2006 Annual Report

funtastic LIMITED

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.

Contents

Message to **Shareholders**

Revenue – ***$362.7m,*** *EBITA –* ***$28.5m,***

The reported results your Company achieved for the year ended 31 December 2006 are summarized as follows: -

- Revenue of $362.7 million, *up 4.2%*
- Earnings before Interest, Tax & Amortisation (EBITA) of $28.5 million, *down 19.7%*
- Net Profit After Tax, excluding amortisation and restructuring costs (underlying NPATA) of $16.0 million, *down 26.9%*
- Diluted Earnings Per Share (EPS) of 9.3 cents, *down 42.6%*

The Directors have declared a fully franked dividend of 4 cents per share, making a total dividend for 2006 amounting to 8 cents per share. The record date for the final dividend was 23 March 2007 and the payment date is 12 April 2007. The Funtastic Dividend Reinvestment Plan has also been reinstated.

NPATA – **$16.0m,** EPS – **9.3c**

2006 **Results Analysis**

The first table below shows a proforma view of the company's financial performance both including and then excluding the acquisitions of Madman and Mike & Jack. The second table shows the impact of the accounting standards in relation to the treatment of amortisation and the amortisation profile from 2005 until 2014.

	Full year to 31-Dec-2005			Full year to 21-Dec-2006			
$m	**Actual**	**Dorcy Irwin[(1)]**	**Pro-forma**	**Actual**	**Madman[(2)]**	**M&J[(3)]**	**Pro-forma**
Revenue	348.2	13.9	362.1	362.7	31.0	6.2	325.5
EBITA	35.5	0.8	36.3	28.5	7.2	0.9	20.4
NPAT	21.6	(0.2)	21.4	12.1	2.5	0.6	9.0
Amortisation (after tax)	0.3	0.3	0.6	3.0	1.9	-	1.1
NPAT (excluding amortisation)	21.9	0.1	22.0	15.1	4.4	0.6	10.1
Restructuring costs (after tax)	-	-	-	0.9	-	-	0.9
Underlying NPATA	21.9	0.1	22.0	16.0	4.4	0.6	11.0

Notes: (1) Dorcy Irwin acquired 12 August 2005. (2) Madman acquired 10 May 2006. (3) M&J acquired 10 May 2006

Amortisation Profile

A$'000	**TOTAL**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Dorcy Irwin	3,088	440	867	720	548	174	138	104	81	9	8
Radica Adjustment	-	-	670	370	300	-	-	-	-	-	-
Madman	5,100	-	2,660	2,062	328	50	-	-	-	-	-
M&J	257	-	55	86	86	30	-	-	-	-	-
Judius[(4)]	40,000	-	-	2,000	2,000	2,000	2,000	2,000	2.000	2,000	2,000
Total	48,445	440	4,252	4,498	2,662	2,254	2,138	2,104	2,081	2,009	2,008

Notes: (4) Preliminary estimate

Message to ***Shareholders***

…we are working diligently to ***reduce*** *our fixed* ***cost base*** *and at t*

Operations

2006 proved to be a difficult year for your Company with several factors combining to deliver our first downturn since becoming a publicly listed Company in 2000.

The factors which mostly impacted the results were:

1. The macro economic influence of rising petrol prices and several interest rate increases damaged consumer confidence in mass market retail. Families with mortgages are Funtastic's key customers and these two factors had a dramatic impact on their confidence.
2. Difficult trading conditions experienced by the major retailers during August to October 2006 had the effect of reducing their purchases during October and November as they sought to bring their inventory levels down.
3. Several of our major toy brands reached maturity in 2006 including LeapFrog, Bratz, Radica and Tamagotchi. This impacted the top line revenue in our key Toy area and as we have a relatively high fixed cost base we experienced a decline in profitability.
4. The continued drive by major retailers to source generic apparel directly meant that orders were achieved at reduced margins as we strived to remain competitive.

In reaction to this unacceptable performance we have embarked on a cost saving and restructuring plan in order to reduce our cost base by at least $5 million. In restructuring the business we have reduced labour costs by approximately $4 million and consolidated our sites in Melbourne from six to four. The remaining cost savings will be achieved by renegotiating many of our service agreements, increasing our direct sales to retailers thus reducing warehouse and financing costs and by keeping a tight control on all costs throughout 2007.

