Appendix 4D (rule 4.2A.3) – Preliminary Final Report for the Half Year ended 31 January 2014

Name of Entity:	Funtastic Limited
ABN:	94 063 886 199
Current Financial Period Ended:	Six months ended 31 January 2014
Previous Corresponding Reporting Period:	Six months ended 31 January 2013

Results for Announcement to the Market

	2014 $'000	Up/Down	% Movement
Revenue from ordinary activities from continuing operations	61,287	Up	2.0%
Revenue from ordinary activities from discontinued operations	23,341	Down	(13.2)%
Net loss from ordinary activities after tax from continuing operations (all attributable to members of Funtastic Limited)	(2,866)	Down	(157.5)%
Net loss from ordinary activities after tax from discontinued operations (all attributable to members of Funtastic Limited)	(23,016)	Down	(637.1)%
Net loss from ordinary activities after tax from continuing and discontinued operations (all attributable to members of Funtastic Limited)	(25,882)	Down	(379.2)%

Dividend Information	**Amount per Share (cents)**	**Franked amount per Share (cents)**	**Tax rate for Franking Credit**
Interim Dividend – Current reporting period	nil	nil	n/a

Net Tangible Assets / (Liabilities)	**31 January 2014**	**31 January 2013**
Net tangible assets/ (liabilities) per security	1.39 cents	<1.17 cents>

Other information

This report is based on the consolidated financial statements which have been reviewed by Deloitte Touche Tohmatsu.

For a brief explanation of any figures above please refer to the Announcement on the results for the six months ended 31 January 2014 and the attached Half Year Report

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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	Grant Mackenzie
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 8, 446 Collins Street Melbourne VIC 3000
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

Directors' Report

The Directors of Funtastic Limited submit herewith the financial report of Funtastic Limited and its subsidiaries (the Group) for the half-year ended 31 January 2014. 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 2014			31 January 2013		
	$'000 Continuing	$'000 Discontinued	$'000 Total	$'000 Continuing	$'000 Discontinued	$'000 Total
Revenue	61,287	23,341	84,628	60,062	26,901	86,983
EBITDA	1,699	(22,619)	(20,920)	9,877	4,868	14,745
Adjusted for Gain on early settlement of deferred acquisition consideration				(3,271)		(3,271)
Adjusted for loss on measurement to fair value less costs to sell on Madman Entertainment		24,163	24,163			
EBITDA adjusted	**1,699**	**1,544**	**3,243**	**6,606**	**4,868**	**11,474**
Net (Loss) / Profit after tax			**(25,882)**			**9,269**

Key factors since the 31 July 2013 year end include the following:

- Increased geographic expansion
- Grew Chill Factor brand
- Renegotiated bank facilities at improved rates
- Commenced negotiations to dispose of Madman

Despite an extremely tough trading period in all operating units, Funtastic has maintained its core strategy of developing our own brands and expanding our geographic footprint. Furthermore the company received two Expressions of Interest for the potential purchase of the Madman business. A disposal of Madman enables Funtastic to reduce debt, strengthen the balance sheet and consolidate operations to continue to drive our expansion geographically and in own brands.

As a result of the decision to progress the disposal of Madman Entertainment, its operations have been disclosed as assets classified as held for sale and accordingly reflected as discontinued operations in the reported results for the six months ended 31 January 2014.

Revenue from continuing operations grew by 2% for the six months ended 31 January 2014 in comparison with the prior corresponding period driven by higher sales of our own brands both internationally and domestically. For continued operations the Group generated earnings before interest, tax depreciation and amortisation (EBITDA) for the period of $1,699,000 compared with $9,877,000 in the prior corresponding period. $3,271,000 of the variance relates to the once-off gain on the early settlement of the LEGO® earn-out arrangement. Despite higher Revenue, margins were negatively impacted due to unfavourable exchange rate, higher costs of dealing with the trade and once-off costs relating to change in distributor in the US. Operating costs for the period were higher than the prior corresponding period due to the annualisation of costs incurred due to geographic expansion as well as some non-recurring legal and administrative costs

Funtastic Australia:

Despite exceptional sales from Chill Factor, this was insufficient to offset significant decline in sales of some key agency brands, Leapfrog, Power Rangers and Ben 10. Our margins have also been impacted by the weakening exchange rate and increased cost of doing business in a challenging retail trading environment.

