued)

Rounding of amounts to nearest thousand dollars

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Future Developments

At the date of this report, there are no likely developments in the operations of this company required to be reported in accordance with section 299(1)(e) of the *Corporations Act 2001* other than as mentioned in this report.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors:

Shane Tanner
Chairman
Melbourne, 25 March 2013

Deloitte.

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

25 March 2013

Dear Board Members

Auditors Independence Declaration - Funtastic Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Funtastic Limited.

As lead audit partner for the review of the financial statements of Funtastic Limited for the half-year ended 31 January 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Biermann
Partner
Chartered Accountants

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half-Year Ended 31 January 2013

	Note	Half-year 31 January 2013 $'000	31 January 2012 $'000
Revenue		**86,963**	88,053
Cost of sale of goods		**(48,312)**	(52,356)
Gross profit		**38,651**	35,697
Investment Income		**13**	-
Warehouse and distribution		**(6,979)**	(6,710)
Marketing and selling	13	**(12,713)**	(12,261)
Administration and finance	13	**(7,498)**	(6,118)
Gain on early settlement of deferred acquisition consideration	3	**3,271**	-
Earnings before interest, taxation, depreciation and amortisation (EBITDA)		**14,745**	10,608
Depreciation and amortisation expenses		**(1,977)**	(1,182)
Finance costs		**(2,887)**	(3,768)
Profit before income tax		**9,881**	5,658
Income tax expense	3	**(612)**	(144)
Profit for the period		**9,269**	5,514
Other comprehensive income (net of tax)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**26**	222
Fair value gain on cash flow hedges		**683**	571
		709	793
Total comprehensive income attributable to members of Funtastic Limited		**9,978**	6,307
Earnings per share		**Cents**	**Cents**
Basic (cents per share)	7	**1.72**	1.62
Diluted (cents per share)	7	**1.72**	1.52

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Condensed Consolidated Statement of Financial Position as at 31 January 2013

	Note	31 January 2013 $'000	31 July 2012 $'000
Current Assets			
Cash		**3,111**	2,257
Trade and other receivables		**31,152**	37,717
Inventories		**21,447**	16,085
Other		**21,414**	20,622
Total Current Assets		**77,124**	76,681
Non-Current Assets			
Property, plant and equipment		**2,674**	2,442
Goodwill		**78,845**	78,845
Other intangibles		**9,160**	10,123
Deferred tax assets		**12,521**	13,388
Other financial assets		**1,037**	200
Total Non-Current Assets		**104,237**	104,998
Total Assets		**181,361**	181,679
Current Liabilities			
Trade payables		**16,766**	17,259
Borrowings	6	**45,707**	46,020
Provisions		**2,457**	3,746
Deferred purchase consideration	10	**878**	3,502
Other		**8,723**	7,695
Current tax liabilities		**516**	640
Other financial liabilities		**1,403**	2,378
Total Current Liabilities		**76,450**	81,240
Non-Current Liabilities			
Borrowings	6	**15,543**	14,750
Provisions		**1,214**	1,401
Deferred tax liabilities		**5,604**	5,599
Deferred purchase consideration	10	**-**	6,015
Other		**832**	917
Total Non-Current Liabilities		**23,193**	28,682
Total Liabilities		**99,643**	109,922
Net Assets		**81,718**	71,757
Equity			
Issued capital	8	**186,690**	186,725
Accumulated losses		**(104,464)**	(113,733)
Reserves		**(508)**	(1,235)
Total Equity		**81,718**	71,757

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes in Equity for the Half-Year Ended 31 January 2013

	Share Capital $'000	Accumulated Losses $'000	Foreign Currency Translation Reserve $'000	Equity-settled Employee Benefits Reserve $'000	Cash Flow Hedging Reserve $'000	Total $'000
Balance at 1 August 2011	159,377	(124,169)	(966)	1,474	(2,518)	33,198
Profit for the period	-	5,514	-	-	-	5,514
Other comprehensive income	-	-	222	-	571	793
Total comprehensive income	-	5,514	222	-	571	6,307
Recognition of share-based payments	-	-	-	71	-	71
Issue of ordinary shares	696	-	-	-	-	696
Share issue costs	(4)	-	-	-	-	(4)
Balance at 31 January 2012	**160,069**	**(118,655)**	**(744)**	**1,545**	**(1,947)**	**40,268**
Balance at 1 August 2012	186,725	(113,733)	(1,186)	1,616	(1,665)	71,757
Profit for the period	-	9,269	-	-	-	9,269
Other comprehensive income	-	-	26	-	683	709
Total comprehensive income	-	9,269	26	-	683	9,978
Recognition of share-based payments	-	-	-	18	-	18
Share issue costs	(35)	-	-	-	-	(35)
Balance at 31 January 2013	**186,690**	**(104,464)**	**(1,160)**	**1,634**	**(982)**	**81,718**

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Cash Flow Statement for the Half-Year Ended 31 January 2013