During 2006, we acquired Madman, the leading independent supplier of DVD and theatrical entertainment and we acquired Mike and Jack, an innovative niche confectionery company. We are pleased to report that both acquisitions performed well in 2006 with Madman well exceeding our expectations.

Outlook *for 2007*

Pivotal to our success in 2007 is the need to stabilize our core business and to successfully integrate our most recent acquisition, Judius.

We are working diligently to reduce our fixed cost base in the core business and at the same time develop new areas of opportunity in the market. In Toys we have secured distribution rights for new properties such as : -

- Little Tikes
- Disney Plush
- Teenage Mutant Ninja Turtles The Movie
- Pirates of the Caribbean III
- Shrek the Third

Other initiatives that have been undertaken include:

- securing of a long term extension of the Bratz toy contract, thus extending our association with the number one doll brand in Australia.

he same time **develop new** areas of opportunity in the **market**...

- starting an Interactive Entertainment business unit and securing the master rights for all Disney PC and console software.
- signing long term agreements for all Cartoon Network DVD properties which are now the key strategic partner for all SBS television channel brands on DVD.
- building our portfolio of apparel licences and brands. We have recently entered into agreements with Ladybird, Fisher Price and Disney.

Reliance on a few large customers has been one of the key risks that we face in the business. In order to dilute this reliance we have entered into a 20 year exclusive, global supply agreement with ABC Learning Centres Limited (ABC).

This agreement was secured by acquiring Judius which was previously owned by ABC. This acquisition enables us to not only grow in Australia, but most importantly, on the global stage. Currently ABC have in excess of 1,300 childcare centres in the USA, UK and New Zealand. Once we have replicated the Judius Australia intranet ordering and supply model we will have exclusive access to supply all these centres and any additionally acquired centres for the next 20 years.

This is a truly transformational opportunity and one which we are very excited about.

The integration and maximization of the Judius acquisition is pivotal to the long term growth strategy of your Company and immediately expedites our international expansion.

Summary

We believe we have the brands, licences, strategies and, most importantly, the right people to return your Company to growth. We have taken action to address shortcomings in 2006 and we are steeled to drive success over the long term.

We are committed to driving cost reductions and efficiencies across the Company. Our portfolio of brands and licences continues to lead the market. Our entrance into the Interactive Entertainment market is well timed. The results from the acquisitions of Mike & Jack and particularly Madman are exceeding our expectations and the recent Judius acquisition provides a platform to dilute reliance on too few customers and drive serious international growth for your Company.

The Directors would like to thank our dedicated executives and staff. We are proud of their efforts and know they are well focused on achieving improved results in the coming year.

We would also like to thank our loyal shareholders for their continued faith and ongoing support as we make the necessary changes to our business model and strategies.

We know what we have to achieve in 2007 and we are 100% committed to the achievement of those goals.

David Hendy
Chairman

Tony Oates
Managing Director

Product **Categories**

Funtastic *Toys*

Funtastic Toys has been a key industry player for well over a decade and has been the recipient of the prestigious Toy of the year Award and Major Toy Supplier awards since 2002, winning both awards four times to date.

Driven by market leading brands such as LeapFrog, Wiggles, Teenage Mutant Ninja Turtles, Disney Fairies, Zapf Creation and WWE, Funtastic Toys is able to cater to all age groups. 2007 will see an exciting array of products launched including Eyeclops, LeapFrog Clickstart, Pirates of the Caribbean and Teenage Mutant Ninja Turtle movie action figure range, Disney Plush and a range of remote control XPV (Xtreme performance vehicles) cars, planes and robots! Funtastic Toy's growing dominance in games will also continue with the exciting launch of Sesame's Hot Tomato Elmo Game.

JNH *Toys*

JNH sell an extensive range of toys catering for infants through to tweens. Many of these toys have a very strong heritage founded up to twenty years ago and include market leading brands such as Thomas and Friends, Pokemon, Cabbage Patch Kids, Power Rangers, Care Bears, Tamagotchi and AirHogs.

Complimenting this extensive range are some exciting new brands and product extensions for 2007 including Ben 10, Moon Sand, Doodle Bear and Bella Dancerella. The success of this product category has been built through the development of long term strategic partnerships, with internationally recognised companies including Tomy, Bandai, Playalong Toys and Spin-Master Toys.

Toy *& Hobby*

Toy & Hobby is dedicated to the sales and marketing growth of the MGA portfolio of brands including Bratz, Shrek, Miuchiz, Yummi Land and Rescue Pets.