Funtastic Brands:

The first half results continued to deliver growth with higher gross profit, but were offset by costs incurred due to the change in our US distributor and the increase in our Hong Kong infrastructure to support growth and product development

Discontinued Operations:

Madman's first half profit performance was significantly down on the prior corresponding period due to reduced stock held by retailers as part of a proposed transition to a consignment stock model from the current sale and return practice, as well as timing of theatrical releases and ancillary contracts. Revenue from digital sales has grown in excess of 40% but was insufficient to offset the impact of the factors above.

Due to the sale process of Madman Entertainment, it was determined that its fair value less cost to sell was considerably lower than the carrying value resulting in a write-down of $24,163,000.

Outlook

Funtastic remains committed to the continued geographical expansion of our brands, expansion of our own brand portfolio through new product development, innovation and acquisition, as well as strengthening of our core agency portfolio of products. We will continue to leverage our core competencies by seeking new opportunities that will provide ongoing sustainable growth

Our own brands are expected to grow both domestically and internationally in the second half of the year, primarily driven by Chill Factor in the US and continued market expansion. We will be launching some new product lines in our owned brands domestically in the latter part of the year.

From an agency perspective, the recent acquisition of distribution rights in Australia and New Zealand for Rainbow Loom is expected to offset the soft retail performance experienced in the first half. We continue to work with our key agency partners to return key brands to growth complemented by the addition of a number of new innovative products.

Through our own and key agency brands we continue to enhance our manufacturing and innovation capabilities, global distribution networks, brand building capabilities and domestic distribution expertise that will enable us to strengthen a well-balanced diversified portfolio of key brands.

Despite the first half performance being significantly lower than the prior corresponding period, we remain confident that we will deliver an EBITDA for the full year for continuing operations (excluding results for Madman Entertainment) between $13m and $16m.

Dividend

Due to the soft first half year performance, there will be no interim dividend. The Board anticipates that dividends should resume in the future, particularly re-evaluated once we have successfully completed the sale of Madman and reassessed our debt position.

Auditor's independence declaration

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

Rounding of amounts to nearest thousand dollars

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the 'rounding off' of amounts in the Directors' and the financial 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, 31 March 2014

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

31 March 2014

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 2014, 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 2014

	Note	For the half-year ended 31 January 2014 $'000	 31 January 2013 $'000
Continuing Operations			
Revenue		**61,287**	60,062
Cost of sale of goods		**(41,051)**	(36,668)
Gross profit		**20,236**	23,394
Investment Income		**313**	13
Warehouse and distribution		**(4,524)**	(4,279)
Marketing and selling		**(5,915)**	(6,103)
Administration and finance		**(8,411)**	(6,419)
Gain on early settlement of deferred acquisition consideration	3	**-**	3,271
Earnings before interest, taxation, depreciation and amortisation (EBITDA)		**1,699**	9,877
Depreciation and amortisation expenses		**(2,263)**	(1,867)
Finance costs		**(2,400)**	(2,887)
(Loss) / Profit before income tax		**(2,964)**	5,123
Income tax (expense) / benefit		**98**	(139)
(Loss) / Profit for the period from continuing operations		**(2,866)**	4,984
Discontinued operations			
(Loss) / Profit for the year from discontinued operations	4	**(23,016)**	4,285
(Loss) / Profit for the year		**(25,882)**	9,269
Other comprehensive income (net of tax)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**134**	26
Fair value (loss) / gain on cash flow hedges		**(39)**	683
		95	709
Total comprehensive income / (Loss) attributable to members of Funtastic Limited		**(25,787)**	9,978
Earnings per share		**Cents**	**Cents**
From continuing and discontinued operations			
Basic (cents per share)		**(3.87)**	**1.72**
Diluted (cents per share)		**(3.87)**	**1.72**
From continuing operations		**(0.43)**	**0.93**
Basic (cents per share)		**(0.43)**	**0.93**
Diluted (cents per share)			