	Half-year	
	31 January 2013	31 January 2012
	$'000	$'000
Cash flows from operating activities		
Receipts from customers	**102,483**	95,741
Payments to suppliers and employees	**(92,621)**	(83,441)
Income taxes paid	**(147)**	(65)
Interest and other costs of finance paid	**(2,987)**	(3,834)
Net cash provided by operating activities	**6,728**	8,401
Cash flows from investing activities		
Interest received	**13**	27
Proceeds on disposal of property, plant and equipment	**1**	-
Payments for acquisition of investments	**(635)**	-
Payments for acquisition of businesses	**(5,000)**	(377)
Payments for property, plant and equipment	**(785)**	(262)
Proceeds from sale of businesses	**-**	450
Payments for intangible assets	**(150)**	(1,368)
Net cash used in investing activities	**(6,556)**	(1,530)
Cash flows from financing activities		
Repayment of borrowings	**(3,147)**	(697)
Commercial bills drawn	**5,000**	-
Repayment of commercial bills	**(995)**	(5,000)
Borrowings transaction costs	**(156)**	(600)
Share issue transaction costs	**(35)**	(4)
Net cash provided by / (used in) financing activities	**667**	(6,301)
Net increase in cash held	**839**	570
Cash and cash equivalents at the beginning of the half-year	**2,257**	1,948
Effect of exchange rate changes on cash held in foreign currencies	**15**	3
Cash and cash equivalents at the end of the half-year	**3,111**	2,521

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

NOTE 1: Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB134 'Interim Financial Reporting'. Compliance with AASB134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical costs, except for the revaluation of certain non-current assets and financial instruments to fair value. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's annual financial report for the financial year ended 31 July 2012, except for the impact of the adoption of the new and revised accounting policies discussed below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

New and revised accounting Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- Amendments to AASB 7, 101, 112, 121, 132, 133 and 134 as a consequence of AASB 2011-9 'Amendments to Australian Accounting Standards – presentation of Items of Other Comprehensive Income'

The adoption of all the new and revised Standards and Interpretations has not resulted in any change to the Group's accounting policies and has no effect on amounts reported for the current and prior periods. However the application of AASB 2011-9 has resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements.

AASB 2011-9 introduces new terminology for the Statement of Comprehensive Income. Under the amendments to AASB 101, the Statement of Comprehensive Income is renamed as a Statement of Profit or Loss and Other Comprehensive Income. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two separate categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to the profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

- *Impairment of goodwill in continuing business segments*

The Group tests annually or when there is an indication of significant impairment whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amount of each cash-generating unit has been determined based on value-in-use calculations. These calculations require the use of assumptions. A significant change to these assumptions may affect the recoverable amount of the cash generating units.

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

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

- *Settlement of license audits*

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

- *Recoverability of inventory*

The Group periodically assesses whether the net realizable value (NRV) of its inventories is reasonable in light of changing market conditions, particularly the recent softening of the retail industry. Whilst the Group has provided to recognise the best estimate for the amount for which its inventory will be realized, the final amounts will be subject to the prevailing market conditions and may differ from the amounts provided.

- *Taxation losses recognised as asset*

The Group has recognised deferred tax in respect to revenue tax losses of approximately 2 years future profits based on the expected future taxable income. The final amount recoverable will depend on the losses being available under the 'continuity of ownership 'test' and the Group achieving this future taxable income. The additional deferred tax asset taken up, in respect to tax losses, during the six months ended 31 January 2013 was $1,339,000.

NOTE 2: Segment information

Under the requirements of AASB 8 'Operating Segments', information reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of performance is more specifically focused on the following categories of products:

- Funtastic Australia (previously Toys and Lifestyle Merchandise)
- Funtastic Brands (previously International)
- Madman Entertainment (previously Entertainment)
- Other

The Funtastic Australia reportable segment distributes licensed toys, sporting equipment, nursery equipment and confectionary. The Funtastic Brands reportable segment designs and sources unique product offerings for worldwide distribution. The Madman Entertainment reportable segment distributes licensed films and merchandise. The Other reportable segment incorporates all other trading operations.

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

	Note	Revenue		Segment profit	
		Half-year ended		Half-year ended	
		31 January 2013	31 January 2012	**31 January 2013**	31 January 2012
		$'000	$'000	**$'000**	$'000
Funtastic Australia		**47,854**	56,088	**8,848**	7,747
Funtastic Brands		**11,635**	4,009	**1,435**	36
Madman Entertainment		**26,901**	27,053	**4,998**	6,003
Other		**-**	1	**-**	-
		86,390	87,151	**15,281**	13,786
Other revenue		**573**	902	**-**	-
Central administration				**(3,807)**	(3,178)
Gain on early settlement of deferred acquisition consideration	3			**3,271**	-
Earnings before interest, tax, depreciation and amortisation (EBITDA)				**14,745**	10,608
Finance costs				**(2,887)**	(3,768)
Depreciation & amortisation				**(1,977)**	(1,182)
Consolidated segment revenue and profit before tax		**86,963**	88,053	**9,881**	5,658
Income tax expense				**(612)**	(144)
Consolidated segment revenue and profit after tax for the period		**86,963**	88,053	**9,269**	5,514

NOTE 2: Segment information (continued)

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

Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates, investment revenue and finance costs, income tax expense, and gains or losses on disposal of associates and discontinued operations. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

NOTE 3: Gain on early settlement of deferred acquisition consideration

	Half-year	
	31 January 2013 $'000	31 January 2012 $'000
Gain on early settlement of deferred acquisition consideration	**3,271**	-
Tax impact		
Tax on capital gain	**(981)**	-
Capital losses not previously booked at 30%	**981**	-
	-	-

Gain relates to the renegotiation and early settlement of the deferred purchase consideration recognised in respect to the KPM acquisition as at the date of acquisition under the terms of the Share Sale Agreement.