In 2006, Bratz was the number one fashion doll in Australia and the number two best selling toy brand in the entire toy market! 2007 will feature the most amazing Bratz range to date and will include an interactive and glamorous dolls and accessories for the highly anticipated Bratz Movie later in the year.

Little Tikes, a range of preschool indoor and outdoor playsets and activities, has also joined the Toy & Hobby portfolio for 2007. The Little Tikes well crafted and interactive product range is a very exciting addition to the Funtastic Group.

***Dorcy** Irwin*

Dorcy Irwin is the home to some of the most innovative electronic toys including the award winning Wow Wee range. Just launched and leading the tech savvy category for 2007 is Wow Wee's Dragonfly!

Dorcy Irwin is also a dominant player in the board game category including world famous games CSI, the Cranium range, Atmosfear™ DVD board game and The Simpsons™ games.

Other standout toy ranges include Shelcore, Corgi, and licenses like Fifi and the Flowertots, Strawberry Shortcake, High School Musical and new entertainment properties Robin Hood and the Golden Compass.

Torches and batteries are also distributed with the Dorcy brand being the market leader in LED flashlights and having the broadest range of outdoor lighting.

***Planet** Fun*

In January 2005, Funtastic expanded its operations into New Zealand via the strategic acquisition of Planet Fun, the leading distributor of toys and nursery products in that market.

Planet Fun has been operating since 2001 and rapidly grew to its leadership position via strong overseas partnerships with companies including Bandai, Tomy, Playalong, Jakks and LeapFrog and by accessing the best licenses and brands such as Bratz, Leapfrog, Thomas and Friends, Cranium, Fly Wheels, Tamagotchi and Bob the Builder.

Planet Fun currently has four main product areas; Toys, Nursery, Confectionery and Homewares and distributes these products though all major retailers in New Zealand.

Sporting

Funtastic's Sporting and Outdoor business is a fast paced and fun category and adds an exciting dimension to the Funtastic stable of brands. The Sporting product category currently distributes world famous brands such as Razor, Bratz, Crusty Demons and Zocker, in addition to developing local brands such as 2DX™, MotoFX™ and Scuttlebug™.

With a strong product development and licensing program, 2007 will see continued rapid growth. Leading the charge will be the Australian 2007 Outdoor Toy of the Year recipient – Rip Stick, an exciting and challenging skateboard that also acts like a snowboard!

Product **Categories**

Nursery

Funtastic's Nursery business has grown rapidly since 1998 via strong distribution partnerships of market leading brands such as TOMY, Safety 1st and Medela. Newness in 2007 will be driven by the exciting launch range of Shellcore Nursery and Summer Infant ranges.

Our locally developed QuickSmart™ range will be instrumental in driving growth for 2007 – both in Australia and in international markets. Based on the innovation and success of the QuickSmart Original BackPack Stroller and EasyFold Stroller, Funtastic is extending the revolutionary range of QuickSmart products to include travel cots, highchairs and much more. The QuickSmart range provides parents with innovative, original and convenient products needed to make everyday parenting a breeze.

LEAP FROG

medela

QuickSmart

TOMY

Homewares

Homewares was founded by the launch of the ever popular children's flip-out sofa. Product innovation and hot licenses are still the key to growth for this product category, proven with the recent 2007 Preschool Licensed Product of the year title awarded to Funtastic's Laugh and Tickle Me Elmo Chair!

Key product categories include bean and foam filled products, lighting, wooden furniture, toy tidies, room décor and accessories and camping chairs. Popular licenses within the children's Homewares area include Barbie, Bob the Builder, Thomas and Friends, Batman, Spider-Man, Care Bears, Disney Princess, Bratz and Winnie the Pooh.

Bob the Builder

Barbie

THOMAS & FRIENDS

Manchester

Our Manchester product category is primarily involved in licensed juvenile quilt cover sets, sheet sets, towels, throw rugs and cushions. Our licenses in this area include Spider-Man, Holden, Care Bears, Hilary Duff, The Wiggles and the ever popular Bratz as well as hot new movie licenses including Teenage Mutant Ninja Turtles, Transformers, Pirates of the Caribbean and some adult skewed properties such as American Chopper.

This product area is headed up by a professional with more than 20 years experience in the Manchester industry and we uphold the highest of standards in product development, innovation and quality.