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 2014

	Note	As at 31 January 2014 $'000	As at 31 July 2013 $'000
Current Assets			
Cash		**2,600**	4,305
Trade and other receivables		**18,847**	25,677
Inventories		**19,938**	17,180
Other		**4,123**	6,392
Other financial assets		**758**	1,552
Assets classified as held for sale	5	**36,271**	65,082
Tax asset		**3**	29
Total Current Assets		**82,540**	120,217
Non-Current Assets			
Property, plant and equipment		**1,660**	2,095
Goodwill		**49,995**	49,995
Other intangibles		**18,488**	20,342
Deferred tax assets		**13,101**	12,876
Other assets		**350**	617
Total Non-Current Assets		**83,594**	85,925
Total Assets		**166,134**	206,142
Current Liabilities			
Trade payables		**14,240**	14,217
Borrowings	8	**50,884**	43,169
Provisions		**971**	929
Deferred purchase consideration		**497**	924
Other	9	**4,209**	14,788
Other financial liabilities		**349**	663
Liabilities directly associated with assets classified as held for sale	5	**15,179**	16,264
Total Current Liabilities		**86,329**	90,954
Non-Current Liabilities			
Borrowings	8	**62**	9,708
Provisions		**509**	930
Deferred tax liabilities		**1,072**	1,092
Other	9	**395**	511
Total Non-Current Liabilities		**2,038**	12,241
Total Liabilities		**88,367**	103,195
Net Assets		**77,767**	102,947
Equity			
Issued capital	11	**208,372**	204,497
Accumulated losses		**(131,690)**	(102,473)
Reserves		**1,085**	923
Total Equity		**77,767**	102,947

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 2014

	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 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
Issue of ordinary shares	-	-	-	-	-	-
Share issue costs	(35)	-	-	-	-	(35)
Balance at 31 January 2013	**186,690**	**(104,464)**	**(1,160)**	**1,634**	**(982)**	**81,718**
Balance at 1 August 2013	204,497	(102,473)	(1,013)	1,639	297	102,947
Payment of dividends	-	(3,335)	-	-	-	(3,335)
Loss for the period	-	(25,882)	-	-	-	(25,882)
Other comprehensive income	-	-	134	-	(39)	95
Total comprehensive income / (Loss)	-	(25,882)	134	-	(39)	(25,787)
Recognition of share-based payments	-	-	-	67	-	67
Issue of ordinary shares	3,875	-	-	-	-	3,875
Share issue costs	-	-	-	-	-	-
Balance at 31 January 2014	**208,372**	**(131,690)**	**(879)**	**1,706**	**258**	**77,767**

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 2014

	For the half-year ended 31 January 2014 $'000	31 January 2013 $'000
Cash flows from operating activities		
Receipts from customers	**84,682**	102,483
Payments to suppliers and employees	**(77,114)**	(92,621)
Income taxes paid	**(29)**	(147)
Interest and other costs of finance paid	**(1,975)**	(2,987)
Net cash provided by operating activities	**5,564**	6,728
Cash flows from investing activities		
Interest and other investment income received	**313**	13
Proceeds on disposal of property, plant and equipment	**-**	1
Payments for acquisition of investments	**-**	(635)
Payments for acquisition of businesses	**(500)**	(5,000)
Payments for property, plant and equipment	**(554)**	(785)
Payments for intangible assets	**(1,500)**	(150)
Net cash used in investing activities	**(2,241)**	(6,556)
Cash flows from financing activities		
Proceeds from borrowings	**2,700**	-
Repayment of borrowings	**(918)**	(3,147)
Commercial bills drawn	**-**	5,000
Repayment of commercial bills	**(3,665)**	(995)
Borrowings transaction costs	**(100)**	(156)
Share issue transaction costs	**-**	(35)
Dividends paid to the owners of the Company	**(3,272)**	-
Net cash (used in) / provided by financing activities	**(5,255)**	667
Net (decrease) / increase in cash held	**(1,932)**	839
Cash and cash equivalents at the beginning of the half-year	**4,305**	2,257
Effect of exchange rate changes on cash held in foreign currencies	**227**	15
Cash and cash equivalents at the end of the half-year	**2,600**	3,111

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 2013, 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 half-year.

