2004 Annual Report

funtastic
LIMITED

A special thank you

All the photos in this Annual Report were taken of Funtastic staff, family and friends. A very special thanks to Funtastic employees Paul Dutton, Christine Fastuca and Rob Wise for allowing us into their homes.

Contents

Our Mission

Funtastic is a leading marketer and distributor of consumer branded lifestyle merchandise.
Our focus is on building a sustainable platform from which to grow our brands through innovation, speed to market, customer intimacy and value added partnerships with all key stakeholders.

Funtastic Board of Directors

Harry Boon, Moshe Meydan, Geoff Tomlinson, David Hendy, David Berry and Tony Oates

Message to Shareholders

Managing Director David Hendy and Chairman Geoff Tomlinson

Financial Highlights

Your company achieved strong favourable results for the year ended 31 December 2004 which included the effect of three significant factors viz:

- A non-recurring negative foreign currency impact of $3 million
- A fall off of sales in the critical months of October and November which meant the growth projection of 10% to 15% was not achieved
- A non-recurring tax benefit of $1.3 million

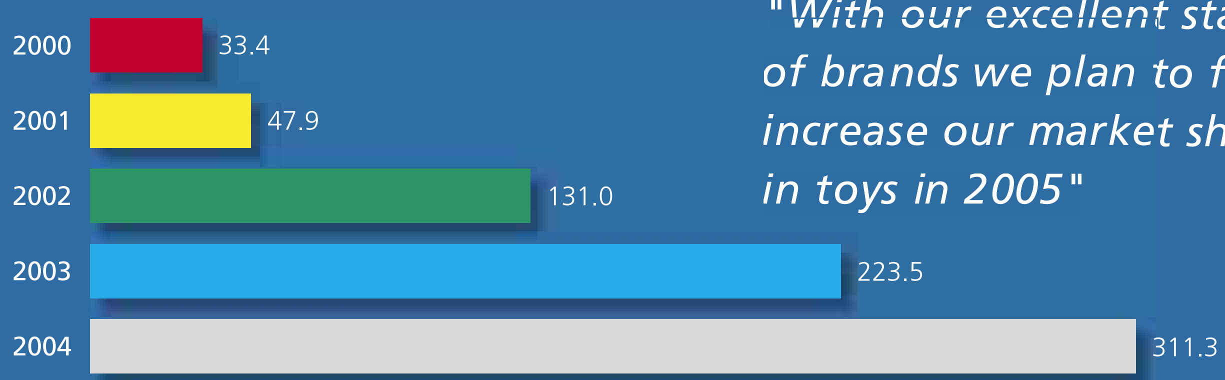
Including these factors the key financial achievements in comparison to the previous corresponding period are set out below:

- Net Sales $311.3m up 39.3%
- Earnings before interest and tax (EBIT) $25.6m up 14.3%
- Net profit before tax (NPBT) $23.1m up 11.1%
- Net profit after tax (NPAT) $16.9m up 20.7%

The directors are pleased to declare a fully franked, final dividend of 5 cents per share. The total dividend for the 2004 year amounts to 8.5 cents for the year, compared with 7.0 cents per share for 2003, a 21.4% increase. The record date for the final dividend is 21st March, 2005 and the dividend will be paid on 6th April, 2005.

The Dividend Reinvestment Plan (DRP) will be maintained.

Net Sales - $Millions



"With our excellent stable of brands we plan to further increase our market share in toys in 2005"

2004 Highlights

Net Sales	$311.3m, up 39.3%
EBIT	$25.6m, up 14.3%
NPBT	$23.1m, up 11.1%
NPAT	$16.9m, up 20.7%

Operations

The 2004 year was highlighted by the continuation of strong profitable organic growth within the core operations of Funtastic. Our core skills remain our ability to develop and secure exclusive branded and licensed products for distribution through major retail outlets in Australia. Funtastic's strategy of working with retailers to deliver exclusive product to them directly from China is showing positive signs with this method of sale increasing 52.3% in 2004.

It should be pointed out that your company has increased its Australian market share in the toy business (as per retail sales data) from 18% to 19.5% during 2004.

The Publishing area was pleased to be able to negotiate the full Disney Publishing distribution rights for Australia and New Zealand which commenced in October 2004. This is an important strategic move for the Publishing business.

In our Electrical business, we are pleased to report that the Piranha™ brand remains in the top two selling vacuum cleaners by units in the Australian market. It has increased its market share in 2004 and is still the market leader in hand held vacuum cleaners.

Apparel increased its trade mark product offering by introducing new and exciting kid's character clothing plus teen and adult brands.

Outlook for 2005

Our main objective is to continue strong organic growth. The Toy business has gained greater access to leading brands which will ensure the continuation of profitable growth in this product category.

With the new Disney alliance in Publishing, we will grow our market share not only in Australia and New Zealand, but this will also give us the ability to be able to sell product internationally.

The acquisition of Planet Fun in New Zealand effective 1st January, 2005 provides Funtastic with a strong business platform for growth in the New Zealand market.

Planet Fun is the market leader in New Zealand in marketing and distribution of toys and nursery products. It has in excess of 20% market share. This acquisition will give Funtastic the ability to distribute more of our diverse range of products into the New Zealand market.

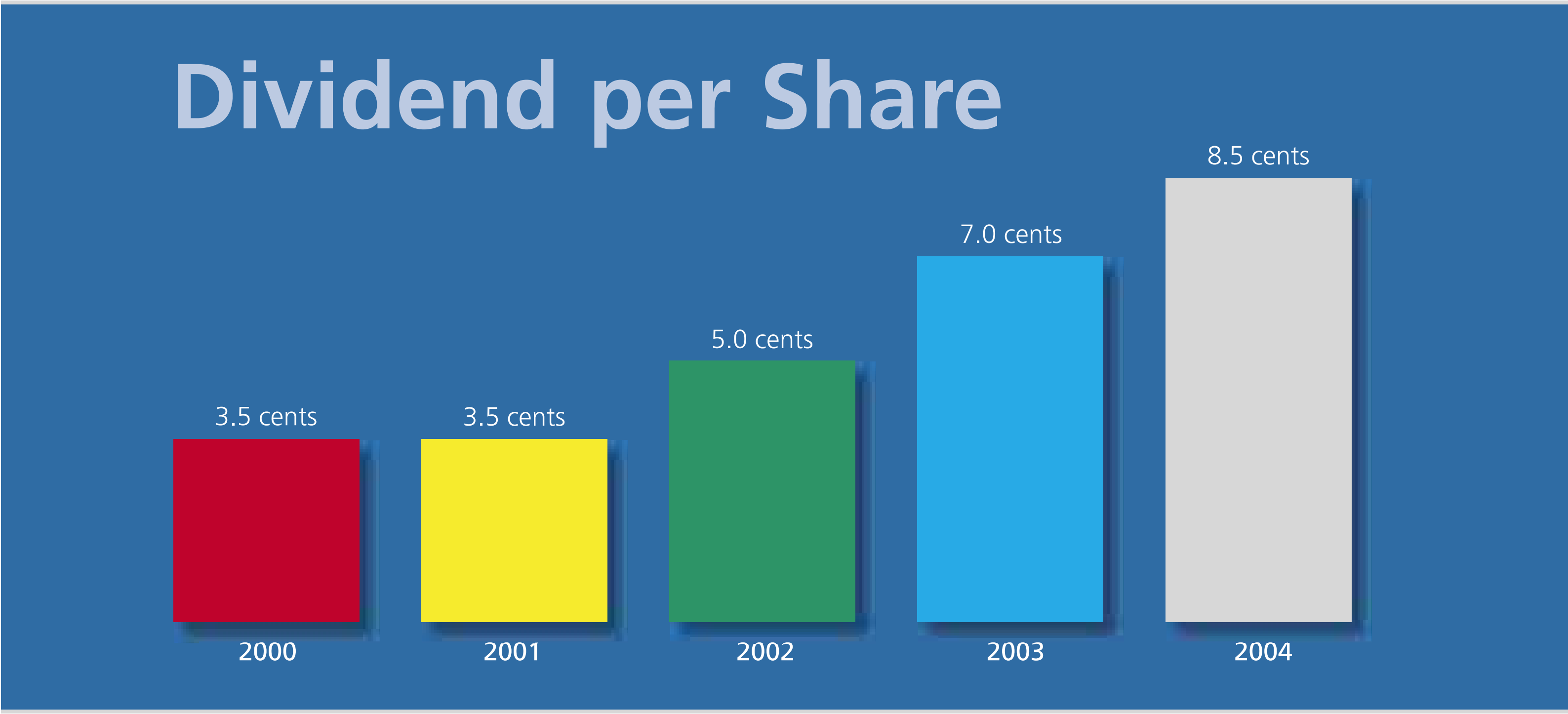
The company has invested in developing its own product ranges in trade marked and exclusively designed product. In 2005 we will see the release of the QuickSmart™ Stroller internationally and QuickSmart™ Trike with these products being sold to distributors in overseas markets. We will also see the release of our exclusive distribution of Isis™ chocolate range, targeting Mother's Day, Father's Day and Christmas.

In the new area of Sporting Goods, we are developing the Razor™ brand across many new products and we look forward to increased market share in this exciting area.

The Apparel business continues to be a solid pillar within our organisation and with the release of new and exciting brands we can look forward to strong growth for 2005.

Operationally we have also undertaken some initiatives to introduce the TM1 reporting module computer system, which combined with the Pronto system, will drive efficiencies not only in our Finance area but also within our stock control and purchase planning. In 2005 RF Scanning will be introduced into our distribution centres which will increase productivity and provide efficiencies in operations.

"Our aim going forward is to pursue strong organic growth whilst being cognisant of acquisition opportunities"



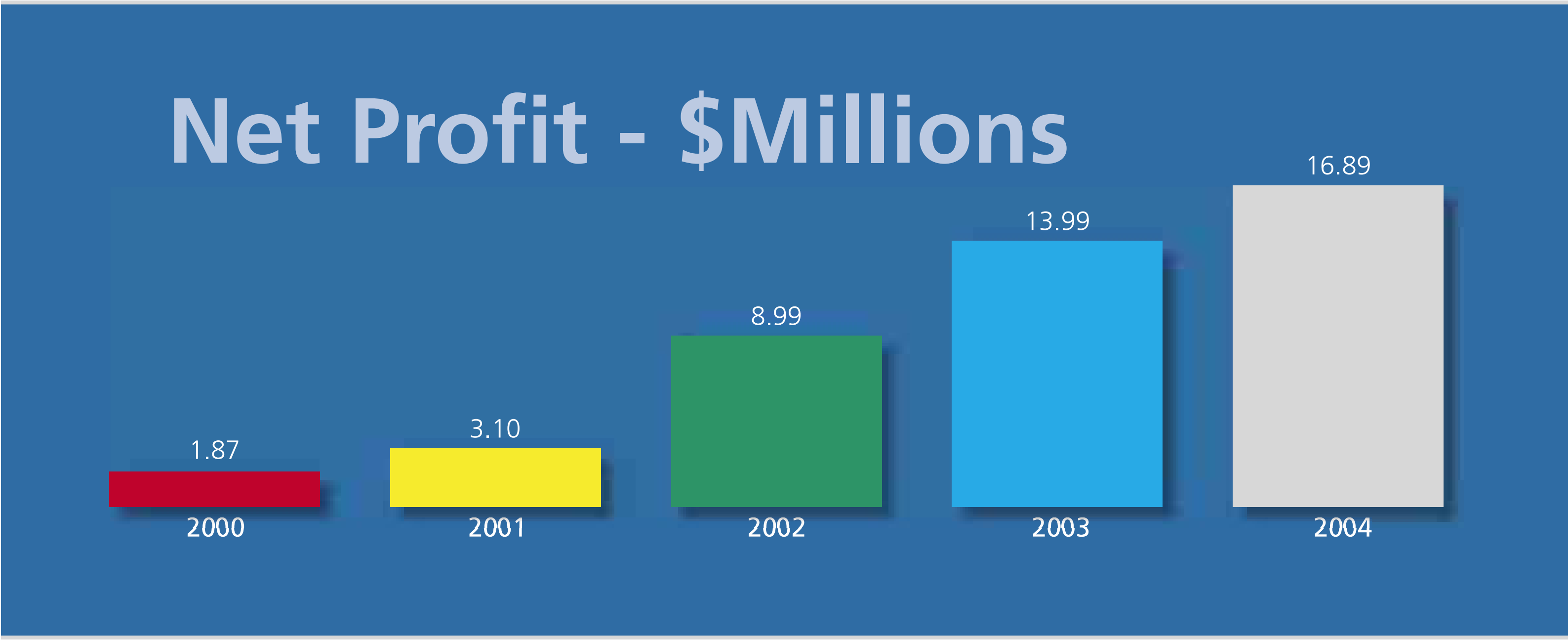
Working Capital

Cash flow from operations for 2004 was a surplus of $11.99m. This is down compared to the 2003 cash flow from operations of $21.94m, but it should be noted that the 2003 year included an estimated $5m one off benefit which resulted from changing some customer payment terms to a shorter cycle.

The cash flow in 2004 was impacted by softening of sales in October and November 2004, and a consequential increase in stock. We are confident that the increased quantity of products held will sell through in 2005.

Back: Colin Caulfield *Chief Operating Officer*, Karl Nixon *Chief Financial Officer*
Front: Moshe Meydan *Executive Director*, David Hendy *Managing Director* and Tony Oates *Deputy Managing Director*

"Our objective is to continue working on extracting revenue and cost synergies from our expanded operations, continuing strong organic growth and creating a cohesive working environment for our different product areas"



2004 Results Analysis

It is important when reviewing the 2004 reported results to read them in conjunction with the 2003 proforma results which include the full year for Australian Horizons.

A summary of the 2004 comparison to 2003 actual and proforma numbers are in the table below.

Statement of Financial Performance

In 2004, Funtastic incurred a negative $3.0m net profit after tax impact due to a foreign exchange hedge of US$40.0m put in place in September 2003 for the period January 2004 to August 2004. This resulted in Funtastic landing product 10% to 15% below the prevailing US$/A$ rates. Funtastic has altered its foreign exchange hedging strategy in 2005 which will ensure this is non-recurring. Hedges will be taken over a shorter pricing period with 50% of hedges allowing upside potential.

Statement of Financial Performance

AUD millions Full year ended	Reported Dec '04	Proforma Dec '03	Reported Dec '03	Change % Proforma	Change % Reported
Sales					
Funtastic Domestic	267.6	256.3	223.5		
Fun International	43.7	28.7	28.7*		
	311.3	**285.0**	**252.2**	9.2%	23.4%
Gross profit	108.7	97.9	87.6		
Gross profit %	34.9%	34.4%	34.7%		
EBIT	25.6	25.7	22.4	-0.5%	14.4%
EBIT %	8.2%	9.0%	8.9%		
Net Profit Before Tax	23.1	23.5	20.8	-1.4%	11.1%
NPBT %	7.4%	8.2%	8.2%		
Reported NPAT	**16.9**	**15.9**	**14.0**	**6.5%**	**20.7%**
NPAT %	5.4%	5.6%	5.5%		
Less: Non recurring item#	1.3	-	-		
Underlying NPAT	**15.61**	**15.85**	**13.99**	**-1.5%**	**11.5%**

* Fun International started trading in October 2003. Prior to this sales were through an agent and were not reported.

Non recurring tax benefit. $0.8m for a prior year tax adjustment and $0.5m reduction in the effective tax rate due to change in the tax treatment of intangibles.

Summary

Funtastic has continued with good, strong organic growth and after normalising the one off currency effect, it is demonstrated that your company is continuing its growth strategy. It should be pointed out that without the one off currency impact, the company would have achieved a 15.7% increase in underlying net profit after tax on 2003.

The full year 2004 dividend has increased by 21.4% to 8.5 cents from 7.0 cents in respect to the year ended 31st December 2003.

The success of the company comes from the dedication of our executive team and staff.

The Board of Directors would like to thank them for their commitment and dedication to their excellence.