NOTE 4: Net tangible assets

	31 January 2013	31 January 2012
Net tangible asset backing per ordinary security	**(1.17) cents**	(9.91) cents

NOTE 5: Dividends

In accordance with the amended Facilities Agreement (Agreement) between the Company and its senior lender National Australia Bank, the Company is no longer precluded from declaring and paying dividends during the term of the Agreement, which has been extended to 31 October 2014.

Since the end of the half-year, the directors have declared an interim fully franked dividend of 0.5 cents per share. The dividend entitlement record date is 5 April 2013.

NOTE 6: Borrowings

The Group successfully renegotiated its borrowings with its senior lender on 31 January 2013.

Pursuant to the renegotiation of its borrowings, maturity of the facilities has been extended to 31 October 2014 with financial covenants remaining in line with those disclosed in the financial report for the year ended 31 July 2012. The amended facilities allow the directors to declare interim and full year dividends out of current profits, provided certain financial performance hurdles are met.

	31 January 2013 $'000	31 July 2012 $'000
Current		
Bill finance	**13,148**	10,000
Debtors finance[1]	**17,501**	21,277
Finance lease liabilities	**49**	49
Trade finance[1]	**15,276**	15,003
Less: capitalised transaction costs	**(267)**	(309)
Total Current	**45,707**	46,020
Non-current		
Bill finance	**15,457**	14,600
Finance lease liabilities	**150**	175
	15,607	14,775
Less: capitalised transaction costs	**(64)**	(25)
Total Non-current	**15,543**	14,750
Current borrowings	**45,707**	46,020
Non-current borrowings	**15,543**	14,750
	61,250	60,770

[1]It should be noted that of the current borrowings, $32,777,000 (72%) relates to debtors finance and trade finance facilities that will be available to the Group until at least 31 October, 2014.

NOTE 7: Earnings per share

	31 January 2013 $'000	31 January 2012 $'000
Earnings used in the calculation of basic earnings per share reconciles to net profit in the statement of comprehensive income	**9,269**	5,514
Earnings per share	**Cents**	Cents
Basic (cents per share)	**1.72**	1.62
Diluted (cents per share)	**1.72**	1.52
	Number	Number
Weighted average number of ordinary shares outstanding during the half-year used in the calculation of basic earnings per share.	537,799,605	341,301,907
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share.	539,165,537	361,311,907

NOTE 8: Issued capital

	31 January 2013 $'000	31 January 2012 $'000
Share Capital		
537,799,605 fully paid ordinary shares (2012: 347,956,819)	**186,690**	160,069

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

	31 January 2013		31 January 2012	
	Number of Shares		Number of Shares	
Details	**'000**	**$'000**	'000	$'000
Movements in Ordinary Share Capital				
Opening balance	**537,800**	**186,725**	340,998	159,377
Share issue to CJ Products, LLC	**-**	**-**	6,959	696
Share issue costs	**-**	**(35)**	-	(4)
Closing balance	**537,800**	**186,690**	347,957	160,069

Fully paid ordinary shares carry one vote per share and carry the rights to dividends.

NOTE 9: Commitments

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

NOTE 10: Deferred purchase consideration

Deferred purchase consideration comprises the balance of an earn-out in relation to the acquisition of 100% of the issued share capital of Kidz @ Play Pty Ltd ("KPM") in February 2012.

NOTE 11: Key management personnel

Remuneration arrangements of key management personnel are disclosed in the annual financial report. No changes were made to remuneration arrangements during the interim period.

NOTE 12: Subsequent events

On 22 March 2013 the Directors declared an interim dividend of 0.5c per share as set out in note 5.

NOTE 13: Reclassification of comparatives

Administration and finance costs, stated in the condensed consolidated statement of profit or loss and other comprehensive income, for 2012 includes an amount of $1,845,000 reallocated from marketing and selling costs to provide more meaningful comparison in line with disclosures made in the full financial statements for the year ended 31 July 2012.

Directors' Declaration

The directors declare that:

(a) in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group.

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

On behalf of the Directors

Shane Tanner

Chairman

Melbourne, 25 March2013

Deloitte.

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Independent Auditor's Review Report to the members of Funtastic Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Funtastic Limited, which comprises the condensed consolidated statement of financial position as at 31 January 2013, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 10 to 21.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 January 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Funtastic Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

Auditor's Independence Declaration

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Funtastic Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 January 2013 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Biermann
Partner
Chartered Accountants
Melbourne 25 March 2013