New and revised standards that have been adopted from 1 August 2013 are detailed below. Adoption of these standards did not have any material effect on the financial position or performance of the Group.

- AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

- AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

- AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

- AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

- AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

- AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'

- AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'

- AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'

- AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'

- AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'

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 impairment indicators are identified, whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amount of the Funtastic Australia and Funtastic Brands cash-generating unit has been determined based on value-in-use calculations, while the carrying value of the Madman Entertainment cash-generating unit was written down to fair value less cost to sell given it was determined to be "held for sale". 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 royalties relating to licensed products. The Group reviews license agreements and the recoverability of prepaid royalty 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. The Group has provided for the best estimate of amounts payable in respect of licensor audits. 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 a 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 2014 was $165,000.

- *Discontinued operations*

As a result of the desire to progress the disposal of Madman Entertainment, all assets and liabilities of Madman have been identified and separated from the assets and liabilities of the Group's continuing operations.

The write down of $24.1m has been calculated as fair value less costs to sell and adjusted for any working capital adjustments.

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 specifically focused on the following categories of products:

- Funtastic Australia (previously Toys and Lifestyle Merchandise)
- Funtastic Brands (previously International)
- 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 is subject to an offer to purchase. Management are in the process of formalising an agreement to sell the assets and associated liabilities to a third party and accordingly, Madman Entertainment has been reclassified as a Discontinued Operation in accordance with "AASB5: Non-current Assets Held for Sale and Discontinued Operations".

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

		Revenue		Segment profit	
		Half-year ended		Half-year ended	
	Note	**31 January 2014**	31 January 2013	**31 January 2014**	31 January 2013
		$'000	$'000	**$'000**	$'000
Funtastic Australia		**46,334**	47,854	**3,223**	8,848
Funtastic Brands		**14,459**	11,635	**1,968**	1,435
Total for continuing operations		**60,793**	59,489	**5,191**	10,283
Other revenue		**494**	573	**313**	-
Central administration				**(3,805)**	(3,677)
Gain on early settlement of deferred acquisition consideration	**3**			**-**	3,271
Earnings before interest, tax, depreciation and amortisation (EBITDA)				**1,699**	9,877
Finance costs				**(2,400)**	(2,887)
Depreciation & amortisation				**(2,263)**	(1,867)
Consolidated segment revenue and (loss) / profit before tax (continuing operations)		**61,287**	60,062	**(2,964)**	5,123
Income tax benefit / (expense)				**98**	(139)
Consolidated segment revenue and (loss) / profit after tax for the period (continuing operations)		**61,287**	60,062	**(2,866)**	4,984

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

	For the half-year ended	
	31 January	31 January
	2014	2013
	$'000	$'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: Discontinued Operations

4.1 Plan to dispose of Madman Entertainment

As at 31st January 2014, the Directors were actively engaged in a sale process of the Madman Entertainment business after having received two indicative non-binding offers at that date. The disposal is consistent with the Group's long term strategy to focus its activities on key distribution relationships and own brands development. The Group is in the process of finalising terms of the sale under a Share Sale Agreement and expects to complete by 31st May 2014.

In accordance with Accounting Standard AASB5, Madman Entertainment has been determined to be "held for sale" at 31 January 2014 and constitutes a "discontinuing operation".

The Group has recognised an asset write down in respect to the Madman Entertainment operations of $24,163,000 as at 31 January 2014.