Finally, your Directors would like to thank the shareholders for your support and we look forward to sharing our future growth with you.

Regards

Geoff Tomlinson
Chairman

David Hendy
Managing Director

Product Categories

Funtastic Toys

Since its inception, Funtastic has received an impressive list of Industry awards. Not least, having been awarded the Toy and Hobby retailer, Major Toy Supplier of the Year for 2001, 2002, 2003 and 2004. On numerous occasions Funtastic has won the coveted Toy of the Year, including in 2004 with the Leapfrog 'Leapster'™ product (this was the fourth consecutive year Funtastic has won this award).

Funtastic Toys continues to be a dominant player in the toy market, with an array of products from simple bubble toys to highly sophisticated electronic learning aids. Expansion remains a key motivator in this category. As such, Funtastic has products distributed through all major retailers in Australia. Such products include classic licensed products such as Spider-Man™ and global brand successes such as Leapfrog™.

In November 2004, Funtastic became the proud distributor of the Zapf Creation portfolio of brands including the ever popular Baby Born™ doll.

JNH Toys

JNH sells an extensive range of innovative and fun toys suitable for infants through to teens, including the following market leading brands; Thomas & Friends™, Care Bears™, Digimon™, Zoids™, Megasketcher™, Bratz™, Cabbage Patch Kids™ and Air Hogs™. The success of this product category has evolved as the result of long term strategic partnerships with internationally recognised companies, including Tomy, Bandai, MGA, Basic Fun and Spinmaster. Having had numerous brands in the top selling toys charts (as per GFK data) over recent years JNH Toys has reinforced its position as a key player in the toy arena in Australia.

Air Hogs™ Air Pressure Engines

Bob the Builder™

Bratz

Thomas & Friends™

Cabbage Patch Kids®

Digital Digimon Monsters™

Care Bears™

Toy & Hobby

Toy & Hobby's name says it all. Selling everything from innovative spy and activity products, to speciality children's educational toys and model kits. Toy and Hobby has the distribution rights for the exciting Wild Planet™ range of products as well as the classic Sea Monkeys™ range of instant pets and accessories.

This exciting portfolio also includes the extensive Revell™ range of scale model kits including cars, boats and planes as well as the Bburago™ die cast collectable line. This rapidly expanding category is evolving into a powerhouse of growth for the company.

THE AMAZING LIVE Sea-Monkeys

WILD PLANET

Sporting & Outdoor

Newly created within our toy area, the Sporting and Outdoor business distributes world-famous brands such as Razor™ as well as local brand 2DX™. Products range from bikes, scooters and licensed sporting goods. Sporting and Outdoor now adds an exciting new dimension to Funtastic's stable of brands.

Razor™

2DX to the extreme

Nursery

Nursery has grown rapidly since the inclusion of the Safety 1st™ brand in 1998. Safety 1st offers a range of feeding, bath time, health & hygiene products, gates, walkers and bouncers. In 2004, we introduced strollers to our Safety 1st range including the revolutionary QuickSmart stroller which has proven very successful both in Australia and throughout the world.

We are also proud to have a distribution arrangement with Medela™ Breastfeeding Pumps and Accessories and with Tomy for nursery monitors and playmats.

Australian Horizons

Australian Horizons is recognised as one of the leading mass market apparel suppliers in Australia today. It provides all major retailers with branded and non-branded men's wear, women's wear and children's wear.

Australian Horizons designs, imports and distributes its garments. Brands include Boomdoggers™, Beach Crew™, Nike™ and Piping Hot™. The sales and design team use state of the art computer equipment and design software. As well as being a leading Australian designer of clothing, the company has offices and agents in Fiji, China and India, which allow it to arrange the manufacture and import of apparel from Asia and the Pacific.

Funtastic Apparel

Funtastic Apparel has become one of the substantial growth areas in the company. Its strong base of sleepwear, rainwear and swimwear, incorporating well known licenses such as Barbie™, Spider-Man™, Bratz™, Thomas™ and Friends™ and Winnie the Pooh™, has allowed it to extend into the fashion oriented categories of outerwear, underwear, socks & hosiery. This strength and rapid growth has been driven partly by substantial investment in resources, and partly by capitalising on our knowledge of leading trends in the child and youth market.

Footwear

This category has grown from small beginnings to a market leader in the childrens footwear industry. This exceptional growth has taken place with a focus on children's licensed footwear. The category holds licensing rights for such powerful brands as Winnie the Pooh,™ Barbie™, Batman™, Thomas and Friends™ and Bratz™. With an impressively experienced team in place, it is perfectly poised for the next exciting phase of its growth.

Funtastic Homewares

Homewares began with the introduction of the ever popular children's flip-out sofa and has grown rapidly to include a broad range of licensed children's homewares. This ranges from manchester to lighting, wooden furniture and camping chairs. Popular licenses within the children's homewares area include Barbie™, Bob the Builder™, Batman™, Teenage Mutant Ninja Turtles™, Spider-Man™, Saddle Club™, Bratz™ and Winnie the Pooh™.

Electrical

Electrical is part of our Homewares area and has successfully grown to cover a diverse range of electrical products. Within this product range, vacuum cleaners trade under the name Piranha™, audio visual including karaoke under the name Vibes™, and a personal care range under the name Jolie™.
We also successfully launched a range of home appliances in 2003 under the brand Dome™. The Piranha™ Hand Held vacuum is currently one of the market leaders in Australia in its category.

Funtastic is increasing its presence within the electrical market with a national reputation for innovation, aggressive marketing and sourcing of differentiated, quality products at affordable prices.

Confectionery

The Confectionery category began with novelty confectionery such as Pez™ and Cap Candy™ (Spin Pops).

The rapid success of this business led to a widening of its brand portfolio to include adult branded confectionery such as Anthon Berg™, Brown and Haley™ and Cavendish & Harvey™. It also represents key international brands such as Chupa Chups™ (novelty). More recently, we were delighted to announce the addition of Beacon™ confectionery and Isis™ chocolates to our growing business.

Accessories

Accessories comprises a wide range of goods including bags and pre-school back packs, rolling luggage, health and beauty products.

A major contributor to this success has been the development of a fashionable range of Barbie™ Health and Beauty products and the tremendous success of our Hair Accessories brands Minx™ and Popsicle Girl™.

Our committed staff follow the latest fashion trends from all around the world in order to develop product which is fashionable, fun and affordable.

Publishing

Funtastic established its Publishing business early in 2002, with an aim to establish ourselves in the children's book market. Having achieved considerable success with leading licenses such as Spider-Man™, Care Bears™, Hulk™, Barbie™ and Transformers™, Funtastic is now in the top two childrens publishers in Australia and the largest mass market publisher.

We have expanded our horizons in this area to include general interest titles including the Art of Bradman, Australian Idol titles and a coffee table book profiling Australia's best counter meals.

In 2004, Funtastic became the master Australian publishing licensee for all Disney titles.

This area remains committed to understanding the market dynamics of publishing and the constant need for providing fresh product to the market.

Financials

Directors' Report

The directors present their report on the company for the year ended 31 December 2004.

Directors

The following persons were directors of the company during the whole of the financial year and up to the date of this report:

Geoff Tomlinson
David Hendy
David Berry
Moshe Meydan

Nir Pizmony resigned as a director on 27 July 2004 and as an employee on 31 October 2004.

Harry Boon was appointed a director on 1 September 2004 and continues in office at the date of this report.

Tony Oates was appointed a director on 1 September 2004 and continues in office at the date of this report.

Principal Activities

The company's principal continuing activity during the year consisted of marketing and distributing consumer branded lifestyle merchandise.

Results	2004 $	2003 $
Consolidated operating profit after income tax	**16,885,755**	**13,991,575**

Review of Operations

Sales revenues of the consolidated entity for the year to 31 December 2004 were $313.94m, an increase of 36.9% from the consolidated sales for the previous corresponding period. After allowing for the impact of the full year of Australian Horizons ownership and revenue received through Fun International Limited, organic sales growth was 9.2%

The consolidated profit after tax for the financial year to 31 December 2004 was $16.89m up 20.7% on the previous corresponding period result of $13.99m

The after tax result for 2004 includes the twelve months contribution from Australian Horizons. The proforma net profit after tax result for 2003, assuming the inclusion of Australian Horizons for the full 2003 year, was $15.85m

Income tax adjustments of $0.82m relating to prior financial periods and a further $0.48m relating to the current financial period with respect to a reduction in the effective tax rate due to a benefit obtained from a change in the tax treatment of intangibles, have reduced the current period income tax expense by $1.30m.

The full year result was impacted by the issues detailed to the market on the 2 December 2004, namely;

1. Late in 2003 the company adopted a conservative and long term position on foreign exchange hedging for the 2004 year. As a result of the Australian dollar strengthening, Funtastic experienced margin pressure as products landed at rates 10%to 15% below prevailing market rates. This hedging policy adversely impacted on profitability, particularly in the second half of the year, a critical high sales volume selling period for Funtastic.
   Funtastic estimates the effect on net profit after tax from the currency loss of adopting a long term hedging position as opposed to a short term hedging position, to be $3.0 million.
2. Funtastic's internal sales expectations were at the higher end of the 10% to 15% market guidance range and were expected to cover the impact of the margin deficit relating to the currency. Unfortunately the higher sales did not come to fruition during the critical October and November period due to a softening market. This had a negative impact when compared to our profit forecast for the year ending 31 December 2004.

The foreign exchange contracts at low rates have now been fully utilised and recently adopted changes to the company's hedging policy will ensure this is a one off occurrence. These changes include taking a shorter term hedging strategy to coincide with key seasonal product pricing periods and also taking out foreign exchange hedges protecting a base rate but with some ability to participate in upside movements in the Australian dollar.

Dividends

(a) In respect of the year ended 31 December 2004, the directors of the company have resolved to pay an interim and final dividend (fully franked) which totals 8.5 cents. This compares to 7.0 cents in respect to the previous corresponding period

(b) The dividends paid during the year amounted to $10,454,515 comprising a final dividend for the 2003 year of $6,122,876 paid on 7 April 2004 and an interim dividend for the 2004 year of $4,331,639 paid on 15 October 2004

(c) The directors resolve to pay a final dividend for the 2004 year of $6,213,930 representing 5.0 cents per share, payable on 6 April 2005 with the record date on 21 March 2005

Earnings per Share

Basic earnings per share	13.8 cents
Diluted earnings per share	13.1 cents

Matters Subsequent to the End of the Financial Year

On the 4 January 2005 the company completed the acquisition of the business and assets of Planet Fun Limited, the leading distributor of toys and nursery products in New Zealand.

Further disclosure in respect of the acquisition is disclosed in Note 35 to the financial report.

There are no other matters or circumstances that have arisen since 31 December 2004 that have significantly affected or may significantly affect:

(a) the company's operations in future financial years;
(b) the results of those operations in future financial years; or
(c) the company's state of affairs in future financial years.

Significant Changes in the State of Affairs

There was no significant change in the state of affairs of the company, during the year.

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 sub-section 299(1)(e) of the Corporations Act 2001.

Information on Directors

Director - Geoff Tomlinson BEc
Experience - Chairman and Director of several Public Companies
Special Responsibilities - Chairman, Non-Executive Director, Chair of the Nomination Committee, member of Audit, Risk & Compliance Committee and Remuneration & Evaluation Committee
Shares - 1,063,776
Share Options - 0

Director - David Hendy
Experience - Director of Funtastic for 9 years and 23 years experience in the Toy Industry
Special Responsibilities - Managing Director and member of Nomination Committee
Shares - 6,539,650
Share Options - 500,000

Director - David Berry BCom FCA FTIA
Experience - Chartered Accountant for 30 years and Partner of an Accounting Firm for 21 years
Special Responsibilities - Non-Executive Director, Chairman Audit, Risk & Compliance Committee, member of Remuneration & Evaluation Committee and Nomination Committee
Shares - 178,868
Share Options - 0

Director - Harry Boon LLB (Hons) BCom
Experience - Recently retired managing director of Ansell Limited. He has had a wealth of experience on a global basis in sourcing, manufacture, distribution and marketing of consumer products. He is also a Non-Executive director of Hastie Limited and has been nominated to become a director of Tattersall's Limited when it is listed on the ASX.
Special Responsibilities - Non-Executive Director, Chairman of Remuneration & Evaluation Committee and member of Audit, Risk & Compliance Committee and Nomination Committee
Shares - 20,000
Share Options - 0

Director - Moshe Meydan
Experience - Established the Australian Horizons Group in 1982 and has had over 23 years extensive experience in the Apparel Industry
Special Responsibilities - Executive Director and member of Nomination Committee
Shares - 7,946,479
Share Options - 0

Director - Tony Oates
Experience - Broad experience in the Wholesale Industry
Special Responsibilities - Deputy Managing Director and member of Nomination Committee
Shares - 545,871
Share Options - 150,000

Meetings of Directors

The numbers of meetings of the company's directors held during the year ended 31 December 2004, and the number of meetings attended by each director were:

Number of Meetings Held	Board of Directors		Audit Committee		Remuneration Committee		Nomination Committee	
	A	B	A	B	A	B	A	B
Geoff Tomlinson	15	15	5	5	3	3	1	1
David Berry	15	14	5	5	3	3	1	1
Harry Boon (i)	6	6	1	1	2	2		
David Hendy	15	15					1	1
Moshe Meydan	15	14					1	1
Tony Oates (ii)	6	6						
Nir Pizmony (iii)	7	7					1	1

(i) Appointed 1 September 2004 (ii) Appointed 1 September 2004 (iii) Resigned 27 July 2004
Column A indicates the number of meetings held during the period the Director was a member of the Board and/or Committee.
Column B indicates the number of meetings attended during the period the Director was a member of the Board and/or Committee.

Directors' and Executives' Emoluments

The Board, through the Remuneration & Evaluation Committee, makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

Executive remuneration and other terms of employment are reviewed annually by the Board having regard to performance against goals set at the start of the period and relevant comparative information. As well as a base salary, remuneration packages include bonuses, superannuation, and fringe benefits.

Remuneration packages are set at a level that is intended to attract and retain executives capable of managing the consolidated entity's diverse operations.

Remuneration and other terms of employment for senior executives are formalised in service agreements.

Remuneration of non-executive directors is determined by the Board, as advised by the Remuneration & Evaluation Committee, within the maximum amount approved by the shareholders from time to time.

Further specific disclosure in respect of director and executive remuneration is disclosed in Note 26 to the financial report.

Directors Report (Cont.)

Directors' and Executives' Emoluments (Cont.)

Details of the nature and amount of each element of the emoluments of each director of Funtastic Limited and each of the five executives of the company receiving the highest emoluments for the year ended 31 December 2004 are set out in the following tables.

Non-Executive Directors

	Primary			Post-employment		Equity	
	Cash salary, fees and allowances $	Cash Bonus $	Non-monetary benefits $	Superannuation $	Termination benefits $	Options $	Total $
Geoff Tomlinson	128,440	-	-	11,560	-	-	140,000
David Berry	70,000	-	-	-	-	-	70,000
Harry Boon	21,217	-	-	1,667	-	-	22,884
(From 1/9/04 to 31/12/04)							
Total	**219,657**	-	-	**13,227**	-	-	**232,884**

Executive Directors

	Primary			Post-employment		Equity	
	Cash salary, fees and allowances $	Cash Bonus $	Non-monetary benefits $	Superannuation $	Termination benefits $	Options $	Total $
David Hendy	387,988	-	-	83,543	-	57,083	528,614
Moshe Meydan	241,846	105,000	-	101,620	-	-	448,466
Tony Oates (i)	272,269	-	83,058	40,484	-	-	395,811
Nir Pizmony (ii) (iii)	361,326	-	-	64,039	270,492	-	695,857
(From 1/1/04 to 31/10/04)							
Total	**1,263,429**	**105,000**	**83,058**	**289,686**	**270,492**	**57,083**	**2,068,748**

(i) T Oates was appointed a director on 1 September 2004. Before this appointment he was General Manager Sales and Marketing. Amounts shown include all Mr Oates' remuneration during the reporting period, whether as a director or as General Manager Sales and Marketing. Amounts received in his position as a director amounted to $153,847 made up of cash salary of $109,197 non-monetary benefits of $31,946 and superannuation of $12,703.

