

**FUNTASTIC LIMITED**  
**2014 ANNUAL GENERAL MEETING**

**1. WELCOME**

**Good morning ladies and gentlemen.**

**My name is Shane Tanner, I am Chairman of Funtastic Limited, and I have the pleasure of welcoming you to the 2014 Annual General Meeting.**

**This meeting has been called under the Notice of Meeting dated 3<sup>rd</sup> November 2014, which was sent to all shareholders.**

**I propose to take the notice of meeting as read.**

**2. DECLARATION OF A QUORUM**

**A quorum is present and I therefore declare this meeting open.**

### **3. INTRODUCTIONS**

**I would like to introduce my fellow Directors:**

- **Mr Craig Mathieson, Non Executive Director**
- **Mr Stephen Heath, Non Executive Director**
- **Mrs Linda Norquay, Non-Executive Director**
- **Mr Nir Pizmony, Managing Director and Chief Executive Officer**
- **Mr Grant Mackenzie, Chief Operating Officer & Chief Financial Officer.**

**A profile of each director appears on pages 11 and 12 of the 2014 Annual Report.**

### **4. OUTLINE OF MEETING**

**I would now like to speak to you about the 2014 financial results and some of our challenges and priorities.**

**Following this, I will ask our CEO and Managing Director, Nir Pizmony, to speak to you about the 2015 year and the company's future strategies.**

## **5. CHAIRMAN'S AND CEO PRESENTATIONS**

### **A. CHAIRMAN'S PRESENTATION**

#### **KEY FINANCIAL SLIDE**

**The 2014 financial year was disappointing for the company.**

**Despite revenues from continuing operations rising by 8%, the company experienced an after-tax loss of \$35.7M.**

**This included two significant items totalling \$36.9M, being the net loss on the sale of the Madman business – \$31m, this was mostly a goodwill write-off. In addition the company had stock write-downs of \$5.9M.**

**This was clearly an unacceptable performance, which has been reflected in the decline in our share price over the past several months.**

**All of our directors and many of our employees are shareholders of the company and we feel the disappointment along with our investors.**

#### **AGENCY BRAND SLIDE**

**Briefly turning to the reason for this poor performance.**

**Profitability in our agency distribution business in Australia during 2014 declined significantly as a result of a sharper than foreseen slowdown in sales, particularly our LeapFrog, Bandai and Jakks Pacific brands.**

**We also had higher than expected costs of doing business with these brands through higher ad hoc rebates and discounts to the major retailers we deal with.**

**Nir will outline his harder-line approach to ad hoc rebates and discounts shortly.**

#### **REVENUE GROWTH SLIDE**

**On a positive note, the performance of our own brands was significantly ahead of the prior year.**

**This was driven by the Chill Factor and Pillow Pets range of products.**

**The slide before you shows a growing proportion of revenue from our own brands, as a percentage of total revenue over the past three years.**

**Developing our own brands and intellectual property is a key plank of the company's strategy going forward.**

**Nir will cover this topic in greater depth shortly.**

#### **HIGHLIGHT SLIDE**

**The sale of the Madman Entertainment business was completed at year end.**

**Despite the final sale price being significantly below our carrying value, which you will recall from my first slide, the sale of Madman has enabled the company to significantly reduce our net debt from \$49M to \$32M.**

**One of the more pleasing aspects of the 2014 financial year was the revenue growth of 31% of our International Division.**

## **KEY PRIORITIES FOR 2015**

There are five areas I would like to draw your attention to.

1. Optimise performance of our own brands.
2. Improve product and agency performance via new products and lower rebates.
3. Reduction in our warehouse spend – already warehousing costs have fallen by \$400-\$500,000 in the current year and a minimum \$500,000 reduction is expected during the 2016 year.
4. Realign the organisation and systems post the Madman sale.
5. Ongoing and aggressive stock level reductions.

## **FY15 OUTLOOK**

In terms of current trading performance, I can say the company's results for the first quarter of the 2015 year are ahead of the prior period.

## **NIR INTRODUCTION**

In response to our recent disappointing performance, the Board and the former CEO Stewart Downs agreed that Stewart would step down at the end of July 2014. Nir Pizmony was appointed CEO from the 1<sup>st</sup> August.

On behalf of the Board, I would like to thank Stewart for his contribution over five years whilst at the helm of Funtastic.