HOLDEN

TRANSFORMERS

Hilary Duff

Funtastic *Confectionery*

Funtastic Confectionery was born out of novelty confectionery with candy toys such as PEZ™ and Cap Candy™ (Spin Pops). The rapid success of this business soon saw a widening of the brand portfolio to include premium branded confectionery such as Anthon Berg. Funtastic Confectionery is also proud to represent key international brands such as Chupa Chups™ (novelty) and Beacon™.

Funtastic Confectionery is home to some of the hottest licenses including Bratz and Simpsons, across a number of brands including the ever popular Surprise Eggs. The seasonal Easter and Christmas ranges have been a huge success and have increased the market share of the business unit dramatically during key seasonal periods.

Mike & Jack *Confectionery*

Mike & Jack was acquired by Funtastic in May 2006. Since 1989, Mike & Jack have built many well known brands into household names including X-Treme, Groovy, Mr Mallow and Dip N Lick. The proven success of launching brands, high levels of product development and driving the novelty category is a strength to the Funtastic Group.

Mike & Jack are key suppliers to leading retailers in the areas of licensed, seasonal and everyday confectionery. The range of confectionery is constantly growing as the team continue to introduce the hottest and most innovative products sourced from around the world.

Australian *Horizons*

Australian Horizons is an integral part of Funtastic Limited having been a major player in the Australian apparel industry for the past 20 years. Whilst based in Melbourne, Australian Horizons also has an international office and manufacturers in China (Shanghai) and Fiji.

The principal business is in the design, development, manufacturing and distribution of both woven and knitted garments for a variety of customers. Product segments include: outerwear, underwear, socks/hosiery, swimwear, and sleepwear.

The business in divided into three key areas: production of house branded garments for key retail partners, driving strong licensed apparel programs in all categories and developing and aggressively marketing our own brands which are now the cornerstone of the Australian Horizons business. Brands we own and market include Beach Crew, Booomdoggers and Be De Girls.

Product **Categories**

Licensed *Apparel*

Licensed 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, Disney Fairies and Winnie the Pooh, has allowed it to extend into the fashion oriented categories of outerwear, underwear, socks and 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.

We are also the principal apparel licensee for the iconic Australian brand Holden.

Footwear

Since its inception, Footwear has grown from small beginnings to market leader. This exceptional growth has taken place with a focus on children's licensed footwear.

Footwear holds licensing rights for such powerful brands as Winnie the Pooh, Barbie, Bob the Builder, Thomas and Friends, Bratz and many others. With an enormously experienced team in place, it is perfectly poised for the next exciting phase of the operation.

Our vision is to move into developing a branded range of innovative footwear for teens and adults.

Accessories

Accessories comprises a wide range of goods including children's licensed bags, backpacks, rolling luggage and fashion accessories including hats, scarves and gloves. Hot licenses – both evergreen and movie based - are key to this category and include Bratz, Spider-man, Disney Princess, Barbie, Teenage Mutant Ninja Turtles and many, many more.

The Health and Beauty business, which is part of our Accessories product category, is growing rapidly particularly with the development of a fashionable range of Cosmetic Bags, Barbie Health and Beauty products and the tremendous success of our Hair Accessories brands Minx and Popsicle Girl.

We follow the latest fashion trends from all around the world to develop product which is fashionable, fun and affordable.

Publishing

Publishing was formed five years ago and has become Australia's leading licensed publisher and the second biggest children's publisher by volume. In 2006, Funtastic Publishing released many new titles across many leading licenses but enjoyed particular success as Disney's master Australian publisher releasing a wide range of formats behind great properties such as Disney Press, Winnie-the-Pooh, High School Musical and Disney Fairies.

Under new leadership and following relocation to Collingwood in Melbourne's inner-city to become part of Madman entertainment, Funtastic Publishing are poised for continued success in 2007. Funtastic hold the master publishing rights to some of the biggest theatrical releases in the coming year including Teenage Mutant Ninja Turtles, Transformers, Spiderman 3 and Disney's Meet the Robinsons and Disney/Pixar's Ratatouille. Funtastic will also continue to strengthen our market leading position releasing many new titles from leading brands such as Disney, Wiggles and Dora the Explorer.

Our International Publishing business continues to expand into new territories with partnerships being formed with local publishers in the key emerging markets such as Brazil, Mexico, Russia, India and China. Funtastic have secured English language publishing rights for Disney across Asia Pacific, South Africa and India which will be a key long term growth platform for the future.