(ii) N Pizmony resigned as a director on 27 July 2004 and remained an employee of the company until 31 October 2004. Amounts received in his position as a director amounted to $272,797 made up of cash salary of $241,355 and superannuation of $31,442.

(iii) Termination benefits paid to N Pizmony reflect annual leave and long service leave entitlements payable on resignation.

Top 5 most highly remunerated executives

	Primary			Post-employment		Equity	
	Cash salary, fees and allowances $	Cash Bonus $	Non-monetary benefits $	Superannuation $	Termination benefits $	Options $	Total $
Ian Ashmore	205,401	15,000	-	19,239	-	59,273	298,913
Colin Caulfield	250,279	30,000	-	28,206	-	116,247	424,732
Tracey Leslie	189,539	25,000	29,062	17,475	-	58,300	319,376
Miri Meydan	160,000	25,000	-	40,562	-	119,875	345,437
Robert Vasy	120,311	30,000	103,425	24,253	-	39,767	317,754
Total	**925,530**	**125,000**	**132,487**	**129,735**	-	**393,462**	**1,706,214**

The amounts disclosed above for remuneration relating to options are the assessed fair values of options at the date they were granted to executives. Fair values have been determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Share Options Granted to Directors and the five most highly Remunerated Officers

Options are granted to executive directors and other executives under the Funtastic Limited Executive Share Option Plan, details of which are set out in note 36 to the financial statements.

Options over unissued ordinary shares of Funtastic Ltd granted during or since the end of the financial year to directors and the 5 most highly remunerated officers were as follows:

Name	Options granted
Directors	nil
Officers	
Ian Ashmore	81,000
Colin Caulfield	142,000
Tracey Leslie	90,000
Miri Meydan	nil
Robert Vasy	90,000

Shares under Option

Unissued ordinary shares of Funtastic Limited under option at balance date are as follows:

				Options exercised and shares issued during the year		Options lapsed during the year		Unissued shares and options available at the end of the year	
Grant Date	Expiry Date	Exercise Price	Options Granted	2004	2003	2004	2003	2004	2003
14 Sept 2000	14 Sept 2005	$0.50	1,190,000	565,000	440,000	25,000	-	30,000	620,000
14 Sept 2000	14 Sept 2005	$0.50	1,460,000	765,000	695,000	-	-	-	765,000
2 Apr 2002	2 Apr 2007	$0.62	715,000	50,000	83,750	25,000	276,250	280,000	355,000
13 Nov 2002	13 Nov 2007	$0.88	800,000	150,000	-	-	-	650,000	800,000
7 Mar 2003	7 Nov 2007	$0.88	960,000	100,000	-	197,500	100,000	562,500	860,000
2 Jan 2002	2 Jan 2004	$0.65	1,000,000	500,000	500,000	-	-	-	500,000
28 Oct 2002	28 Jan 2006	$0.84	200,000	100,000	-	-	-	100,000	200,000
1 May 2003	1 Oct 2007	$0.92	500,000	-	-	-	-	500,000	500,000
23 Sep 2003	2 Apr 2008	$1.10	730,000	77,500	-	97,500	70,000	485,000	660,000
11 Nov 2003	1 Aug 2008	$1.52	280,000	25,000	-	75,000	-	180,000	280,000
11 Sep 2003	11 Sep 2008	$1.89	500,000	-	-	-	-	500,000	500,000
17 Dec 2003	17 Sep 2008	$1.89	575,000	1,250	-	8,750	-	565,000	575,000
31 Jan 2004	19 Jan 2014	$1.50	1,500,000	-	-	-	-	1,500,000	-
5 Apr 2004	15 Feb 2006	$2.14	1,000,000	-	-	-	-	1,000,000	-
18 Feb 2004	18 Feb 2009	$2.16	50,000	-	-	-	-	50,000	-
29 Dec 2004	29 Dec 2008	$2.18	100,000	-	-	-	-	100,000	-
5 Jan 2004	5 Jan 2009	$2.12	100,000	-	-	-	-	100,000	-
3 Nov 2004	9 Aug 2009	$2.39	200,000	-	-	-	-	200,000	-
17 Dec 2004	2 Apr 2007	$2.04	859,000	-	-	-	-	859,000	-
								7,661,500	**6,615,000**

Shares Issued on the Exercise of Options

The following ordinary shares of Funtastic Limited were issued, as a result of exercising options during the year ended 31 December 2004.

Date Options Exercised	Issue Price of Shares	Number of Shares Issued
2 Mar 2004 to 1 Sep 2004	$0.50	1,330,000
8 Jul 2004	$0.62	50,000
21 Jan 2004	$0.65	500,000
1 Sep 2004	$0.84	100,000
8 Jul 2004 to 14 Dec 2004	$0.88	250,000
16 Mar 2003 to 1 Sep 2004	$1.10	77,500
16 Mar 2004	$1.52	25,000
8 Nov 2004	$1.89	1,250
		2,333,750

Insurance of Officers

During the financial year Funtastic Limited has paid a premium of $37,740 to insure individual directors and officers against damages, out of court settlements or legal costs arising from any wrongful act committed by them in their capacity as a director or officer, other than conduct involving a wilful breach of duty in relation to the company.

Environmental Regulation

The company is not subject to any significant environmental regulation in respect of any of its activities.

Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

Tax Consolidation

Effective 1 January 2003, for the purposes of income taxation in Australia, Funtastic Limited and its 100% owned Australian subsidiaries formed a tax consolidated group.

Auditors Independence Declaration

A copy of the Auditors indepedence declaration as required under section 307C of the Corporations Act 2001 is set out on page 23.

This report is made in accordance with a resolution of the directors.

G Tomlinson	D Hendy
Director	Director

23 March 2005
Melbourne

RSM! Bird Cameron Partners
Chartered Accountants

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Auditors Independence Decleration

As lead audit partner for the audit of the financial statements of Funtastic Limited for the year ended 31 December 2004, 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 audit; and

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

P A RANSOM
Partner

23 March, 2005
Melbourne

Corporate Governance Statement

1. Corporate Governance Statement

A description of the company's main corporate governance practices are set out below. Unless otherwise stated, all these practices were in place for the entire year.

2. The Board of directors

The Board comprises three non-executive directors, including the Chairman, and three executive directors. The term of office, expertise, experience, and qualifications of each director in office at the date of the annual report are included on pages 19.

The Board seeks to ensure that:

- its membership represents an appropriate balance between directors with experience and knowledge of Funtastic and directors with an external and fresh perspective;
- the size of the Board is conducive to effective discussion and efficient decision-making.

Current ASX guidelines recommend that a majority of the Board of Directors should be independent and lay down a series of tests for determining such independence. Two non-executive directors meet this strict test (Messrs Boon and Tomlinson). Funtastic is a growth company operating in an entrepreneurial environment. It requires, and benefits from, the passionate involvement of directors who have been instrumental in launching the company and the business, and who have specialised knowledge of, and expertise in, this business sector.

The Board strongly believes that the degree of commitment, depth of experience and independence of thought present in the current board structure is appropriate and will best serve the company and all its shareholders.

The Board of Directors takes ultimate responsibility for corporate governance. There are clear operating principles which distinguish between the functions reserved to the Board and those delegated to management. Those principles include the following:

- the Board should comprise between 3 and 9 directors;
- the maximum age for directors is 72; and
- the Board should comprise directors with a broad range of skills and experience.

The Board's key responsibilities are to:-

- establish, monitor and modify Funtastic's corporate strategies;
- ensure best practice corporate governance;
- appoint the Managing Director and approve succession plans;
- monitor the performance of Funtastic's management;
- ensure that appropriate risk management systems, internal control and reporting systems and compliance frameworks are in place and are operating effectively;
- monitor financial results;
- ensure that business is conducted ethically and transparently;
- approve decisions concerning Funtastic's capital, including capital restructures and dividend policy; and
- ensure effective external disclosure policies so that the market is fully informed on all matters that may influence the share price.

The directors are accountable to shareholders for the proper management of Funtastic's business and affairs and delegate responsibility for day to day management to the Managing Director and senior executives.

To assist it in fulfilling its responsibilities there is an Audit, Risk & Compliance committee consisting of three current non-executive directors.

Directors are initially appointed by the full board, subject to election by shareholders at the next annual general meeting, and re-election at regular intervals.

3. Chairman

The Chairman of the Board is an independent non-executive director who is elected by the full Board.

4. Independent Professional Advice

Directors have the right, in connection with their duties and responsibilities as directors, to seek independent professional advice at the company's expense. Prior written approval of the Chairman is required, which will not be unreasonably withheld.

All directors have unrestricted access to company records and information and receive detailed financial and operational reports from senior management during the year to enable them to carry out their duties. Directors also liaise with senior management as required, and may consult with other employees and seek additional information on request.

5. Corporate Reporting

The Managing Director and Chief Financial Officer have made the following certifications to the board:

- That the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and Group and are in accordance with relevant accounting standards
- That the above statements are founded on a sound system of risk management and internal compliance and control and which implements the policies adopted by the board and that the company's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

6. Board Committees

The board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the board are the Nomination, Remuneration & Evaluation and Audit, Risk & Compliance committees. Each is comprised entirely of non-executive directors. The committee structure and membership is reviewed on an annual basis.

7. Audit, Risk & Compliance Committee

The committee consists of the three Non-Executive directors:

David Berry - Chair
Geoff Tomlinson
Harry Boon

The responsibilities of the committee include:

- reviewing and ensuring the integrity of the financial report of the company;
- ensuring the company's accounting policies and practices are in accordance with current and emerging accounting standards;
- evaluating the external auditor's performance, including independence and objectivity recommending to the Board the appointment and dismissal of external auditors;
- ensuring compliance with legal and regulatory requirements and policies in this regard;
- evaluating internal controls, and the overall efficiency and effectiveness of financial operations;
- providing a forum for communication between the board, executive leadership and external auditors;
- providing a conduit to the board for external advice on audit and financial risk management; and
- ensuring that it is receiving adequate, up to date and reliable information.

The committee meets with the external auditors at least twice a year, more frequently if necessary. The external auditors have a clear line of direct communication at any time to the Chairman of the Board. The Managing Director, Chief Financial Officer and other senior executives as appropriate, are invited to Committee meetings at the discretion of the Committee. A formal Charter for the Committee is in place.

8. Risk Management

The company is committed to the identification, monitoring, and management of risks associated with its business activities, and has embedded in its management and reporting systems a number of risk management controls. These include:

- guidelines and limits for approval of capital expenditure;
- policies and procedures for the management of financial risk and treasury operations including exposures to foreign currencies and movements in interest rates; and
- annual budgeting and monthly reporting systems for all businesses which enable the monitoring of progress against performance targets and the evaluation of trends.
- monitoring operational risk through weekly and monthly management meetings and reporting systems.

Management is ultimately responsible to the board for the system of internal control and risk management. The Audit, Risk & Compliance Committee assists the board in monitoring this function.

9. Nomination Committee

The Committee consists of the following persons:

Geoff Tomlinson - Chair
Harry Boon
David Hendy
Tony Oates
Moshe Meydan
David Berry

The role of the Nomination Committee is to assist the Board in ensuring that the Board is comprised of individuals who are best able to discharge the responsibilities of a Director, having regard to the law and the highest standards of governance, by;

- assessing the skills, knowledge, experience and diversity required on the Board and the extent to which they are represented;
- establishing processes for the identification of suitable candidates for appointment to the Board; and
- overseeing succession planning for the Board.

10. Remuneration & Evaluation Committee

The Committee consists of the three Non-Executive directors:

Harry Boon - Chair
Geoff Tomlinson
David Berry

The role of the Committee is to:

- establish processes for the review of the performance of individual directors and the Board as a whole
- recommend new Board appointments to the Nomination Committee
- determine executive remuneration policy
- determine the remuneration of Non-Executive directors and executive directors; and
- review and approve all equity based-plans.

The Committee seeks advice and guidance from external consultants, the Managing Director and the Human Resources manager as it considers appropriate. Non-Committee members attend Committee meetings only by invitation.

11. Performance reviews

The Board, through the Remuneration & Evaluation committee, has in place a process for the review of its performance and that of the board committees, Managing Director and executive management.

The board plans to undertake an annual self assessment of its collective performance, the performance of the individual directors and of its committees. New directors are provided with a letter of appointment setting out the company's expectations, their responsibilities, rights and the terms and conditions of their appointment. All new directors participate in an induction program which covers the operation of the board and its committees and financial, strategic, operations and risk management issues.

The review of the performance of the Managing Director is undertaken by the Remuneration & Evaluation Committee, which recommends to the Board any remuneration adjustment or incentive payment.

The review of the performance of senior management is undertaken by the Managing Director who provides a recommendation to the Remuneration & Evaluation committee on any remuneration adjustments or incentive payments. The committee provides its recommendation to the Board for approval.

12. Director and Executive remuneration policy

The maximum aggregate remuneration for non-executive directors of $500,000 per annum was approved by shareholders at Annual General Meeting on 27 April 2004.

Corporate Governance Statement (Cont.)

Board fees are currently:

- Chairman's fees $140,000 p.a.;
- Non-Executive Directors' fee's $70,000 p.a.; and

Fees paid to Non-Executive directors have superannuation contributions deducted as applicable as required by Commonwealth legislation. The company pays no other retirement benefits to directors.

Each member of the senior management team is employed under a contract covering a range of matters including their duties, rights, responsibilities and entitlements on termination.

Remuneration of the senior management team is reviewed on an annual basis by the Committee having regard to personal and corporate performance and relevant comparative information. Remuneration for senior executives comprises both fixed remuneration and an "at risk" component. The "at risk" component comprises a short term incentive payment based on a combination of the company's results and individual performance levels, and a long term incentive pursuant to the Funtastic Executive Share Option Plan.

The payment of short-term incentives is dependent on the achievement of operating and financial targets set at the beginning of each year and is assessed on a semi annual basis.

Further information on directors' and executives' remuneration is set out in the directors' report and note 26 to the financial statements.

13. Code of Conduct

The company has developed a code of conduct which applies to all employees of the organisation and sets out the standards within which employees are expected to act.

In summary, they are required to act with the utmost integrity, objectivity and in compliance with the law and company policies at all times in their dealings with each other, competitors, customers, suppliers, the company and the community.

Unethical conduct will not be tolerated. The company intends that the spirit of the code will be adopted as well as the letter of the standards therein.

The purchase and sale of company securities by directors is only permitted after reference to the company Chairman, within a specific trading window, and, for employees, by reference to the Company Secretary. The Chairman must seek approval from a minimum of two directors to purchase or sell company securities.

The code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of integrity and professionalism.

14. Continuous Disclosure

The company secretary has been nominated as the person responsible for communications with the Australian Stock Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements of the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX, and shareholders.

The company focuses on continuous disclosure of any information concerning the company and its controlled entities that a reasonable person would expect to have a material effect on the price of the company's securities.

15. External Audit

The Board has delegated to the Audit, Risk & Compliance Committee responsibility for making recommendations on the appointment, evaluation and dismissal of external auditors, and ensuring that the Auditor's report to the Committee and the Board.

It is policy for the external auditors to provide an annual declaration of independence to the Audit, Risk & Compliance Committee.

The External Auditor will attend the Annual General Meeting and be available to answer Shareholder questions about the conduct of the audit and the preparation and content of the Audit Report.

16. Shareholders

The Board aims to ensure that the shareholders are informed of all major developments affecting the company's state of affairs. Information is communicated to shareholders as follows:

- The annual report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document). The board ensures that the annual report includes relevant information about the operations of the group during the year, changes in the state of affairs of the group and details of likely future developments, in addition to the other disclosures required by law.
- Proposed major changes in the group which may impact on share ownership rights are submitted to a vote of shareholders.
- ASX releases and media releases are made available on the company's website.