NOTE 4: Discontinued Operations (continued)

4.2. Analysis of (loss) / profit for the period from discontinued operations

The results of the discontinued operations included in the loss for the period are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current period.

	Period ended 31 January 2014 $'000	Period ended 31 January 2013 $'000
(Loss) / profit for the period from discontinued operations		
Revenue	**23,341**	26,901
Expenses	**(22,096)**	(22,143)
Profit before tax	**1,245**	4,758
Attributable income tax expense	**(98)**	(473)
	1,147	4,285
Loss on remeasurement to fair value less costs to sell loss on disposal of operation	**(29,512)**	-
Attributable income tax benefit[(i)]	**5,349**	-
	(24,163)	-
(Loss) / profit for the period from discontinued operations (attributable to owners of the Company)	**(23,016)**	4,285
Cash flows from discontinued operations		
Net cash inflows / (outflows) from operating activities	**1,071**	(51)
Net cash outflows from investing activities	**(749)**	(26)
Net cash inflows / (outflows)	**322**	(77)

(i) Reversal of previously recognized deferred tax liability

NOTE 5: Assets classified as held for sale	**31 January 2014 $'000**	31 July 2013 $'000
Assets related to QuickSmart products ride-on tricycles	**265**	-
Assets related to Madman Entertainment (refer Note 4.1)	**36,006**	65,082
	36,271	65,082
Liabilities associated with assets held for sale[(i)]	**15,179**	16,264
Amounts recognised directly in equity associated with assets held for sale	**-**	-

(i) All liabilities relate to Madman Entertainment

On 31 January 2014 the Company entered an Asset Sale Agreement which completed on 14 March 2014 to sell its interest in the QuickSmart Products brand of ride-on tricycles.

NOTE 5: Assets classified as held for sale (continued)

As described in Note 4, the Group is considering a proposal by a third party to acquire Madman Entertainment. It is anticipated the disposal will be completed by 31 May 2014. The major classes of assets and liabilities of Madman Entertainment at the end of the reporting period are as follows:

	31 January 2014 $'000
Intangible assets	617
Property, Plant & Equipment	688
Inventories	2,654
Trade receivables	8,660
Other assets	23,236
Current tax assets	151
Assets of Madman Entertainment	36,006
Trade payable	(9,600)
Provisions	(1,138)
Other liabilities	(4,441)
Liabilities of Madman Entertainment associated with assets classified as held for sale	(15,179)
Net assets of Madman Entertainment classified as held for sale	20,827

NOTE 6: Net tangible assets

	31 January 2014 Cents	31 January 2013 Cents
Net tangible asset backing per ordinary security	**1.39**	(1.17)

NOTE 7: Dividends

The Directors have not declared an interim fully franked dividend (2013: 0.5 cents per share). In November 2013, a final fully franked dividend in relation to the 2013 financial year of 0.5 cents per share was paid to shareholders.

NOTE 8: Borrowings

The Group successfully renegotiated its borrowings arrangements with National Australia Bank on 18 November 2013, extending its current facilities until 31 October 2015 on more favourable terms.

The write down of Madman Entertainment on 31 January 2014 resulted in one of its covenants under its bank facility to be in breach. This has resulted in the reclassification of $15m bill finance to be classified as current. A waiver has, however, been received from the bank in respect of this breach.

Upon the divestment of Madman Entertainment the Company will reassess its future funding requirements.

	31 January 2014 $'000	31 July 2013 $'000
Current		
Bill finance	**18,665**	12,729
Debtors finance	**14,465**	15,238
Finance lease liabilities	**46**	46
Trade finance	**17,824**	15,241
Less: capitalised transaction costs	**(116)**	(85)
Total Current	**50,884**	43,169
Non-current		
Bill finance	**-**	9,600
Finance lease liabilities	**101**	129
	101	9,729
Less: capitalised transaction costs	**(39)**	(21)
Total Non-current	**62**	9,708
Current borrowings	**50,884**	43,169
Non-current borrowings	**62**	9,708
	50,946	52,877