Interactive *Entertainment*

Funtastic's Interactive Entertainment business is the proud Australian and New Zealand distributor of the Disney Interactive Studios portfolio, System 3 and Redmile and the Digital Innovations range of care, repair and maintenance products. A fast paced and rapidly growing category, Interactive Entertainment will be a key focus for the Funtastic Group in 2007 and has been re-aligned to sit with the Madman team to capture all marketing and growth opportunities across the two like categories.

Exciting new releases for 2007 include Pirates of the Caribbean, Turok, Meet the Robinsons, Spectrobes, High School Musical 2, and much, much more.

With a passionate and experienced team, the business is focused on securing long term distribution agreements with key console and PC publishers along with the development of a range of accessories.

Madman

Madman have built a strong reputation around their expertise in working with traditionally "niche" products - including only the best in animation and Japanese 'anime', world cinema, arthouse film, documentary and Australian independent features. Their exceptional array of titles earned several AFI awards in 2006 including KENNY (best actor) and Ten Canoes (best film)!

Directors *Report*

The directors of Funtastic Limited submit herewith the annual financial report of the company for the year ended 31 December 2006. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

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

- Geoff Tomlinson - *retired 11 May 2006*
- David Hendy
- David Berry
- Moshe Meydan
- Harry Boon - *retired 28 February 2007*
- Tony Oates
- Antony Lynch - *appointed 25 May 2006*

Company *Secretary*

David Berry, a director, holds the position of company secretary.

Principal ***Activities***

The company's principal continuing activity during the year consisted of wholesale, marketing, licensing, and distribution of products: including children's toys, bags, stationery, infant, confectionery, footwear, hobby products, publishing, homeware, apparel, DVD products and computer games.

Results

	2006 $	2005 $
Consolidated operating profit after income tax	12,067,817	21,611,526

Earnings *per Share*

	2006 Cents	2005 Cents
Basic earnings per share	9.4	17.1
Diluted earnings per share	9.3	16.2

Review of ***Operations***

- Revenue totalled $362.7m and represents a 4% increase on last year's revenue of $348.2m.
- Earnings before Interest, Tax and Amortisation (EBITA) excluding restructuring costs was $29.8m a 16% reduction on last year's EBITA of $35.5m.
- Profit for the period before Amortisation (NPATA) excluding restructuring costs was $16.0m which represents a 27% reduction in NPATA on the previous corresponding period.
- Profit for the period (NPAT) totalled $12.1m a 44% decrease on the previous corresponding period.

The trading environment across all product categories during the year was tough with difficult trading conditions driven by economic factors. Mass merchant retailers across the board focused on driving inventory levels down to record lows and this in itself had a detrimental impact on top line revenue and subsequently impacted on profitability.

The 2006 net profit result is after deducting:

(a) a one off impairment loss of $0.7m due to the overseas sale of the Radica business to Mattel and;

(b) an amortisation charge of $3.6m in respect of identifiable intangibles acquired through the purchase of Dorcy Irwin Pacific, Madman and Mike & Jack.

(c) restructuring costs of $1.3m ($0.9m after tax)

During December management implemented a restructure of the cost base that will generate approximately $5.0m in cost savings in 2007. This re-basing of our cost structure together with an external strategic review is being undertaken to improve our long term profitability and shareholder returns. With retail and economic pressures placing demands on margin and inventory management we are committed to reducing costs and gaining efficiencies in our business. We are also undertaking a review of all product categories to ensure that our approach of either fixing or divesting any underperformers is adhered to vigorously.

The previous corresponding period includes the five months of operation of the Dorcy Irwin Group of companies acquired on 11 August 2005 but excluded those of the Madman Group of companies and the business and assets of M&J (both acquired 10 May 2006).

Excluding the contributions from the acquisitions of Madman and Mike & Jack, profit for the year excluding amortisation and restructuring costs would have been $11.0m compared to $21.9 for the year to 31 December 2005.

Funtastic's fully diluted earnings per share decreased by 43% to 9.3 cents per share from the previous corresponding period. Before amortisation of identifiable intangibles, fully diluted earnings per share decreased 29% to 11.6 cents per share from the previous corresponding period.