The board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the group's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are responsible for voting on the election of directors.

17. Share Trading

All employees are advised against buying or selling shares in the company at any time they are aware of any material price sensitive information that has not been made public, and are reminded of the laws against "insider trading". Certain "Designated Officers", including all directors and senior executives, are also advised against trading in periods other than in two trading windows per annum. The trading windows commence following 48 hours after the public release of the half year and full year financial results. Exceptions can be approved by the Chairman (for other directors) or the Company Secretary (for all other employees). The advice also applys to financial instruments related to Funtastic shares and to trading in the shares of other entities using information obtained through employment with Funtastic. All company share dealings by directors are promptly notified to the Australian Stock Exchange (ASX).

ASX best practice compliance table

Recommendations		Compliance	Section
1.1	Formalise and disclose the functions reserved to the Board and those delegated to management.	✔	2
2.1	A majority of the Board should be Independent Directors.	✘	2
2.3	The roles of Chairperson and Chief Executive Officer should not be exercised by the same individual.	✔	3
2.4	The Board should establish a Nomination Committee.	✔	9
3.1	Establish a code of conduct to guide the Directors, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) and any other key Executives as to:		
3.1.1	The practices necessary to maintain confidence in the Company's integrity.		
3.1.2	The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	✔	13
3.2	Disclose the policy concerning trading in company securities by Directors, officers and employees.	✔	17
4.1	Require the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operation results and are in accordance with relevant accounting standards.	✔	5
4.2	The Board should establish an Audit Committee. .	✔	7
4.3	Structure the Audit Committee so that it consists of:		
	• Only Non-Executive Directors	✔	
	• A majority of Independent Directors	✔	
	• An Independent Chairperson, who is not Chairperson of the Board	✘	
	• At least three members	✔	7
4.4	The Audit Committee should have a formal Charter	✔	7
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a Senior Management level for that compliance	✔	14
6.1	Design and disclose a communications strategy to promote effective communication with Shareholders and encourage effective participation at general meetings.	✔	16
6.2	Request the External Auditor to attend the Annual General Meeting and be available to answer Shareholder questions about the conduct of the audit and the preparation and content of the Audit Report.	✔	15
7.1	The Board or appropriate Board Committee should establish policies on risk oversight and management.	✔	8
7.2	The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) should state to the Board in writing that:		
7.2.1	The statement given in accordance with Best Practice Recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.		
7.2.2	The Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.	✔	5
8.1	Disclose the process for performance evaluation of the Board, its committees and individual Directors, and key Executives.	✔	11
9.1	Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to Directors and key Executives and corporate performance.	✔	12
9.2	The Board should establish a Remuneration Committee	✔	10
9.3	Clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executives.	✔	12
9.4	Ensure that payment of equity-based Executive remuneration is made in accordance with thresholds set in plans approved by Shareholders.	✔	12
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.	✔	13

The Board comprises six directors and it is aware that it does not include a majority of independent directors. There are three Non-Executive directors, two of whom are independent. David Berry is not independent as he fulfils the role of company secretary. The Board considers there is sufficient independence of thought on the Board and whilst a third independent director may be appointed because of some specific attribute deemed appropriate, it is not considered immediately necessary for the proper functioning of the Board.

Similarly, the Board is aware that the Audit, Risk & Compliance committee is comprised of three Non-Executive directors, two of whom are independent. David Berry is the chair of the committee and whilst he is not independent, he is the most suitably qualified person because of his background as a chartered accountant and auditor. The Board considers that two independent directors is sufficient for the independence of the committee.

RSM! Bird Cameron Partners
Chartered Accountants

INDEPENDENT AUDIT REPORT
To the members of Funtastic Limited

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Scope

We have audited the financial report of Funtastic Limited for the financial year ended 31 December 2004 as set out on pages 29 to 59. The company's directors are responsible for the financial report which includes the financial statements of the company and the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of, or during, the financial year. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements in Australia and the Corporations Act 2001 so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Funtastic Limited is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2004 and of their performance for the financial year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations; and

(b) other mandatory professional reporting requirements in Australia.

RSM Bird Cameron Partners
Chartered Accountants
Melbourne
23 March 2005

P A RANSOM
Partner

Directors Declaration

The directors declare that the financial statements and Notes set out on pages 30 to 59:

(a) comply with Accounting Standards; and

(b) give a true and fair view of the company and the consolidated entity's financial position as at 31 December 2004 and of their performance as represented by the results of their operations and their cashflows, for the financial year ended on that date.

In the directors' opinion:

(a) the financial statements and Notes are in accordance with the Corporations Act 2001; and

(b) there are reasonable grounds to believe that the company and the consolidated entity will be able to pay their debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of directors.

G Tomlinson
Director

D Hendy
Director

Melbourne
23 March 2005

Statements of Financial Performance

For the year ended 31 December 2004

		Consolidated		Parent Entity	
		2004	2003	2004	2003
	Note	$	$	$	$
Revenue from Ordinary Activities	2	313,943,367	229,234,455	277,728,249	226,299,675
Cost of goods sold		(202,580,736)	(140,926,516)	(169,504,070)	(138,796,096)
Warehouse and occupancy expenses		(18,882,826)	(16,436,137)	(18,879,991)	(16,436,137)
Marketing expenses		(12,992,106)	(10,054,467)	(13,000,272)	(10,054,467)
Selling expenses		(42,908,857)	(27,620,388)	(40,485,585)	(27,620,388)
Administration and finance expenses		(11,005,882)	(11,625,857)	(9,992,245)	(10,354,421)
Borrowing costs expenses	3	(2,459,346)	(1,780,390)	(2,457,546)	(1,780,390)
Profit from Ordinary Activities before Income Tax Expense	3	23,113,614	20,790,700	23,408,540	21,257,776
Income tax expense	4	(6,227,859)	(6,799,125)	(6,227,859)	(6,718,865)
Net Profit		16,885,755	13,991,575	17,180,681	14,538,911
Total changes in equity other than those resulting from transactions with owners as owners		**16,885,755**	**13,991,575**	**17,180,681**	**14,538,911**

The above Statements of Financial Performance should be read in conjunction with the accompanying notes.

Statements of Financial Position

As at 31 December 2004

	Note	Consolidated 2004 $	Consolidated 2003 $	Parent Entity 2004 $	Parent Entity 2003 $
Current Assets					
Cash assets	6	18,214,753	21,877,764	18,214,753	21,344,795
Receivables	7	42,466,150	41,857,916	39,202,056	40,916,381
Inventories	8	47,697,859	38,361,277	47,694,712	38,179,854
Other	9	5,551,518	3,291,150	5,551,518	3,291,150
Total Current Assets		**113,930,280**	**105,388,107**	**110,663,039**	**103,732,180**
Non-Current Assets					
Property, plant and equipment	10	6,335,985	4,905,066	5,687,319	4,098,002
Other financial assets - Investments	11	-	-	30,305,584	30,303,609
Intangibles	12	36,403,994	38,962,705	18,978,260	20,534,828
Deferred tax assets	13	1,138,475	1,541,776	1,138,475	1,541,776
Total Non-Current Assets		43,878,454	45,409,547	56,109,638	56,478,215
Total Assets		**157,808,734**	**150,797,654**	**166,772,677**	**160,210,395**
Current Liabilities					
Payables	14	17,916,708	15,152,173	16,093,662	14,063,372
Interest bearing liabilities	15	95,756	6,555,179	95,756	6,508,926
Provisions	16	1,584,241	2,197,492	1,584,241	2,197,492
Current tax liabilities	17	299,729	2,566,970	299,729	2,566,970
Other	18	13,207,667	10,658,324	12,927,470	10,546,005
Total Current Liabilities		**33,104,101**	**37,130,138**	**31,000,858**	**35,882,765**
Non-Current Liabilities					
Payables	19	-	-	14,639,099	14,548,675
Interest bearing liabilities	20	26,088,555	26,197,986	26,088,555	26,176,264
Provisions	21	865,361	826,500	865,361	826,500
Deferred tax liabilities	22	-	9,817	-	9,817
Total Non-Current Liabilities		**26,953,916**	**27,034,303**	**41,593,015**	**41,561,256**
Total Liabilities		**60,058,017**	**64,164,441**	**72,593,873**	**77,444,021**
Net Assets		**97,750,717**	**86,633,213**	**94,178,804**	**82,766,374**
Equity					
Contributed equity	23	70,964,981	66,278,717	70,964,981	66,278,717
Retained profits	24	26,785,736	20,354,496	23,213,823	16,487,657
Total Equity		**97,750,717**	**86,633,213**	**94,178,804**	**82,766,374**

The above Statements of Financial Position should be read in conjunction with the accompanying notes.

Statements of Cash Flows

For the year ended 31 December 2004

	Note	Consolidated 2004 $	Consolidated 2003 $	Parent Entity 2004 $	Parent Entity 2003 $
Cash Flows from Operating Activities					
Receipts from customers (inclusive of GST)		344,729,470	263,025,546	298,850,487	261,129,199
Payments to suppliers and employees (inclusive of GST)		(322,840,087)	(234,201,035)	(276,429,437)	(232,837,656)
		21,889,383	**28,824,511**	**22,421,050**	**28,291,543**
Interest received		306,930	204,827	293,237	204,827
Income taxes paid		(7,748,852)	(5,311,406)	(7,748,853)	(5,311,406)
Interest and other costs of finance paid		(2,459,346)	(1,780,390)	(2,459,346)	(1,780,390)
Net Cash Inflow from Operating Activities	29	**11,988,115**	**21,937,542**	**12,506,088**	**21,404,574**
Cash Flows from Investing Activities					
Payments for acquisition of businesses		(157,818)	(20,842,868)	(159,793)	(20,842,868)
Payments for property, plant and equipment		(2,892,571)	(2,455,375)	(2,892,571)	(2,455,375)
Proceeds from sale of property, plant and equipment		165,368	400,174	114,364	307,942
Loans (to)/from related parties		-	(212,221)	-	1,574,036
Payment for patents		-	(140,214)	-	(140,214)
Net Cash Outflow from Investing Activities		**(2,885,021)**	**(23,250,504)**	**(2,938,000)**	**(21,556,479)**
Cash Flows from Financing Activities					
Dividends paid		(7,722,445)	(4,382,521)	(7,722,442)	(4,382,521)
Proceeds from issue of shares		1,525,194	12,539,941	1,525,194	12,539,941
Share issue transaction costs		-	(49,501)	-	(49,501)
Proceeds from borrowings		4,520,172	21,422,278	4,520,172	21,422,278
Repayment of borrowings		(10,863,387)	(10,199,142)	(10,863,387)	(10,199,142)
Repayment of hire purchase liabilities		(225,639)	(30,286)	(157,667)	(30,286)
Net Cash Inflow/(Outflow) from Financing Activities		**(12,766,105)**	**19,300,769**	**(12,698,130)**	**19,300,769**
Net Increase/(Decrease) in Cash Held		**(3,663,011)**	**17,987,807**	**(3,130,042)**	**19,148,864**
Cash at the beginning of the financial year		21,877,764	3,889,957	21,344,795	2,195,931
Cash at the End of the Financial Year	**6**	**18,214,753**	**21,877,764**	**18,214,753**	**21,344,795**

The above Statements of Cash Flows should be read in conjunction with the accompanying notes.

Note 1. Summary of Significant Accounting Policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Law.

It is prepared in accordance with the historical cost convention. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Where applicable a number of comparative amounts were reclassified to ensure comparability with the current reporting period.

(a) Income Tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

Tax Consolidation

Funtastic Limited and its wholly owned Australian controlled entities have decided to implement the tax consolidation legislation as at 31 December 2003. The result of this tax consolidation is not material to the financial statements.

(b) Acquisitions of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date. Transaction costs arising on the issue of any equity instruments are recognised directly in equity.

Goodwill is recognised on the basis described in Note 1(t).

Where an entity or operation is acquired and the fair value of the identifiable net assets acquired, including any liability for restructuring costs, exceeds the cost of acquisition, the difference representing a discount on acquisition is accounted for by reducing proportionately the fair values of the non-monetary assets acquired until the discount is eliminated. Where, after reducing to zero the recorded amounts of the non-monetary assets acquired, a discount balance remains it is recognised as revenue in the statements of financial performance.

(c) Recoverable Amount of Non-Current Assets

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in the statement of financial performance in the period in which the recoverable amount write down occurs.

The expected net cash flows included in determining recoverable amounts of non-current assets are not discounted to their present values using a market-determined, risk adjusted discount rate.

(d) Depreciation of Property, Plant and Equipment

Depreciation is calculated on a diminishing value basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land) over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

Plant and equipment	2.5 to 10 years

(e) Employee Benefits

(i) Wages and Salaries and Annual Leave

Liabilities for wages, salaries and annual leave are recognised in respect of employees' services up to that date and are measured as the amount expected to be paid when the liabilities are settled.

(ii) Long Service Leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognized in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Profit sharing and bonus plans

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iv) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs, when the employee benefits to which they relate are recognised as liabilities.

(f) Foreign Currency Translations

(i) Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts receivable and payable in foreign currencies are translated to Australian currency at the rates of exchange current at that date. Resulting exchange differences are brought to account in determining the net profit for the year.

(ii) Specific Commitments

Hedging is undertaken in order to avoid or minimise possible adverse financial effects of movements in exchange rates. Gains

Note 1. Summary of Significant Accounting Policies (Cont.)

or costs arising upon entry into a hedging transaction intended to hedge the purchase or sale of goods and services, together with subsequent exchange gains or losses are deferred up to the date of the purchase or sale and included in the measurement of the purchase or sale.

(iii) General Commitments

Exchange gains or losses on hedges of general commitments are brought to account in the financial year in which the exchange rates change.

(g) Cash

For the purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(h) Revenue Recognition

Revenue is recognised net of returns, discounts, rebates, duties and taxes paid. A sale is recorded when goods have been dispatched to a customer pursuant to a sales order and the associated risks have been passed to the carrier or customer.

(i) Receivables

All trade debtors are recognised at the amounts receivable as they fall due for settlement.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised where some doubt as to collection exists.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of stock on the basis of weighted average costs.

(k) Trade and Other Creditors

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition.

(l) Investments

Investments in listed and unlisted securities are brought to account at cost and dividend income is recognised in the profit and loss statement when receivable.

(m) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(n) Leased Non-Current Assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non-current assets (finance leases), and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The lease asset is amortised on a straight line basis over the term of the lease, or where it is likely that the economic entity will obtain ownership of the asset, the life of the asset. Lease assets held at the reporting date are being amortised over five years.

Lease payments are allocated between interest (calculated by applying the interest rate implicit in the lease to the outstanding amount of the liability), rental expense and reduction of the liability.

Other operating lease payments are charged to the profit and loss account in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(o) Leasehold Improvements

The cost of improvements to or on leasehold properties is amortised over the estimated useful life of the improvement to the company. Leasehold improvements held at the reporting date are being amortised over 5 years.

(p) Interest Bearing Liabilities

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

(q) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include:

- interest on bank overdrafts and short-term and long-term borrowings;
- finance lease charges; and
- certain exchange differences arising from foreign currency borrowings.

(r) Earnings per Share

(i) Basic Earnings per Share

Basic earnings per share is determined by dividing the operating profit after income tax and preference share dividends attributable to members of the company by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Note 1. Summary of Significant Accounting Policies (Cont.)

(ii) Diluted Earnings per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial year.

(s) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Funtastic Limited ('company' or 'parent entity') as at 31 December 2004 and the results of all controlled entities for the year then ended. Funtastic Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statement of financial performance and statement of financial position, respectively.

(t) Intangibles

Goodwill

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and amortised on a straight line basis over 20 years, being the period during which the benefits are expected to arise.