NOTE 9: Other liabilities

	31 January 2014 $'000	31 July 2013 $'000
Current		
Accrued royalties	**642**	1,221
GST	**238**	85
Lease incentives	**149**	150
Payroll accruals	**368**	278
Other creditors	**-**	10,517
Other accrued expenses	**2,812**	2,537
Total current	**4,209**	14,788
Non-current		
Lease incentives	**395**	511
Total non-current	**395**	511

NOTE 10: Earnings Per Share

	31 January 2014 Cents per share	31 January 2013 Cents per share
Basic earnings per share		
From continuing operations	**(0.43)**	0.93
From discontinued operations	**(3.44)**	0.79
Earnings per share	**(3.87)**	1.72
Diluted earnings per share		
From continuing operations	**(0.43)**	0.93
From discontinued operations	**(3.44)**	0.79
Earnings per share	**(3.87)**	1.72

Basic earnings per share

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

	31 January 2014 $'000	31 January 2013 $'000
Net (loss) / profit	**(25,882)**	9,269
Earnings used in the calculation of basic EPS	**(25,882)**	9,269
Adjustments to exclude (loss) / profit for the period from discontinued operations	**(23,016)**	4,285
(Loss) / profit used in the calculation of basic EPS from continuing operations	**(2,886)**	4,984

	31 January 2014 No.	31 January 2013 No.
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	**669,529,506**	537,799,605

Diluted earnings per share

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

	31 January 2014 $'000	31 January 2013 $'000
Net (loss) / profit	**(25,882)**	9,269
Earnings used in the calculation of basic EPS	**(25,882)**	9,269
Adjustments to exclude (loss) / profit for the period from discontinued operations	**(23,016)**	4,285
(Loss) / profit used in the calculation of basic EPS from continuing operations	**(2,886)**	4,984

	31 January 2014 No.	31 January 2013 No.
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	**669,529,506**	537,799,605
Shares deemed to be issued for no consideration in respect of:		
Share options and performance share rights	**857,075**	1,365,932
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**670,386,581**	539,165,537

NOTE 11: Issued capital

	31 January 2014 $'000	31 January 2013 $'000
Share Capital		
667,169,723 fully paid ordinary shares (2013: 537,799,605)	**208,372**	186,690

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 2014		31 January 2013	
	Number of Shares		Number of Shares	
Details	**'000**	**$'000**	'000	$'000
Movements in Ordinary Share Capital				
Opening balance	**642,170**	**204,497**	537,800	186,725
Shares issued with respect to Chill Factor acquisition	**25,000**	**3,875**	-	-
Share issue costs	**-**	**-**	-	(35)
Closing balance	**667,170**	**208,372**	537,800	186,690

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

In addition there are 4,400,000 shares issued under the Employee Share Loan Scheme (31 January 2013: Nil), these shares do not form part of the consolidated group's issued capital and carry the same voting and participation rights as fully paid ordinary shares.

NOTE 12: Commitments

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

NOTE 13: 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, except in relation to the appointment of the Group's new CFO on 1 November 2013.

NOTE 14: Subsequent events

On 14 March 2014 Funtastic Limited completed a deal to sell its rights to the Intellectual Property and tooling associated with the QuickSmart brand of ride-on cycles for US$1,750,000.

NOTE 15: Reclassification of comparatives

The condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 31 January 2013 and the condensed consolidated statement of financial position as at 31 July 2013 have been restated to reflect the treatment of the Madman Entertainment cash generating unit as a discontinued operation in accordance with "AASB5: Non Current Assets Held for Sale and Discontinued Operations".

Directors' Declaration

The directors declare that:

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

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

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

On behalf of the Directors

Shane Tanner

Chairman

Melbourne, 31 March 2014

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 2014, 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 9 to 22.

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 Funtastic Limited's financial position as at 31 January 2014 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.

Deloitte.

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.

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 2014 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

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Chris Biermann
Partner
Chartered Accountants
Melbourne, 31 March 2014