***Directors** Report*

Amortisation and impairment expense of $4.3m (after tax $3.0m) has been incurred during the period in relation to finite life intangible assets identified during the acquisitions of Dorcy Irwin, Madman and Mike & Jack, as required under the Accounting Standards. The finite life intangible assets identified at acquisition are detailed in Notes 16 and 32 of the Financial Statements. The finite life intangibles are amortised over their expected useful lives which range from less than 1 year to 9 years. The impact of amortisation on earnings is greatest in the first years and subsides significantly in subsequent years.

Net cash outflow from operating activities totalled $2.1m compared to cash inflows in the previous corresponding period of $27.6m due to lower trading performance, an increase in working capital, higher tax instalments paid during the period and higher interest costs associated with the acquisitions. Net debt has increased to $96.5m at 31 December 2006 from $35.5m at 31 December 2005 due to the acquisitions undertaken over the past 12 months.

The Company executed a significant contract extension with one of the company's largest brand principals, MGA, owner of the market leading brand Bratz. The agreement with MGA has been signed for a 5 year period of exclusive distribution in Australia and New Zealand from 1 January 2007.

In November the Company signed a non-binding heads of agreement for the purchase of all the shares of the Judius Group of Companies ('Judius') from ABC Learning Centres Limited ('ABC'). Judius is a leading wholesaler and distributor of toys, learning and educational products to the childcare industry and to specialty retailers. The products cover the complete spectrum of children's development, including literacy, maths, motor skills, arts & crafts and music.

The heads of agreement also sets out the terms of a long term relationship with ABC.

The key commercial terms are:

- Ongoing supply arrangement, with Judius supplying toys, furniture and learning and development products on an exclusive basis to all of ABC's childcare centres
- Judius' right to supply ABC will be global, and will have an initial term of 20 years

Dividends

(a) In respect of the year ended 31 December 2005, as detailed in the financial report for that year, a final dividend of $8,265,482 representing 6.5 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 6 April 2006

(b) In respect of the year ended 31 December 2006, an interim dividend of $5,310,425 representing 4.0 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 16 October 2006

(c) The directors recommend to pay a final dividend for the financial year ended 31 December 2006 year of $6,475,130 representing 4.0 cents per share franked to 100% at 30% corporate income tax rate, payable on 12 April 2007 with the record date on 23 March 2007

Events Occurring *after Balance Date*

On the 2nd January 2007 Funtastic completed the acquisition of the Judius Group of Companies from ABC Learning Centres Limited funded via the issue of 29,117,647 shares, valued at the date of completion at $46,879,412, and $5,000,000 in cash.

Other than the acquisition of Judius Pty Limited, there are no matters or circumstances that have arisen since 31 December 2006 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(3) of the Corporations Act 2001.

Information on ***Directors***

Geoff Tomlinson BEc

Appointed – 16 May 2000

Retired – 11 May 2006

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

Other current directorships of listed companies: Chairman of Programmed Maintenance Services Limited and Dyno Nobel Limited, Director of National Australia Bank Limited and Amcor Packaging Limited.

Former directorships in last 3 years: Chairman of Reckon Limited (June 1999 to Aug 2004) , Director of Mirrabooka Investments Limited (Feb 1999 to March 2006), and Deputy Chairman of Hansen Technologies Limited (March 2000 to March 2006).

David Hendy

Appointed – 10 July 1995

Experience – Former Managing Director of Funtastic and 25 years experience in the Toy Industry.

Special Responsibilities – Chairman, Non Executive Director, Chair of the Nomination Committee (from 11 May 2006) and member of the Remuneration & Evaluation Committee (from 28 June 2006)

Other current directorships of listed companies: Director of Repco Limited and Danks Holdings Limited

Former directorships in last 3 years: None

Tony Oates

Appointed – 1 September 2004

Experience – Broad experience in the Wholesale Industry

Special Responsibilities – Managing Director, member Nomination Committee

Other current directorships of listed companies: None

Former directorships in last 3 years: None

Directors *Report*

David Berry BCom FCA FTIA

Appointed – 16 May 2000

Experience – Chartered Accountant & Partner of an Accounting Firm.

Special Responsibilities – Non Executive Director, Chairman of the Audit, Risk and Compliance Committee, member of the Nomination Committee and Remuneration & Evaluation Committee (up to 28 June 2006).

Other current directorships of listed companies: None

Former directorships in last 3 years: None

Harry Boon LLB (Hons) BCom

Appointed – 1 September 2004

Retired – 28 February 2007

Experience – Broad commercial experience and Director of several public Companies.