Note 2. Revenue

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$	$	$	$
Revenue from Operating Activities				
Sales of goods				
Gross	341,887,178	247,411,440	298,206,994	244,568,892
Less settlement discounts	(8,002,071)	(7,013,989)	(8,002,071)	(7,013,989)
Less rebates	(22,570,424)	(16,890,890)	(22,570,358)	(16,890,890)
	311,314,683	223,506,561	267,634,565	220,664,013
Revenue from Outside the Operating Activities				
Interest	306,930	204,827	293,237	204,827
Commission	1,957,131	5,171,709	1,957,131	5,171,709
Other	364,623	351,358	238,851	259,126
Management fee	-	-	7,604,465	
	2,628,684	5,727,894	10,093,684	5,635,662
Revenue from Ordinary Activities	**313,943,367**	**229,234,455**	**277,728,249**	**226,299,675**

Note 3. Profit from Ordinary Activities

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$	$	$	$
(a) Net Gains and Expenses				
Operating profit before income tax includes the following specific net gains and expenses:				
Net Gains				
Profit on sale of non-current assets	2,836	1,291	2,836	19,509
(b) Expenses				
Borrowing costs				
Interest and finance charges paid or payable	2,459,346	1,780,390	2,457,546	1,780,390
Depreciation	1,209,776	755,174	1,109,983	585,413
Amortisation				
Leasehold improvements	89,344	78,020	82,560	70,719
Goodwill	2,079,814	1,495,063	1,077,672	492,920
	2,169,158	1,573,083	1,160,232	563,639
Rental expenses relating to operating leases	**2,806,834**	**2,010,536**	**2,806,834**	**2,010,536**

Note 4. Income Tax

	Consolidated 2004 $	Consolidated 2003 $	Parent Entity 2004 $	Parent Entity 2003 $
The aggregate amount of income tax attributable to the financial year differs from the amount calculated on the operating profit. The differences are reconciled as follows:				
Operating profit before income tax expense	23,113,614	20,790,700	23,408,540	21,257,776
Income tax calculated at 30%	6,934,084	6,237,210	7,022,562	6,377,333
Tax effect of permanent differences:				
Over provision for tax relating to prior year	(820,025)	(76,349)	(820,025)	(76,349)
Amortisation of intangible assets	140,025	448,519	323,301	147,876
Other permanent differences	(26,225)	189,745	(297,979)	270,005
Income tax expense	**6,227,859**	**6,799,125**	**6,227,859**	**6,718,865**

Note 5. Dividends

	Parent Entity 2004 $	Parent Entity 2003 $
Ordinary fully franked dividend paid	10,454,515	5,747,566
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the year ended 31 December 2004 and 2003 were as follows:		
Paid in cash	7,722,445	4,382,521
Satisfied by issue of shares	2,732,070	1,365,045
	10,454,515	5,747,566
Dividend Not Recognised at Year End		
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 5.0 cents per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 6 April 2005 out of retained profits at 31 December 2004, but not recognised as a liability at the year end.	6,213,930	6,050,000

	Consolidated 2004 $	Consolidated 2003 $	Parent Entity 2004 $	Parent Entity 2003 $
Franking credits available for the subsequent financial year	16,257,566	15,468,415	16,257,566	15,468,415

The above amount represents the balances of the franking account as at the end of the financial year, adjusted for:

(i) franking credits that will arise from the payment of income tax payable as at the end of the year;
(ii) franking debits that will arise from the payment of dividends proposed as at the end of the year; and
(iii) franking credits that may be prevented from being distributed in the subsequent financial year.

Note 6. Current Assets – Cash Assets

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$	$	$	$
Cash on hand	106,508	32,978	106,508	32,978
Cash at bank	18,108,245	21,844,786	18,108,245	21,311,817
	18,214,753	**21,877,764**	**18,214,753**	**21,344,795**

Note 7. Current Assets – Receivables

Trade debtors	42,423,355	42,377,163	39,159,261	41,435,628
Amount owing from director related entities	1,843,677	2,402,654	1,843,677	2,402,654
Provision for doubtful debts, credit notes and settlement discounts	(1,992,670)	(3,394,275)	(1,992,670)	(3,394,275)
	42,274,362	**41,385,542**	**39,010,268**	**40,444,007**
Other debtors	191,788	472,374	191,788	472,374
	42,466,150	**41,857,916**	**39,202,056**	**40,916,381**

Note 8. Current Assets - Inventories

Finished goods - at cost	40,967,550	33,046,742	40,964,403	32,865,319
Provision for stock obsolescence	(218,596)	(352,680)	(218,596)	(352,680)
	40,748,954	**32,694,062**	**40,745,807**	**32,512,639**
Stock in transit	6,948,905	5,667,215	6,948,905	5,667,215
	47,697,859	**38,361,277**	**47,694,712**	**38,179,854**

Note 9. Current Assets - Other

Prepayments	**5,551,518**	**3,291,150**	**5,551,518**	**3,291,150**

Note 10. Non-Current Assets - Property, Plant and Equipment

Plant and equipment - at cost	10,809,724	8,857,600	9,581,795	7,623,956
Less: accumulated depreciation	(5,567,257)	(4,636,733)	(4,723,422)	(3,938,797)
	5,242,467	**4,220,867**	**4,858,373**	**3,685,159**
Leasehold improvements	1,411,579	911,067	1,119,532	619,020
Less: accumulated amortisation	(318,061)	(226,868)	(290,586)	(206,177)
	1,093,518	**684,199**	**828,946**	**412,843**
	6,335,985	**4,905,066**	**5,687,319**	**4,098,002**

Note 10. Non-Current Assets
- Property, Plant and Equipment (Cont.)

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

Consolidated	Plant and Equipment $	Leasehold Improvements $	Total $
Carrying amount at 1 January 2004	4,220,867	684,199	4,905,066
Additions	2,393,909	498,662	2,892,571
Disposals (net)	(162,532)	0	(162,532)
Depreciation/amortisation expenses (Note 3)	(1,209,776)	(89,344)	(1,299,120)
Carrying amount at 31 December 2004	**5,242,468**	**1,093,517**	**6,335,985**

Parent	Plant and Equipment $	Leasehold Improvements $	Total $
Carrying amount at 1 January 2004	3,685,159	412,843	4,098,002
Additions	2,393,909	498,662	2,892,571
Disposals (net)	(110,711)	0	(110,711)
Depreciation/amortisation expenses (Note 3)	(1,109,983)	(82,560)	(1,192,543)
Carrying amount at 31 December 2004	**4,858,374**	**828,945**	**5,687,319**

Note 11. Non-Current Assets
– Other Financial Assets – Investments

	Consolidated		Parent Entity	
	2004 $	2003 $	2004 $	2003 $
Investment in controlled entities	-	-	30,305,584	30,303,609

Note 12. Non-Current Assets - Intangibles

Goodwill relating to business acquisitions	40,476,792	40,955,689	20,556,352	21,035,248
Less: Accumulated amortisation	(4,072,798)	(1,992,984)	(1,578,092)	(500,420)
	36,403,994	**38,962,705**	**18,978,260**	**20,534,828**

Note 13. Non-Current Assets
– Deferred Tax Assets

Future income tax benefit	1,138,475	1,541,776	1,138,475	1,541,776

Note 14. Current Liabilities – Payables

Trade and other creditors	17,916,708	14,736,132	16,093,662	13,647,331
Amount owing to director related entity	-	416,041	-	416,041
	17,916,708	**15,152,173**	**16,093,662**	**14,063,372**

Note 15. Current Liabilities
– Interest Bearing Liabilities

		Consolidated		Parent Entity	
		2004	2003	2004	2003
	Note	$	$	$	$
Trade finance		-	6,363,387	-	6,363,387
		-	**6,363,387**	**-**	**6,363,387**
Hire purchase liabilities	28	110,765	221,734	110,765	171,486
Less: unexpired hire purchase charges		(15,009)	(29,942)	(15,009)	(25,947)
		95,756	**191,792**	**95,756**	**145,539**
		95,756	**6,555,179**	**95,756**	**6,508,926**

Security for Borrowings

The trade finance and bill finance accounts are secured by a first ranking registered mortgage debenture over all assets and undertakings of the company.

Hire purchase liabilities are secured as rights to the assets revert to the hire purchase company in the event of default.

Financing Arrangements

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$	$	$	$
Unrestricted access was available at balance date to the following lines of credit				
Trade Finance				
Total Facilities				
National Debtor Finance Facility	20,000,000	10,000,000	20,000,000	10,000,000
Trade Refinance Facility	35,000,000	25,000,000	35,000,000	25,000,000
	55,000,000	**35,000,000**	**55,000,000**	**35,000,000**
Used at Balance Date				
National Debtor Finance Facility	-	-	-	-
Trade Refinance Facility	-	6,363,387	-	6,363,387
	-	**6,363,387**	**-**	**6,363,387**
Unused at Balance Date				
National Debtor Finance Facility	20,000,000	10,000,000	20,000,000	10,000,000
Trade Refinance Facility	35,000,000	18,636,613	35,000,000	18,636,613
	55,000,000	**28,636,613**	**55,000,000**	**28,636,613**
Commercial Bill Facilities				
Total facilities	25,942,450	25,942,450	25,942,450	25,942,450
Used at balance date	25,942,450	25,922,278	25,942,450	25,922,278
Unused at balance date	**-**	**20,172**	**-**	**20,172**
Documentary Letter of Credit Facilities				
Total facilities	35,000,000	12,000,000	35,000,000	12,000,000
Used at balance date	16,560,342	11,212,297	16,560,342	11,212,297
Unused at balance date	**18,439,658**	**787,703**	**18,439,658**	**787,703**
Lease Purchase				
Total facilities	1,000,000	1,150,000	1,000,000	1,150,000
Used at balance date	314,046	553,688	314,046	553,688
Unused at balance date	**685,954**	**596,312**	**685,954**	**596,312**
Bank Guarantee Facilities				
Total facilities	600,000	600,000	600,000	600,000
Used at balance date	414,000	-	414,000	-
Unused at balance date	**186,000**	**600,000**	**186,000**	**600,000**

Note 15. Current Liabilities – Interest Bearing Liabilities (Cont.)

Financing Arrangements (Cont.)

The facilities expire and are subject to annual review by 31 May 2005.

The current interest rates are 6.11% on the National Debtor Finance Facility, 6.51% on the Trade Refinance Facility and 6.3% on the Commercial Bill Facility. (2003 6.21%, 6.71% and 6.3% respectively)

		Consolidated		Parent Entity	
		2004	2003	2004	2003
	Note	$	$	$	$
Note 16. Current Liabilities – Provision					
Provision for employee benefits		1,584,241	2,197,492	1,584,241	2,197,492
Note 17. Current Liabilities – Current Tax Liabilities					
Provision for income tax		299,729	2,566,970	299,729	2,566,970
Note 18. Current Liabilities – Other					
Accrued expenses		13,207,667	10,658,324	12,927,470	10,546,005
Note 19. Non-Current Liabilities – Payables					
Loans from related parties		-	-	14,639,099	14,548,675
Note 20. Non-Current Liabilities – Interest Bearing Liabilities					
Bill finance		25,942,450	25,922,278	25,942,450	25,922,278
Hire purchase liabilities	28	154,773	300,948	154,773	278,973
Less unexpired hire purchase charges		(8,668)	(25,240)	(8,668)	(24,987)
Net non-current hire purchase liabilities		146,105	275,708	146,105	253,986
Net non-current interest bearing liabilities		26,088,555	26,197,986	26,088,555	26,176,264

Details of the security relating to each of the secured liabilities and further information on the bank overdrafts and bank loans are set out in Note 15.

		Consolidated 2004 $	Consolidated 2003 $	Parent Entity 2004 $	Parent Entity 2003 $
Note 21. Non-Current Liabilities – Provisions					
Provision for employee benefits		865,361	826,500	865,361	826,500
Note 22. Non-Current Liabilities – Deferred Tax Liabilities					
Provision for deferred income tax		-	9,817	-	9,817

Note 23. Contributed Equity

	2004 Shares	2003 Shares	2004 $	2003 $
(a) Share Capital				
Ordinary shares fully paid	124,278,603	120,484,549	70,964,981	66,278,717

(b) Movements in Ordinary Share Capital

Date	Details	Notes	Number of Shares	Issue Price	$
1 Jan 2003	**Opening balance**		**99,943,967**		**41,423,235**
24 Apr 2003	Dividend reinvestment plan		823,165	1.09	898,483
15 Oct 2003	Dividend reinvestment plan		255,743	1.82	466,199
6 Jun 2003	Share purchase plan		9,996,445	1.16	11,595,876
6 Jun 2003	Capital raising costs				(49,501)
25 Jun 2003	Exercise of ordinary options - Jakks		500,000	0.65	325,000
25 Sep 2003	Exercise of royalty options		695,000	0.50	347,500
11 Sep 2003	Australian Horizon Issue		7,746,479	1.42	11,000,000
25 Jun 2003	Exercise of ESOP options		440,000	0.50	220,000
25 Jun 2003	Exercise of ESOP options		83,750	0.62	51,925
31 Dec 2003	**Closing Balance**		**120,484,549**		**66,278,717**
21 Jan 2004	Exercise of ordinary options - Jakks	(e)	500,000	0.65	325,000
21 Jan 2004	Prior year adjustment				31
18 Feb 2004	Toy & Hobby issue ex sale agreement	(d)	195,462	2.19	429,000
12 Mar 2004	Exercise of royalty options	(e)	765,000	0.50	382,500
13 Apr 2004	Dividend reinvestment plan	(c)	773,305	2.06	1,590,195
1 Nov 2004	Dividend reinvestment plan	(c)	491,537	2.32	1,141,875
29 Apr 2004	Refund on capital raising costs				65,000
30 Apr 2004	Prior year adjustment				8,750
1 Sep 2004	Exercise of ordinary options - Xconcepts	(e)	100,000	0.84	84,000
2 Mar 2003 to 1 Sep 2004	Exercise of ESOP options	(e)	565,000	0.50	282,500
8 Jul 2004	Exercise of ESOP options	(e)	50,000	0.62	31,000
8 Jul 2004 to 14 Dec 2004	Exercise of ESOP options	(e)	250,000	0.88	220,800
16 Mar 2004 to 1 Sep 2004	Exercise of ESOP options	(e)	77,500	1.10	85,250
16 Mar 2004	Exercise of ESOP options	(e)	25,000	1.52	38,000
8 Nov 2004	Exercise of ESOP options	(e)	1,250	1.89	2,363
31 Dec 2004	**Closing balance**		**124,278,603**		**70,964,981**

(c) Dividend Reinvestment Plan

The company has a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than being paid in cash.

(d) Share Issue on Acquisition of Business Assets

During the year, on 18 February 2004, 195,462 shares were issued at an issue price of $2.19 as the final payment for the business of Toy & Hobby Australia Pty Ltd (DKHC Pty Ltd).

(e) Options

Employee Share Options

Information relating to the Funtastic Limited Executive Share Option Plan, including details of shares issued under the scheme, are set out in Note 36.

Royalty Option Agreement

On 14 September 2000, Funtastic issued 1,460,000 Royalty Options to David Hendy, David Tolmer and SINO Pacific Resources S.A in consideration for the termination on 1 July 2000 of royalty payments that they were entitled to receive under certain royalty

Note 23. Contributed Equity (Cont.)

(e) Options (Cont.)

agreements with Funtastic. The Royalty Options were excisable at any time, subject to voluntary escrow arrangements. When exercisable, each option was convertible into one ordinary share.

The exercise price of the options was based on the weighted average price at which the company's shares was traded on the Australian Stock Exchange during the five days immediately before the options were granted. Amounts receivable on the exercise of options are recognised as share capital. There are no royalty options outstanding as at 31 December 2004.

Ordinary Options

JAKKS

On 8 February 2002, Funtastic issued 1,000,000 Ordinary Options in consideration for the company entering into a distribution agreement with Jakks Pacific (HK) Limited. The agreement is in respect of the exclusive distribution of World Wrestling Entertainment figurines and accessories in Australia.