**I congratulate Nir on his appointment to the position of CEO, as well as Grant Mackenzie's elevation to both the COO and CFO roles.**

**Nir has a fascinating background.**

**Nir came to Australia on his own in 1981 after serving in the Israeli Army.**

**Against everyone's advice at the time, Nir fell in love with toys after attending a toy show in Germany, where he commenced importing unique products into Australia.**

**During the mid-80's he spent time with the Ten Network, where he designed the Young Talent Time Board Game.**

**Success led to further success, and Nir became a supplier to all major retailers in Australia and had a number of overseas successes.**

**Nir's business, JNH, was sold to Funtastic in 2002 and Nir left the company shortly thereafter.**

**Fortunately, Nir came back to Funtastic a few years ago and created our International Division and has been responsible for a large amount of the Chill Factor and Pillow Pets business development and outstanding sales performance.**

**So with that introduction, I welcome Nir to present to you.**

### **CEO'S PRESENTATION**

## **6. FORMAL BUSINESS**

**I will now move to the formal business of the meeting.**

### **FINANCE STATEMENTS AND REPORTS**

**Item 1 of the Notice of Meeting is to receive and consider the financial statements and the reports of the directors and the auditor for the 12 months ended 31 July 2014.**

**I now table the 2014 Annual Report containing the Director's Report including the Remuneration Report, the Financial Statements, Directors' Declaration and Independent Auditor's Report. Copies of the 2014 Annual Report were sent to members on 3rd November 2014.**

**Mr Chris Bierman, our audit partner from Deloitte, is present today – welcome Chris.**

**Please note there is no voting applicable to this item of business.**

**I would now like to open the meeting for questions from shareholders, in relation to the Financial Statements, the Directors' Report, the operations of Funtastic or the Auditor's Report. If you have a question or wish to make a comment, could you please raise either a YELLOW, ORANGE OR WHITE card.**

**As there are no further questions, we will move to the formal resolutions of the meeting as set out in the Notice of Meeting.**

## **7. RESOLUTIONS**

There are four *Resolutions* included in the Notice.

They are titled:

**Item 2          To adopt the Remuneration Report**

**Item 3          To re-elect Shane Tanner as Director**

**Item 4          To re-elect Craig Mathieson as Director**

**Item 5          To elect Grant Mackenzie as Director**

**No other business, either ordinary or special, has been advised to the Company in accordance with the Constitution, the ASX Listing Rules or the Corporations Act 2001.**

## **8. PROCEDURE FOR VOTING**

**Before proceeding further, I will mention the voting procedures to be followed at this meeting where the vote is to be decided by a show of hands.**

**This is a shareholders' meeting and only shareholders, their attorneys, proxies and authorised company representatives are entitled to vote on a show of hands and to speak at this meeting.**

**Cards have been issued to each person on entering the meeting and only persons holding *Yellow voting cards* are entitled to vote on a show of hands.**

**I appoint Boardroom Pty Limited as the Returning Officer.**



## 9. VOTING PROCESS

In accordance with Rule 31 of the Company's Constitution, each resolution will be separately put to the meeting.

I propose to submit each resolution to a vote on a show of hands in the first instance.

I will advise you with each Resolution the number and details of proxies that have been received.

## 10. ITEM 2- REMUNERATION REPORT

This is a non-binding advisory vote of shareholders. While this resolution is not binding, the Board will take the outcome of the vote into consideration when considering the Company's future remuneration policy.

*I move* that the Remuneration Report be adopted.

Are there any questions?

If there are no further questions, I will now put the Resolution.

All those in *favour*, please raise your yellow voting card to indicate YES.

All those *against*, please raise your yellow voting card to indicate NO.

### *Proxies Received*

On the screen is a summary of proxy votes received on this item.