Special Responsibilities – Non Executive Director, Chairman of the Remuneration & Evaluation Committee (up to 28 June 2006), & member of Audit, Risk & Compliance Committee and Nomination Committee.

Other current directorships of listed companies: Chairman Gale Pacific Limited and Tattersall's Limited, Director of Hastie Group Limited and Toll Holdings Limited.

Former directorships in last 3 years: Ansell Limited (April 2002 to June 2004)

Antony Lynch BCom

Appointed – 25 May 2006

Experience – Extensive experience as a non executive director and as an executive director of Australian public companies with over 20 years direct experience in the corporate and financial markets particularly mergers and acquisitions, private equity and development capital.

Special Responsibilities – Non Executive Director, Chairman of the Remuneration and Evaluation Committees (From 28 June 2006), member of Audit, Risk & Compliance Committee and Nomination Committee.

Other current directorships of listed companies: None

Former directorships in last 3 years: Loftus Capital Partners Limited and Webster Limited.

Moshe Meydan

Appointed – 11 September 2003

Experience – Established the Australian Horizons Group in 1982 and has had over 24 years extensive experience in the Apparel Industry.

Special Responsibilities – Non Executive Director, member of the Nomination Committee

Other current directorships of listed companies: None

Former directorships in last 3 years: None

Directors' *shareholdings*

Securities in the company or in a related body corporate in which directors have a relevant interest as at the date of this report were:

	Funtastic Limited		
	Ordinary Shares	Share Options	Performance Share Rights
Directors			
David Hendy	4,599,650	Nil	Nil
David Berry	183,314	Nil	Nil
Moshe Meydan	7,946,479	Nil	Nil
Tony Oates	608,938	400,000	Nil
Antony Lynch *(appointed 25 May 2006)*	13,267	Nil	Nil

Meetings of ***Directors***

The numbers of meetings of the company's directors held during the year ended 31 December 2006, and the number of meetings attended by each director were:

Number of meetings held	Board of directors A	Board of directors B	Audit committee A	Audit committee B	Remuneration committee A	Remuneration committee B	Nomination committee A	Nomination committee B
G Tomlinson *(retired 11 May 2006)*	9	9	2	2	1	1	1	1
D Hendy	20	21	-	-	1	2	1	1
D Berry	21	21	4	4	2	2	1	1
H Boon	17	21	4	4	4	4	1	1
A Lynch *(appointed 25 May 2006)*	11	12	2	2	3	3	-	-
M Meydan	18	21	-	-	-	-	1	1
T Oates	21	21	-	-	-	-	1	1

Column A indicates the number of meetings attended during the period the Director was a member of the Board and/or Committee.

Column B indicates the number of meetings eligible to attend during the period the Director was a member of the Board and/or Committee.

Share Options *and Performance Share Rights*

Share options and Performance Share Rights granted to directors and executives.

During and since the end of the financial year an aggregate of 847,143 share options and 80,000 Performance Share Rights over unissued ordinary shares of Funtastic Limited were granted to the following directors and executives of the company as part of their compensation:

(a) Share Options

	Options granted	Number of ordinary shares under option
Tony Oates	250,000	250,000
Paul Cannon	157,143	157,143
Colin Caulfield	170,000	170,000
Karl Nixon	170,000	170,000
Mark Scott	100,000	100,000
Total	847,143	847,143

(b) Performance Share Rights

	PSRs granted	Number of ordinary shares subect to performance rights
Ian Ashmore	25,000	25,000
John Redenbach	25,000	25,000
Robert Vasy	30,000	30,000
Total	80,000	80,000

Directors *Report*

Shares under option or issued on exercise of options

Details of unissued shares or interests under option or performance share rights issued by Funtastic Limited as at the date of this report are;

(a) Executive share options (ESOPs)

Exercise Price	Expiry Date	Number of ordinary shares under option
$ 0.8832	7-Nov-2007	42,500
	13-Nov-2007	650,000
$ 1.1000	2-Apr-2008	37,500
$ 1.5200	1-Aug-2008	105,000
$ 1.6400	2-Sep-2011	497,143
$ 1.8645	31-Mar-2011	250,000
$ 1.8800	2-Apr-2011	100,000
$ 1.8900	17-Sep-2008	190,625
$ 2.0000	2-Apr-2010	661,064
$ 2.1000	14-Apr-2007	15,000
$ 2.1200	5-Jan-2009	50,000
$ 2.1800	29-Dec-2008	50,000
$ 2.3900	9-Aug-2009	100,000
Total ESOP Options		2,748,832