50% of options vested on 31 December 2002 and 50% vested on 31 December 2003 and were exercised, at an exercise price of $0.65 before the expiry date of 2 January 2004.

XConcepts

On 28 October 2002, Funtastic issued 200,000 Ordinary Options in consideration for the company entering into a distribution agreement with XConcepts. The agreement is in respect of the exclusive distribution of Teck Deck toys and accessories in Australia.

25% of the options vest on 31 December 2002, 31 December 2003, 31 December 2004 and 31 December 2005 and may be exercised, at an exercise price of $0.84 before the expiry date of 3 January 2006.

MGA Entertainment (HK) Limited

On 19 January 2004, Funtastic issued 1,500,000 Ordinary Option pursuant to a distribution agreement with MGA Entertainment (HK) Limited. The agreement is in respect of the exclusive distribution of Bratz toys, electronics, sporting goods and related products for the Australia and New Zealand region.

The options vested on 31 December 2004 and may be exercised, at an exercise price of $1.50 at any time up until the expiry date of 19 January 2014.

Toybiz Worldwide Limited - Hong Kong

On 5 April 2004, Funtastic issued 1,000,000 Ordinary Option pursuant to a distribution agreement with Toybiz Worldwide Limited. The agreement is in respect of the exclusive distribution of toys and other products for the Australia and New Zealand region.

50% of options vest on 15 February 2005 and 50% vest on 15 February 2006 and may be exercised, at an exercise price of $2.14, at any time from the vesting date up until the expiry date of 15 February 2006.

Grant Date	Type	Expiry Date	Exercise Price	Balance at Start of Year. Number	Issued During the Year. Number	Exercised During the Year. Number	Balance as at End of Year. Number
Consolidated and Parent Entity - 2004							
14 Sep 2000	Royalty option	14 Sep 2005	$0.50	765,000	-	765,000	-
8 Feb 2002	Ordinary options - JAKKS	2 Jan 2004	$0.65	500,000	-	500,000	-
28 Oct 2002	Ordinary options - Xconcepts	3 Jan 2006	$0.84	200,000	-	100,000	100,000
19 Jan 2004	Ordinary options - MGA	19 Jan 2014	$1.50	-	1,500,000	-	1,500,000
5 Apr 2004	Ordinary options - Toybiz	15 Feb 2006	$2.14	-	1,000,000	-	1,000,000
				1,465,000	**2,500,000**	**1,365,000**	**2,600,000**
Consolidated and Parent Entity - 2003							
14 Sep 2000	Royalty option	14 Sep 2005	$0.50	1,460,000	-	695,000	765,000
8 Feb 2002	Ordinary options - JAKKS	2 Jan 2004	$0.65	1,000,000	-	500,000	500,000
28 Oct 2002	Ordinary options - Xconcepts	3 Jan 2006	$0.84	200,000	-	-	200,000
				2,660,000	-	**1,195,000**	**1,465,000**

(f) Ordinary Shares

On a show of hands every member present at the meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(g) Options

Options hold no dividend and no voting rights.

Note 24. Retained Profits

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$	$	$	$
Opening balance	20,354,496	12,110,487	16,487,657	7,696,308
Net profit after tax for the year	16,885,755	13,991,575	17,180,681	14,538,911
Dividends paid	(10,454,515)	(5,747,566)	(10,454,515)	(5,747,564)
	26,785,736	**20,354,496**	**23,213,823**	**16,487,657**

Note 25. Financial Instruments

(a) Off-Balance Sheet Derivative Instruments

The consolidated entity is party to financial instruments with off-balance sheet risk in the normal course of business in order to hedge exposure to fluctuations in foreign currency exchange rates.

Forward Exchange Contracts

The consolidated entity enters into forward exchange contracts to buy and sell specified amounts of various foreign currencies in the future at a pre-determined exchange rate to hedge its foreign currency assets and liabilities. The settlement dates, dollar amounts to be received/(paid) and contractual rates of the consolidated entity's outstanding contracts at balance date are:

	Average Exchange Rate		Sell Australian dollars	
	2004	2003	2004	2003
Buy US dollars	$	$	$	$
Maturity 0-6 months	0.7340	0.6318	17,179,357	67,571,284

	Average Exchange Rate		Sell Australian dollars	
	2004	2003	2004	2003
Buy NZ dollars	$	$	$	$
Maturity 0-6 months	1.0742	n/a	10,123,841	-

	Average Exchange Rate		Sell NZ $	
	2004	2003	2004	2003
Buy US dollars	$	$	$	$
Maturity 0-6 months	0.6967	n/a	287,069	-

Unrealised losses of $855,300 have been deferred at 31 December 2004

Forward Exchange Currency Protection Contracts

The consolidated entity enters into forward exchange currency protection contracts to buy and sell specified amounts of various foreign currencies in the future at a rate guaranteed to be at least a set minimum rate.

The currency protection contracts provide protection against adverse exchange rate movement, a guaranteed minimum rate and the potential to benefit from favourable exchange rate movements.

The settlement dates, dollar amounts to be received/(paid) and contractual rates of the consolidated entity's outstanding contracts at balance date are:

	Average Exchange Rate at 31 Dec Spot Rate		Average Protection Margin		Minimum Average Exchange Rate		Sell Australian $ (at minimum rate)	
Buy US Dollars	2004	2003	2004	2003	2004	2003	2004	2003
Maturity								
0-6 months	0.7553	n/a	0.0211	n/a	0.7157	n/a	12,854,936	-

Unrealised losses of $291,341 have been deferred at 31 December 2004

Note 25. Financial Instruments (Cont.)

(b) Credit Risk Exposures

The credit risk on financial assets of the consolidated entity which have been recognised on the balance sheet is generally the carrying amounts, net of any provisions for doubtful debts. The credit risk for the forward exchange contracts not recognised on the balance sheet is represented by the net market value of the contracts, as disclosed.

(c) Interest Rate Swap Contracts

Bank loans of the consolidated entity currently bear an average variable interest rate of 6.3%. It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the consolidated entity has entered into an interest rate swap contract under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. The contract is settled on a net basis and the net amount receivable or payable at the reporting date is included in other debtors or other creditors.

The contracts require settlement of net interest receivable or payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

Swaps currently in place cover approximately 44% (2003 44%) of the loan principal outstanding and are timed to expire as each loan repayment falls due. The fixed interest rate is 6.69% (2003 6.94%) and the variable rate is the bank bill rate of the term of the underlying bill which at balance date was 6.24% (2003 6.29%)

As at 31 December 2004, the notional principal amounts and the periods of expiry of the interest rate swap contract was as follows;

	2004 $	2003 $
Less than 1 year	-	-
1 - 2 years	11,500,000	-
2 - 3 years	-	11,500,000
	11,500,000	**11,500,000**

(d) Interest Rate Risk Exposures

The consolidated entity's exposure to net interest rate risk and the average interest rate for each class of financial asset and financial liability is set out below.

2004	Notes	Floating Interest Rate $	Fixed Interest 1 Year or Less $	Maturing in 1 - 5 Years $	Non-Interest Bearing $	Total $
Financial Assets						
Cash	6	18,108,245	-	-	106,508	18,214,753
Receivables	7	-	-	-	42,466,150	42,466,150
		18,108,245	-	-	**42,572,658**	**60,680,903**
Average interest rate		4.5%				
Financial Liabilities						
Payables	14	-	-	-	17,916,708	17,916,708
Bill finance	20	14,442,450	-	11,500,000	-	25,942,450
Trade finance	15	-	-	-	-	
Hire purchase liabilities	15,20	-	95,756	146,105	-	241,861
		14,442,450	**95,756**	**11,646,105**	**17,916,708**	**44,101,019**
Average interest rate		6.3%	6.7%	6.8%		
Net financial assets		**3,665,795**	**(95,756)**	**(11,646,105)**	**24,655,953**	**16,579,884**

Note 25. Financial Instruments (Cont.)

(d) Interest Rate Risk Exposures (Cont.)

2003	Notes	Floating Interest Rate $	Fixed Interest 1 Year or Less $	Maturing in 1 - 5 Years $	Non-Interest Bearing $	Total $
Financial Assets						
Cash	6	21,844,786	-	-	32,978	21,877,764
Receivables	7	-	-	-	41,857,916	41,857,916
		21,844,786	**-**	**-**	**41,890,894**	**63,735,680**
Average interest rate		4.5%				
Financial Liabilities						
Payables	14	-	-	-	15,152,173	15,152,173
Bill finance	20	14,422,278	-	11,500,000	-	25,922,278
Trade finance	15	6,363,387	-	-	-	6,363,387
Hire purchase liabilities	15,20	-	191,792	275,708	-	467,500
		20,785,665	**191,792**	**11,775,708**	**15,152,173**	**47,905,338**
Average interest rate		6.5%	6.5%	7.5%		
Net financial assets		**1,059,121**	**(191,792)**	**(11,775,708)**	**26,738,721**	**15,830,342**

(e) Net Fair Value of Financial Assets and Liabilities

(i) On-Balance Sheet

The net fair value of financial assets and financial liabilities of the consolidated entity is equal to their carrying value.

(ii) Off-Balance Sheet

For forward exchange contracts, the net fair value is taken to be the unrealised gain or loss recognised at balance date calculated by reference to the current forward rates for contracts with similar maturity profiles.

Note 26. Director and executive disclosures

Directors

The following persons were directors of the company during the financial year:

Chairman - Non-Executive

Geoff Tomlinson

Non-Executive directors

David Berry

Harry Boon (appointed 1 September 2004)

Executive directors

David Hendy	Managing Director
Moshe Meydan	Executive Director
Tony Oates	Deputy Managing Director (appointed 1 September 2004)
Nir Pizmony	Executive Director (resigned 27 July 2004)

Executives (other than directors) with the greatest authority for strategic direction and management

Name	Position
Ian Ashmore	General Manager - Publishing & Entertainment
Colin Caulfield	Chief Operating Officer
Steve Natsis	GM Home, Electrical and Confectionery
Karl Nixon	Chief Financial Officer
Robert Vasy	General Manager Toys, Nursery and Sporting

All of the above specified executives were employees of Funtastic Limited.

All of the above persons were specified executives during the full year ended 31 December 2004, except Karl Nixon who was appointed 9 August 2004.

Remuneration of directors and executives

Principles used to determine the nature and amount of remuneration

The objective of the company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered in the context of market parameters and best practice. This framework is implemented and monitored by the Remuneration & Evaluation Committee established by the Board of Funtastic Limited for such purpose.

Non-Executive Directors' fees

The current base remuneration was last reviewed with effect from November 2003.

Retirement allowances for directors

No retirement benefits were paid to any director during the financial year ended 31 December 2004.

Executive pay

The executive pay and reward framework has four components:

- base pay and benefits
- short term performance incentives
- long term incentives through participation in the Executive Share Option Plan
- other remuneration such as superannuation

Note 26. Director and executive disclosures (Cont.)

Base pay and benefits

Structured as a total employment cost package which may be delivered as a mix of cash and prescribed non-financial benefits at the executives'discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay is reviewed annually to ensure the executive's pay is competitive to market. An executives' pay is also reviewed on promotion.

There are no guaranteed pay increases fixed in any senior executives' contracts.

Benefits for termination of employment may be payable subject to the circumstances of the termination.

Short term incentives

Executive officers and senior management participate in an incentive plan that establishes an 'at risk' component which is dependent on specific company and individual performance criteria being met.

Funtastic Limited Executive Share Option Plan

Options are granted to executives under the Executive Share Option Plan, details of which are set out in note 36.

Insurance of Officers

During the financial year Funtastic Limited has paid a premium of $37,740 to insure individual directors and officers against damages, out of court settlements or legal costs arising from any wrongful act committed by them in their capacity as a director or officer, other than conduct involving a wilful breach of duty in relation to the company.

Details of remuneration

Details of remuneration of each director of Funtastic Limited and each of the five specified executives of the consolidated entity, including their personally-related entities, are set out in the following tables.

	Primary			Post-employment		Equity	
	Cash salary, fees and allowances	Cash Bonus	Non-monetary benefits	Superannuation	Termination benefits	Options	Total
Directors	$	$	$	$	$	$	$
Non-Executive							
Geoff Tomlinson	128,440	-	-	11,560	-	-	**140,000**
David Berry	70,000	-	-	-	-	-	**70,000**
Harry Boon	21,217	-	-	1,667	-	-	**22,884**
(From 1/9/04 to 31/12/04)							
Executive							
David Hendy	387,988	-	-	83,543	-	57,083	**528,614**
Moshe Meydan	241,846	105,000	-	101,620	-	-	**448,466**
Tony Oates (i)	272,269	-	83,058	40,484	-	-	**395,811**
Nir Pizmony (ii) (iii)	361,326	-	-	64,039	270,492	-	**695,857**
(From 1/1/04 to 31/10/04)							
Total	**1,263,429**	**105,000**	**83,058**	**302,913**	**270,492**	**57,083**	**2,068,748**

(i) T Oates was appointed a director on 1 September 2004. Before this appointment he was General Manager Sales and Marketing. Amounts shown include all Mr Oates' remuneration during the reporting period, whether as a director or as General Manager Sales and Marketing. Amounts received in his position as a director amounted to $153,847 made up of cash salary of $109,197 non-monetary benefits of $31,946 and superannuation of $12,703.

(ii) N Pizmony resigned as a director on 27 July 2004 and remained an employee of the company until 31 October 2004. Amounts received in his position as a director amounted to $272,797 made up of cash salary of $241,355 and superannuation of $31,442.

(iii) Termination benefits paid to N Pizmony reflect annual leave and long service leave entitlements payable on resignation.

Total remuneration of directors of Funtastic Limited for the year ended 31 December 2003 is set out below. Information for individual directors is not shown as this is the first financial report prepared since the issue of AASB 1046 Directors and Executive Disclosures by Disclosing Entities. Due to the change in Board composition, different individuals are included in the year ended 31 December 2003.

	Primary			Post-employment		Equity	
	Cash salary, fees and allowances	Cash Bonus	Non-monetary benefits	Superannuation	Termination benefits	Options	Total
	$	$	$	$	$	$	$
Total	**1,062,604**	**344,221**	**-**	**147,377**	**-**	**142,708**	**1,696,910**

Note 26. Director and executive disclosures (Cont.)

Details of remuneration (Cont.)

Specified Executives of the consolidated entity

	Primary			Post-employment		Equity	
	Cash salary, fees and allowances	Cash Bonus	Non-monetary benefits	Superannuation	Termination benefits	Options	Total
	$	$	$	$	$	$	$
Ian Ashmore	205,401	15,000	-	19,239	-	59,273	**298,913**
Colin Caulfield	250,279	30,000	-	28,206	-	116,247	**424,732**
Steve Natsis	141,069	-	48,472	20,659	-	8,740	**218,940**
Karl Nixon *(From 9/8/04 to 31/12/04)*	82,521	5,000	259	7,450	-	31,705	**126,935**
Robert Vasy	120,311	30,000	103,425	24,253	-	39,767	**317,756**
Total	**799,581**	**80,000**	**152,156**	**99,807**	**-**	**255,732**	**1,387,276**

Total remuneration of specified executives of Funtastic Limited for the year ended 31 December 2003 is set out below. Information for individual directors is not shown as this is the first financial report prepared since the issue of AASB 1046 Directors and Executive Disclosures by Disclosing Entities. In some cases, different individuals are included than those specified in the year ended 31 December 2003.

	Primary			Post-employment		Equity	
	Cash salary, fees and allowances	Cash Bonus	Non-monetary benefits	Superannuation	Termination benefits	Options	Total
	$	$	$	$	$	$	$
Total	**960,057**	**277,702**	**65,084**	**88,817**	**0**	**179,282**	**1,570,942**

Service Agreements

Remuneration and other terms of employment for the Managing Director, Deputy Managing Director and the specified executives are formalised in service agreements/employment letters. Each of these provide for the provision of performance-related cash bonuses, other benefits including car allowances and participation, when eligible, in the Funtastic Limited Employee Share Option Plan.