For	:	298,050,957	82.35%
Against	:	63,691,798	17.60%
Open-Useable	:	188,997	0.05%
Exclusions	:	44,565,935	
Abstain	:	81,570	

**I declare the Resolution *carried*.**

**Given Item 3 is my re-election as a director, I will now hand over to Craig Mathieson to deal with that Resolution.**

#### **11. ITEM 3- RE-ELECTION OF SHANE TANNER AS DIRECTOR**

**Shane Tanner is a Director who is retiring in accordance with Rule 35 (c) of the Constitution and being eligible, offers himself for re-election as a director of the Company. Shane's biographical details are contained in the notice of meeting.**

**[Craig to make a brief comment in support of Shane's re-election]**

**I now move that Shane Tanner, a director retiring in accordance with rule 35(c) of the Constitution and being eligible, is re-elected as a director of the Company.**

**Are there any questions?**

**If there are no further questions I will now put the Resolution.**

**All those in *favour*, please raise your yellow voting card to indicate YES.**

**All those *against*, please raise your yellow voting card to indicate NO.**

### ***Proxies Received***

**On the screen is a summary of proxy votes received on this item.**

<b>For</b>	<b>:</b>	<b>395,945,218</b>	<b>97.51%</b>
<b>Against</b>	<b>:</b>	<b>9,627,760</b>	<b>2.37%</b>
<b>Open-Useable</b>	<b>:</b>	<b>485,344</b>	<b>0.12%</b>
<b>Abstain</b>	<b>:</b>	<b>820,935</b>	

**I declare the Resolution carried.**

**Congratulations Shane.**

### **12. ITEM 4- RE-ELECTION OF CRAIG MATHIESON AS DIRECTOR**

**Craig Mathieson is a director who is retiring in accordance with Rule 35 (c) of the Constitution and being eligible, offers himself for re-election as a director of the Company. Craig's biographical details are contained in the notice of meeting.**

**Craig and his family continue to be the largest shareholders in the company. Craig's contribution to the Board during some difficult times has been exceptional.**

**The Board has no hesitation in unanimously supporting Craig's re-election.**

**I now move that Craig Mathieson, a director retiring in accordance with rule 35(c) of the Constitution and being eligible, is re-elected as a director of the Company.**

**Are there any questions?**

**If there are no further questions I will now put the Resolution.**

**All those in *favour*, please raise your yellow voting card to indicate YES.**

**All those *against*, please raise your yellow voting card to indicate NO.**

***Proxies Received***

**On the screen is a summary of proxy votes received on this item.**

<b>For</b>	<b>:</b>	<b>338,193,683</b>	<b>83.18%</b>
<b>Against</b>	<b>:</b>	<b>67,874,295</b>	<b>16.70%</b>
<b>Open-Useable</b>	<b>:</b>	<b>485,344</b>	<b>0.12%</b>
<b>Abstain</b>	<b>:</b>	<b>325,935</b>	

**I declare the Resolution carried.**

**Congratulations Craig.**

**13. ITEM 5 - ELECTION OF GRANT MACKENZIE AS DIRECTOR.**

**Grant Mackenzie was appointed director in accordance with Rule 35 (a) of the Constitution in August 2014 and being eligible for election pursuant to Rule 35 (b) of the Constitution offers himself for election. Grant's biographical details are contained in the notice of meeting.**

**Grant joined Funtastic in November 2013 and his first year was a challenge indeed. Grant has improved our financial and operating systems enormously over the past twelve months, and played a pivotal role for the company in the sale of the Madman Entertainment business.**

**I now move that Grant Mackenzie, a director appointed in accordance with rule 35(a) of the Constitution and being eligible pursuant to Rule 35 (b) of the Constitution, be elected as a director of the Company.**

**Are there any questions?**

**If there are no further questions, I will now put the Resolution.**

**All those *in favour*, please raise your yellow voting card to indicate YES.**

**All those *against*, please raise your yellow voting card to indicate NO.**

***Proxies Received***

**On the screen is a summary of proxy votes received on this item.**

<b>For</b>	<b>:</b>	<b>374,407,123</b>	<b>92.11%</b>
<b>Against</b>	<b>:</b>	<b>31,595,855</b>	<b>7.77%</b>
<b>Open-Useable</b>	<b>:</b>	<b>485,344</b>	<b>0.12%</b>
<b>Abstain</b>	<b>:</b>	<b>390,935</b>	

**I declare the motion *carried*.**

**Congratulations Grant.**

**14. CONCLUSION**

**Ladies and Gentlemen, that concludes the formal business of the meeting.**

**On behalf of the Board of Funtastic Limited, I thank you for your attendance here this morning.**

**I now formally declare this Meeting closed.**

**I would like to invite you to try a Chill Factor at our Chill Factor bar and have a look around the room at our products.**