Other major provisions of the agreements relating to remuneration are set out below.

David Hendy, Managing Director

- Term of the agreement - full-time permanent and no specific terms.
- Base salary, inclusive of car allowance and superannuation, for the year ended 31 December 2004 of $471,531
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to 3 months fixed remuneration

Tony Oates, Deputy Managing Director

- Term of the agreement - 7 October 2002 to 6 October 2005, or as otherwise agreed by Company
- Base salary, inclusive of car allowance and superannuation, for the year ended 31 December 2004 of $395,811
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to 3 months fixed remuneration

Moshe Meydan, Executive Director

- Term of the agreement - 11 September 2003 to 1 July 2006
- Base salary, inclusive of car allowance and superannuation, for the year ended 31 December 2004 of $343,466
- Guaranteed bonus payments of $105,000 for each of the 12 months ending 30 June 2005 and 30 June 2006
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to 3 months fixed remuneration

Ian Ashmore, General Manager - Publishing & Entertainment

- Term of the agreement - full-time permanent and no specific terms.
- Base salary, inclusive of car allowance and superannuation, for the year ended 31 December 2004 of $224,640
- Payment of a termination benefit on early termination by the employer is not applicable.

Colin Caulfield, Chief Operating Officer

- Term of the agreement - full-time permanent and no specific terms.
- Base salary, inclusive of car allowance and superannuation, for the year ended 31 December 2004 of $278,485
- Payment of a termination benefit on early termination by the employer is not applicable.

Note 26. Director and executive disclosures (Cont.)

Service Agreements (Cont.)

Steve Natsis, General Manager - Home, Electrical and Confectionery

- Term of the agreement - full-time permanent and no specific terms.
- Base salary, inclusive of car allowance and superannuation, for the year ended 31 December 2004 of $210,200
- Payment of a termination benefit on early termination by the employer is not applicable.

Karl Nixon, Chief Financial Officer

- Term of the agreement - full-time permanent and no specific terms.
- Base salary, inclusive of car allowance and superannuation, for the period 9 August 2004 to 31 December 2004 of $90,230
- Payment of a termination benefit on early termination by the employer is not applicable.

Robert Vasy, General Manager - Toys, Nursery and Sporting

- Term of the agreement - full-time permanent and no specific terms.
- Base salary, inclusive of car allowance and superannuation, for the year ended 31 December 2004 of $247,989
- Payment of a termination benefit on early termination by the employer is not applicable.

Share-based compensation - options

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows;

Grant date	Option type (refer below)	Expiry date	Exercise Price	Value per option at grant date	Date Exercisable
2/05/2003	1	18/10/2007	$0.9200	$0.685	25% after 31/12/2002, 25% after 31/12/2003, 50% after 18/10/2005
1/08/2003	1	1/08/2008	$1.5200	$0.706	25% after 31/12/2003, 25% after 31/12/2004, 50% after 1/8/2006
23/09/2003	1	2/04/2008	$1.1000	$1.199	25% after 31/3/2004, 25% after 31/3/2005, 50% after 1/4/2006
9/08/2004	1	9/08/2009	$2.3900	$0.640	25% 9/8/2005, 25% 9/8/2006, 50% 9/8/2007
17/12/2004	2	2/04/2007	$2.0417	$0.460	100% after 2/4/2007

Options are granted under the Funtastic Employee Share Option Plan which was approved by shareholders and directors of the company on 2 August 2000.

Options are granted under the plan for no consideration. Options are granted over varying periods and on conditions attributable to each issue of options. The entitlements to the options are vested (that is, they are not conditional on future employment) as soon as they become exercisable.

The options are not exercisable until certain criteria are met

Option type 1 - 50% (that is, 25% per annum) is exercisable on the attainment of budgeted net profit after tax for the first two years and 50% is exercisable based on the continued employment with the company for three consecutive years.

Option type 2 - 50% exercisable if the average diluted earnings per share (EPS) reaches or exceeds 13% per annum over a three year period commencing three years prior to the expiry date and 50% exercisable if the average diluted EPS reaches or exceeds 17% per annum over the same three year period.

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

The exercise price of options is based on the weighted average price at which the company's shares are traded on the Australian Stock Exchange during the five days immediately before the options are granted. Amounts receivable on the exercise of options are recognised as share capital.

Note 26. Director and executive disclosures (Cont.)

Equity instrument disclosures relating to directors and executives

Options provided as remuneration

Details of options over ordinary shares in the company provided as remuneration to each director of Funtastic Limited and each of the five specified executives of the consolidated entity are set out below. When exercisable, each option is convertible into one ordinary share of Funtastic Limited. Further information on the options is set out in note 36.

Name	Number of options granted during the year	Number of options vested during the year
Specified Executives of the consolidated entity		
Colin Caulfield	142,000	-
Robert Vasy	90,000	-
Steve Natsis	76,000	-
Ian Ashmore	81,000	-
Karl Nixon	200,000	-

Shares provided on exercise of remuneration options

Details of ordinary shares in the company provided as a result of the exercise of remuneration options to each director of Funtastic Limited and each of the five specified executives of the consolidated entity are set out below.

Name	Date of exercise of options	Number of ordinary shares issued on exercise of options during the year	Amount paid per share
Non-Executive Directors of Funtastic Limited			
Geoff Tomlinson	2/03/2004	300,000	$0.50
David Berry	9/03/2004	55,000	$0.50
Executive Directors of Funtastic Limited			
Tony Oates	9/08/2004	150,000	$0.88
Specified Executives of the consolidated entity			
Colin Caulfield	16/03/2004	100,000	$0.50
Ian Ashmore	1/09/2004	25,000	$1.10

Note 26. Director and executive disclosures (Cont.)

Option holdings

The number of options over ordinary shares in the company held during the financial year by each director of Funtastic Limited and each of the five specified executives of the consolidated entity, including their personally-related entities, are set out below.

Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year i.e. lapsed	Balance at the end of the year	Vested and exercisable at the end of the year
Non-Executive Directors of Funtastic Limited						
Geoff Tomlinson	300,000	-	300,000	-	-	-
David Berry	55,000	-	55,000	-	-	-
Harry Boon	-	-	-	-	-	-
Executive Directors of Funtastic Limited						
David Hendy	500,000	-	-	-	500,000	250,000
Tony Oates	300,000	-	150,000	-	150,000	-
Moshe Meydan	-	-	-	-	-	-
Nir Pizmony	500,000	-	-	-	500,000	500,000
Specified Executives of the consolidated entity						
Colin Caulfield	500,000	142,000	100,000	(50,000)	492,000	150,000
Robert Vasy	100,000	90,000	-	(25,000)	165,000	25,000
Steve Natsis	100,000	76,000	-	-	176,000	50,000
Ian Ashmore	100,000	81,000	25,000	(25,000)	131,000	-
Karl Nixon	-	200,000	-	(25,000)	175,000	-

No options are vested and un-exercisable at the end of the year.

Under the terms of the Deed of Separation and Release between Mr Nir Pizmony and Funtastic Limited and its controlled entities, it was agreed that in relation to Mr Pizmony's 250,000 unvested options at his date of resignation that;

- The key performance indicators have all been satisfied (or are not applicable)
- The options capable of exercise after 31 December 2002 and 31 December 2003 can be exercised by Pizmony at any time up to 18 October 2007; and
- The options capable of being exercised after 18 October 2005 can also be exercised in the period beginning 19 October 2005 and ending 18 October 2007.

Note 26. Director and executive disclosures (Cont.)

Share holdings

The numbers of shares in the company held during the financial year by each director of Funtastic Limited and each of the five specified executives of the consolidated entity, including their personally-related entities, are set out below.

Name	Balance at the start of the year	Received during the year on the exercise of options	Shares purchased during the year	Shares sold during the year	Balance at the end of the year
Non-Executive Directors of Funtastic Limited					
Geoff Tomlinson	730,305	300,000	33,471	-	1,063,776
David Berry	102,615	55,000	21,253	-	178,868
Harry Boon	-	-	20,000	-	20,000
Executive Directors of Funtastic Limited					
David Hendy	7,419,650	-	120,000	(1,000,000)	6,539,650
Tony Oates (1)	-	150,000	845,871	(450,000)	545,871
Moshe Meydan	7,746,479	-	200,000	-	7,946,479
Nir Pizmony (2)	11,338,366	-	-	(2,355,843)	8,982,523
Specified Executives of the consolidated entity					
Colin Caulfield	86,470	100,000	8,279	(27,284)	167,483
Robert Vasy	100,000	-	-	-	100,000
Steve Natsis	-	-	31,120	-	31,120
Ian Ashmore	-	25,000	-	(25,000)	-
Karl Nixon	-	-	50,000	-	50,000

1. T Oates was appointed a director on 1 September 2004. Before this appointment he was General Manager Sales and Marketing. The movement in shareholding detailed in the table above was undertaken during the period prior to being appointed a director.
2. N Pizmony resigned as a director on 27 July 2004 and remained an employee of the company until 31 October 2004. Included in the number of shares sold during the year is the sale of 800,000 shares undertaken after resigning as a Director.

Transactions with Directors and Director Related Entities

Mr D Berry, a director, is a partner of the accounting firm O'Keeffe Walton Berry, which provided company secretarial and taxation services to Funtastic Limited during the year.

Mr D Hendy, a director, is a director and has an interest in Hendy Properties Pty Limited. Funtastic has a lease agreement to rent the company's main office building owned jointly by Hendy Properties Pty Ltd and Tolmer Products Pty Ltd. The lease agreement is based on normal terms and conditions and supported by independent valuation.

On the 1 July 2004 Mr D Hendy, became a director and took an interest in Headstart International Pty Limited. Since that date the company has purchased products on normal commercial terms.

Mr N Pizmony, a director during the period, is a director and has an interest in Jemasky Pty Limited. Funtastic Limited has a lease agreement to rent a warehouse and office building owned by this company. The lease agreement is based on normal terms and conditions and supported by independent valuation.

On the 28 July 2004 Funtastic Limited entered into a services agreement with NSR Investments Pty Limited, of whom Mr N Pizmony is a director and has an interest. The agreement is for NSR Investments Pty Limited to provide consultation in relation to product sourcing and marketing commencing on the 1 November 2004 and continues unless terminated by either party in accordance with the terms of the agreement.

Director Mr M Meydan has an interest in the following entities which either provided property on lease or acquired products from the company during the financial year.

- Lucky Bay Pty Limited. Funtastic entered into a lease agreement to rent a warehouse and office building owned by this company. The lease agreement is based on normal terms and conditions and supported by independent valuation.
- A.H. Meydan Pty Limited. Funtastic entered into a short term lease agreement to rent a retail clearance centre owned by this company. The lease agreement is based on normal terms and conditions.

Note 26. Director and executive disclosures (Cont.)

Transactions with Directors and Director Related Entities (Cont.)

- Ferristex Pty Limited and Vestito Pty Limited purchased clothing and apparel from Funtastic Limited. The purchases were on normal terms and conditions. At 31 December the amounts payable were $246,541 (2003 $547,658) and $1,597,136 (2003 $1,854,996) respectively. Mr Meydan has provided a guarantee in favour of Funtastic in relation to any debts incurred by Vestito Pty Limited up to and including 11 November 2005.

Aggregate amounts of each of the above types of other transactions with directors and director related entities are as follows:

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$	$	$	$
Company Secretarial and Taxation Services	63,696	82,863	63,696	82,863
Rent of Office and Warehouse Buildings				
Lucky Bay Pty Limited	771,993	366,778	771,993	366,778
A.H. Meydan Pty Limited	56,000	-	56,000	-
Jemasky Pty Limited	790,351	769,664	790,351	769,664
Hendy Properties Pty Limited	87,429	87,450	87,429	87,450
	1,705,773	**1,223,892**	**1,705,773**	**1,223,892**
Purchase of products				
Headstart International Pty Limited	99,610	-	99,610	-
Sale of clothing and apparel				
Ferristex Pty Limited	1,872,859	1,335,681	1,872,859	1,335,68
Vestito Pty Limited	3,745,323	1,328,302	3,745,323	1,328,302
	5,618,182	**2,663,983**	**5,618,182**	**2,663,983**
Consultancy services in relation to product sourcing and marketing				
NSR Investments Pty Limited	**41,667**	-	**41,667**	-

Note 27. Remuneration of Auditors

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$	$	$	$
During the year the auditor of the parent entity earned the following remuneration:				
Audit and review of the financial reports of the entity	211,000	140,000	211,000	130,000
Other services including assurance and taxation services	83,820	80,000	83,820	80,000
	294,820	**220,000**	**294,820**	**210,000**

Note 28. Commitments for Expenditure

Operating Lease Commitments

Commitments in relation to non-cancellable operating leases contracted for but not capitalised in the accounts are payable as follows:

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$	$	$	$
Not later than one year	3,080,326	2,627,023	3,080,326	2,627,023
Later than two years but not later than five years	6,844,460	5,589,696	6,844,460	5,589,696
Later than five years	3,311,523	162,616	3,311,523	162,616
	13,236,309	8,379,335	13,236,309	8,379,335

The operating leases are non-cancellable leases with respect to office premises.

Hire Purchase Commitments

Commitments in relation to hire purchase liabilities are payable as follows:

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$	$	$	$
Not later than one year	110,765	221,734	110,765	171,485
Later than one year but not later than five years	154,773	300,948	154,773	278,973
Minimum lease and hire purchase payments	265,538	522,682	265,538	450,458
Less future finance charges	(23,677)	(55,182)	(23,677)	(50,928)
Total hire purchase liabilities	**241,861**	**467,500**	**241,861**	**399,530**

Representing:

		Consolidated		Parent Entity	
		2004	2003	2004	2003
	Note	$	$	$	$
Current	15	95,756	191,792	95,756	145,539
Non-current	20	146,105	275,708	146,105	253,991
		241,861	467,500	241,861	399,530

The weighted average interest rate in the hire purchase agreements is 6.8% (2003 - 6.8%).

The hire purchase agreements are non-cancellable with respect to motor vehicles and warehouse equipment.

Note 29. Reconciliation of Operating Profit after Income Tax to Net Cash Inflow from Operating Activities

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$	$	$	$
Operating profit after income tax	16,885,755	13,991,575	17,180,681	14,538,911
Amortisation	2,169,158	1,495,064	1,109,983	492,921
Depreciation	1,209,776	833,194	1,160,232	656,132
(Profit) on sale of non-current assets	(2,836)	(1,291)	(3,653)	18,218
Decrease in trade and other debtors	793,371	8,317,828	3,115,929	9,259,365
(Increase)/decrease in inventories	(9,202,498)	1,159,908	(9,380,774)	1,341,331
Decrease /(increase) in future income tax benefit	656,801	(350,418)	656,801	(350,418)
(Increase) in prepayments	(2,120,152)	(174,783)	(2,120,152)	(174,783)
Increase/(decrease) in trade creditors and accruals	5,985,877	(7,111,325)	5,174,178	(8,154,893)
(Decrease)/increase in current tax liability	(2,267,241)	1,210,237	(2,267,241)	1,210,237
(Decrease)/increase in employee provisions	(574,390)	448,454	(574,390)	448,454
(Decrease) in deferred tax	(9,817)	(362)	(9,817)	(362)
(Decrease)/increase in doubtful debts provision	(1,401,605)	2,357,805	(1,401,605)	2,357,805
(Decrease) in provision for stock obsolescence	(134,084)	(238,344)	(134,084)	(238,344)
Net cash inflow from operating activities	**11,988,115**	**21,937,542**	**12,506,088**	**21,404,574**

Note 30. Non-Cash Financing and Investing Activities

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$	$	$	$
Acquisition of plant and equipment by means of hire purchase	**-**	**356,676**	**-**	**356,676**

Note 31. Investments in Controlled Entities

			Equity Holding	
	Country of		2004	2003
Name of Entity	incorporation	Class of shares	%	%
JNH Australia Pty Ltd	Australia	Ordinary	100	100
Fun International Ltd	Hong Kong	Ordinary	100	100

Note 32. Earnings per Share

	2004	2003
Basic earnings per share	13.8 Cents	12.8 cents
Diluted earnings per share	13.1 Cents	12.1 cent
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share.	122,021,284	109,250,763
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share.	129,159,534	115,865,763

Note 33. Related Party Transactions

Director and Specified Executives

Disclosure relating to director and specified executives is set out in Note 26.

Wholly Owned Group

The wholly owned group consists of Funtastic Limited and its wholly-owned controlled entities, JNH Australia Pty Limited and Fun International Limited. Ownership interests in these controlled entities are set out in Note 31.

Transactions between Funtastic Limited and other entities in the wholly-owned group during the years ended 31 December 2004 and 2003 consisted of:

(a) loans advanced by Funtastic Limited;

(b) management services provided by Funtastic Limited; and

(c) payment to Funtastic Limited for the above services.

Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with entities in the wholly-owned group:

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$	$	$	$
Loans advanced to controlled entities	-	-	14,690,049	14,548,673
Provision of management services to controlled entity	-	-	7,604,465	-

Note 34. Segment Reporting

The company operates within one business segment, being wholesale distribution and primarily in one geographic segment being Australia.

Note 35. Events Occurring After Balance Date

On the 4 January 2005 the company completed the acquisition of the business and assets of Planet Fun Limited the leading distributor of toys and nursery products in New Zealand.

Planet Fun distributes to all of the major retailers in New Zealand. Funtastic has had a close relationship with Planet Fun for three years and this has enabled the management teams of Funtastic and Planet Fun to gain an appreciation of each others business. This acquisition presents an opportunity for Funtastic to increase penetration of its toy and other product ranges into the New Zealand market.

The acquisition was funded by a mix of debt and equity to the shareholders of Planet Fun.

The purchase price of $13,051,709 paid or payable on 4 January 2005 is as follows:

- Cash to vendor $10,123,841
- Equity to vendor $3,293,359
- Amount refundable from the vendors $365,491 (NZ$396,415) ‡

Net assets at acquisition totalled $501,650 (NZ$544,040) including debt of $3,237,292 (NZ$3,510,844) ‡

The equity to vendor in the form of 1,537,217 ordinary shares in Funtastic was issued to the vendor on 4 January 2005 at a price per share of $2.20 being the higher of $2.20 or the 10 day volume weighted average price for the period immediately after signing of the purchase agreement.

- An Earn out (up to a maximum of $3.69 million) ‡ will be payable subject to the business achieving certain financial targets for the year ending 31 December 2005.

Planet Fun is a private company with annual sales of around $20.0 million.

All amounts have been converted using the AUD/NZD exchange rate of the underlying transaction except ‡ which has used an AUD/NZD rate of 1.0845 representing the spot rate at 31 December 2004.

On the 4 January 2005 the bank facilities as detailed in note 15 were increased to accommodate the purchase of Planet Fun Limited. The Commercial Bill facility was increased to $36,100,000 and an additional Standby Documentary letter of credit facility of NZ$4,500,000 was established, offset by a reduction in the National Debtor Finance Facility of $5,000,000 to $20,000,000

There are no other matters or circumstances that have arisen since 31 December 2004 that have significantly affected or may significantly affect:

(a) the company's operations in future financial years;

(b) the results of those operations in future financial years; or

(c) the company's state of affairs in future financial years.

Note 36. Employee Benefits

		Consolidated		Parent Entity	
		2004	2003	2004	2003
	Note	$	$	$	$
Employee Benefit and Related On-Costs Liabilities					
Included in other creditors - current	18	411,145	356,979	411,145	356,971
Provision for employee benefits- current	16	1,584,241	2,197,492	1,584,241	2,197,492
Provision for employee benefits - non-current	21	865,361	826,500	865,361	826,500
Aggregate employee benefits related on cost liabilities		**2,860,747**	**3,380,971**	**2,860,747**	**3,380,971**

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	Number	Number	Number	Number
Employee Numbers				
Average number of employees during the financial year	**325**	**250**	**325**	**250**

Executive Share Option Plan

A scheme under which shares may be issued to employees was approved by a resolution of shareholders and directors of the company on 2 August 2000.

Options are granted under the plan for no consideration. Options are granted over varying periods and on conditions attributable to each issue of options. The entitlements to the options are vested (that is, they are not conditional on future employment) as soon as they become exercisable.

The options are not exercisable until certain criteria are met.

Option type 1 - 50% (that is, 25% per annum) is exercisable on the attainment of budgeted net profit after tax for the first two years and 50% is exercisable based on the continued employment with the company for three consecutive years.

Option type 2 - 50% exercisable if the average diluted earnings per share (EPS) reaches or exceeds 13% per annum over a three year period commencing three years prior to the expiry date and 50% exercisable if the average diluted EPS reaches or exceeds 17% per annum over the same three year period.

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

The exercise price of options is based on the weighted average price at which the company's shares are traded on the Australian Stock Exchange during the five days immediately before the options are granted. Amounts receivable on the exercise of options are recognised as share capital.

Note 36. Employee Benefits (Cont.)

Executive Share Option Plan (Cont.)

Set out below are summaries of options granted under the plan.

Grant Date	Type	Expiry Date	Exercise Price	Balance at start of the year. Number	Issued during the year. Number	Exercised during the year. Number	Lapsed during the year. Number	Balance as at end of the year. Number
Consolidated and Parent Entity - 2004								
14 Sep 2000	1	14 Sep 2005	$0.50	620,000	-	565,000	25,000	30,000
2 Apr 2002	1	2 Apr 2007	$0.62	355,000	-	50,000	25,000	280,000
13 Nov 2002	1	13 Nov 2007	$0.88	800,000	-	150,000	-	650,000
7 Mar 2003	1	7 Mar 2007	$0.88	860,000	-	100,000	197,500	562,500
1 May 2003	1	1 Oct 2007	$0.92	500,000	-		-	500,000
23 Sep 2003	1	2 Apr 2008	$1.10	660,000	-	77,500	97,500	485,000
11 Nov 2003	1	1 Aug 2008	$1.52	280,000	-	25,000	75,000	180,000
11 Sep 2003	1	11 Sep 2008	$1.89	500,000	-		-	500,000
17 Dec 2003	1	17 Sep 2008	$1.89	575,000	-	1,250	8,750	565,000
18 Feb 2004	1	18 Feb 2009	$2.16	-	50,000	-	-	50,000
29 Dec 2004	1	29 Dec 2008	$2.18	-	100,000	-	-	100,000
5 Jan 2004	1	5 Jan 2009	$2.12	-	100,000	-	-	100,000
3 Nov 2004	1	9 Aug 2009	$2.39	-	200,000	-	-	200,000
17 Dec 2004	2	2 Apr 2007	$2.04	-	859,000	-	-	859,000
				5,150,000	**1,309,000**	**968,750**	**428,750**	**5,061,500**
Consolidated and Parent Entity - 2003								
14 Sep 2000	1	14 Sep 2005	$0.50	1,060,000	-	440,000	130,000	620,000
2 Apr 2002	1	2 Apr 2007	$0.62	715,000	-	83,750	276,250	355,000
13 Nov 2002	1	13 Nov 2007	$0.88	800,000	-	-	-	800,000
7 Mar 2003	1	7 Mar 2007	$0.88	-	960,000	-	100,000	860,000
1 May 2003	1	1 Oct 2007	$0.92	-	500,000	-	-	500,000
23 Sep 2003	1	2 Apr 2008	$1.10	-	730,000	-	70,000	660,000
11 Nov 2003	1	1 Aug 2008	$1.52	-	280,000	-	-	280,000
11 Sep 2003	1	11 Sep 2008	$1.89	-	500,000	-	-	500,000
17 Dec 2003	1	17 Sep 2008	$1.89	-	575,000	-	-	575,000
				2,575,000	**3,545,000**	**523,750**	**576,250**	**5,150,000**

Note 36. Employee Benefits (Cont.)

Executive Share Option Plan (Cont.)

Options exercised during the financial year and number of shares issued to employees on the exercise of options.

		Consolidated		Parent Entity	
Exercise Date	Fair Value of Shares at Issue Date	2004 Number	2003 Number	2004 Number	2003 Number
25 Jun 2003	$1.40	-	45,000	-	45,000
26 Jun 2003	$1.40	-	25,000	-	25,000
4 Aug 2003	$1.53	-	2,500	-	2,500
19 Sep 2003	$1.89	-	20,000	-	20,000
23 Sep 2003	$1.89	-	50,000	-	50,000
25 Sep 2003	$1.83	-	300,000	-	300,000
26 Sep 2003	$1.85	-	75,000	-	75,000
17 Dec 2003	$2.14	-	6,250	-	6,250
2 Mar 2004	$2.08	300,000	-	300,000	-
9 Mar 2004	$2.15	55,000	-	55,000	-
16 Mar 2004	$2.13	157,500	-	157,500	-
8 Jul 2004	$2.21	185,000	-	185,000	-
9 Aug 2004	$2.40	150,000	-	150,000	-
1 Sep 2004	$2.41	95,000	-	95,000	-
8 Nov 2004	$2.60	1,250	-	1,250	-
14 Dec 2004	$2.00	25,000	-	25,000	-

The fair value of shares issued on the exercise of options is the weighted average price at which the company's shares were traded on the Australian Stock Exchange on the day prior to the exercise of the options.

Employee options vested at the reporting date are as follows:

	Consolidated		Parent Entity	
Option Price	2004 Number	2003 Number	2004 Number	2003 Number
$0.50	30,000	620,000	30,000	620,000
$0.62	140,000	88,750	140,000	88,750
$0.88	303,125	200,000	313,125	200,000
$0.92	250,000	-	250,000	-
$1.10	121,250	-	121,250	-
$1.52	45,000	-	45,000	-
$1.89	266,250	-	266,250	-
	$	$	$	$
Aggregate proceeds received from employees on the exercise of options and recognised as issue capital	**659,913**	**271,925**	**659,913**	**271,925**
Market value of shares issued to employees on the exercise of options as at their issue date	**2,128,775**	**935,250**	**2,128,775**	**935,250**

Note 37. Impact of Adopting AASB Equivalents to IASB Standards

The Australian Accounting Standards Board ('AASB') has issued AASB equivalents to IFRS for application to reporting periods beginning on or after 1 January 2005. The impact of adopting AASB equivalents to IFRS standards will be first reflected in the financial statements for the half-year ending 30 June 2005 and the year ending 31 December 2005.

The transition to AASB equivalents to IFRS is under the control of the Chief Financial Officer (CFO), including training of staff and system and internal control changes necessary to gather all the required financial information. The CFO reports to the Board of directors on progress.

To date the AASB equivalents have been analysed and significant accounting policy changes that will be required have been identified. In some cases choices of accounting policies are available, including elective exemptions under AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards'. Some of these choices are still being analysed to determine the most appropriate accounting for the company.

Major changes identified to date that will be required to existing accounting policies include the following:

- Funtastic Limited hedges in order to protect itself from currency volatility. Hedges are largely specific to the purchase of goods and exchange differences are currently included in the measurement of purchases. The Australian IFRS equivalent requires all hedges to be strictly designated against specific transactions and the effectiveness of the hedge to be tested. These financial instruments must be recognised on the statement of financial position and all derivatives and most financial assets will be carried at fair value.
- Accounting for Intangible Assets - Funtastic Limited has significant intangible assets which predominately reflect goodwill acquired through acquisition. Goodwill is currently amortized over 20 years. The relevant Australian IFRS equivalents require an assessment of goodwill for impairment and do not require goodwill to be amortized. There is currently no accounting standard in Australia for intangible assets, however non-current assets are required to be amortized over their useful lives. The Australian IFRS equivalent requires identifiable intangible assets with a limited useful life to be amortized over their useful lives. Intangible assets with an indefinite useful life are not amortized but subject to impairment testing. The primary difference in respect of current policy will therefore be in relation to the non-amortization of goodwill.
- Share based payments - There is currently no accounting standard in Australia for share based payments, however there are various disclosure requirements for such payments. The Australian IFRS equivalent requires such payments to be expensed on a fair value measurement basis.
- Share options issued pursuant to supplier distribution agreements will be recognised as expenses in the period during which the supplier provides the related services.
- Accounting for Taxation - Funtastic Limited currently accounts for income tax in accordance with AASB1020 Income Taxes which is based on differences between the accounting and taxation treatment of transactions in the Statement of Financial Performance. The Australian IFRS equivalent is based on differences between the accounting and taxation treatment of transactions in the Statement of Financial Position.
- Changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to AASB equivalents to IFRS as some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to AASB equivalents to IFRS on the Group's financial position and reported results.

Shareholders Information

The shareholder information set out below was applicable as at 18 March 2005.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holdings.

Range	Ordinary Shares Holders	Options
1 - 1,000	1,713	0
1,001 - 5,000	4,586	0
5,001 - 10,000	1,744	9
10,001 - 100,000	1,375	32
100,001 and over	75	18
	9,493	**59**

There are 254 shareholders holding less than a marketable parcel of ordinary shares.

B. Substantial holders

Substantial holders in the company are set out below:

	Shares	%
Mr Nir Pizmony (NSR Toys Pty Ltd)	8,982,524	7.14
Mr Moshe Meydan (AH Meydan Pty Ltd)	7,946,479	6.32
Mr David Hendy (Hendy Innovations Pty Limited and Associated Entities)	6,419,650	5.10
Invia Custodian Pty Limited	6,304,221	5.01
	29,652,874	**23.57**

C. Equity security holders

Twenty largest quoted equity security holders.

The names of the twenty largest holders of quoted equity securities are listed below:

	Shares	%
1. NSR Toys Pty Ltd	8,982,524	7.14
2. AH Meydan Pty Limited	7,946,479	6.32
3. Hendy Innovations Pty Ltd	6,419,650	5.10
4. Invia Custodian Pty Limited	6,304,221	5.01
5. UBS Private Clients Australia Nominees Pty Limited	4,629,963	3.68
6. National Nominees Limited	3,756,520	2.99
7. TKM Investments	2,341,928	1.86
8. JP Morgan Nominees Australia Limited	2,130,882	1.69
9. RBC Global Services Australia Nominees Pty Limited	1,990,284	1.58
10. RBC Global Services Australia Nominees Pty Limited	1,800,841	1.43
11. Equity Trustees Limited	1,507,693	1.20
12. Sino Pacific Resources SA	1,445,578	1.15
13. Queensland Investment Corporation	1,442,229	1.15
14. Westpac Custodian Nominees Limited	1,140,025	0.91
15. MR Geoffrey Allan Tomlinson & Associated Entities	1,063,776	0.85
16. Mirrabooka Investments Limited	1,000,000	0.79
17. ANZ Nominees Limited	990,916	0.79
18. Playwell Industry Limited	916,928	0.73
19. IOOF Investment Management Ltd	847,950	0.67
20. RBC Global Services Australia Nominees Pty Limited	675,957	0.54

Unquoted equity securities

	Number on Issue	Number of holders
Options issued under the Funtastic Executive Share Option Plan	5,061,500	56
Ordinary options	2,600,000	3

No person holds 20% or more of these securities

C. Voting Rights

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options
No voting rights

Company Information

Funtastic Limited
ACN 063 886 199

Directors
Geoff Tomlinson BEc
Chairman and Non Executive Director

Harry Boon LLB (Hons) BCom
Non Executive Director

David Berry BCom FCA FTIA
Non Executive Director

David Hendy
Managing Director

Tony Oates
Deputy Managing Director

Moshe Meydan
Executive Director

Secretary
David Berry

Registered Office
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Camberwell Vic 3124

Principal Administrative Office
1076-1078 Centre Road
Oakleigh Vic 3167

Share Registry
Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford Vic 3067

Auditors
RSM Bird Cameron Partners
Rialto Level 8
525 Collins Street
Melbourne Vic 3000

Bankers
National Australia Bank
535 Bourke Street
Melbourne Vic 3000

Solicitors
Freehills
101 Collins Street
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