(b) Ordinary Options

Exercise Price	Expiry Date	Number of ordinary shares under option
$ 1.5000	19-Jan-2014	1,500,000
$ 2.3900	31-Aug-2007	50,000
Total Ordinary Options		1,550,000

(c) Performance Share Rights (PSRs)

Exercise Price	Expiry Date	Number of ordinary shares subect to performance rights
Nil	2-Apr-2008	107,424
Nil	2-Sep-2009	217,500
Total PSRs		324,922

Issued on the ***Exercise of Options***

Details of ordinary shares issued by Funtastic Limited during or since the end of the financial year as a result of exercise of an option are;

Amount paid for shares	Number of shares issued
$ 0.8832	240,000
$ 0.9200	250,000
$ 1.1000	235,000
Total	725,000

Insurance of ***Officers***

During the financial year the company paid a premium in respect of a contract insuring the directors of Funtastic Limited and all executive officers of the company and of any related body corporate against a liability incurred as such director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred by such an officer or auditor.

Remuneration Report

The Directors of Funtastic Limited present the Remuneration Report prepared in accordance with section 300A of the Corporations Act for the Company and the consolidated entity for the year ended 31 December 2006.

Non Executive Directors Remuneration

Policy

Non Executive Director compensation is not linked to performance in order to maintain independence and impartiality.

Directors Fees

Fees and payments to Non Executive directors reflects the demands made on, and the responsibilities of the directors. Compensation 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.

The maximum aggregate compensation for Non Executive directors of $500,000 per annum was approved by shareholders at the Annual General Meeting held on 27 April 2004.

Board fees are currently:

- Chairman's fees $150,000 pa;
- Non Executive Directors' fee's $75,000 pa; and

Committee fees are currently paid in recognition of additional workload and responsibilities as follows:

- Chairman's fee $10,000pa
- Committee member attendance fee $2,500pa

Superannuation contributions are deducted from fees paid to Non Executive directors as required by Commonwealth legislation. The company pays no other retirement benefits to directors.

Details of the nature and amount of each element of the emoluments of each Non Executive director of Funtastic Limited for the year ended 31 December 2006 are set out in the following table:

	Short-term	Post-employment	
	Cash salary, fees & allowances $	Superannuation $	Total $
Geoff Tomlinson (retired 11 May 2006)	59,280	5,335	64,615
David Hendy[1]	247,553	10,959	258,512
David Berry	82,916	-	82,916
Harry Boon	75,731	-	75,731
Antony Lynch (appointed 25 May 2006)	47,548	4,279	51,827

(1) David Hendy was appointed Chairman with effect from 11 May 2006. Prior to this date he was a Non Executive Director. Included in the amounts disclosed above are consulting fees totalling $133,333 for special projects and assignments as requested by the Managing Director.

Details of the nature and amount of each element of the emoluments of each non executive director of Funtastic Limited for the year ended 31 December 2005 are set out in the following table:

	Short-term	Post-employment	
	Cash salary, fees & allowances $	Superannuation $	Total $
Geoff Tomlinson	128,440	11,560	140,000
David Berry	74,345	-	74,345
Harry Boon	70,000	-	70,000

Key Management Personal

The names of the key management personal referred to in this report are listed below.

Moshe Meydan - Non Executive Director (change of status to Non Executive Director effective 31 August 2006)

Tony Oates - Managing Director

Ian Ashmore - General Manager Publishing (resigned 26 September 2006)

Paul Cannon - General Manager Softgoods (appointed 15 June 2006)

Colin Caulfield - Chief Operating Officer

Karl Nixon - Chief Financial Officer

John Redenbach - Group General Manager Hardgoods (resigned 18 December 2006)

Mark Scott - General Manager International (appointed 27 February 2006)

Robert Vasy - General Manager Toys, Nursery and Sporting

Policy

To link management rewards to the creation of value for shareholders.

Principles of Compensation

The Remuneration & Evaluation Committee, makes specific recommendations to the Board on compensation packages and other terms of employment for executive directors and other senior executives. The Board then considers these recommendations, and makes appropriate determinations, with compensation packages set at a level that is intended to attract and retain executives capable of managing the consolidated entity's diverse operations.

Remuneration Report (cont.)

Principles of remuneration (cont.)

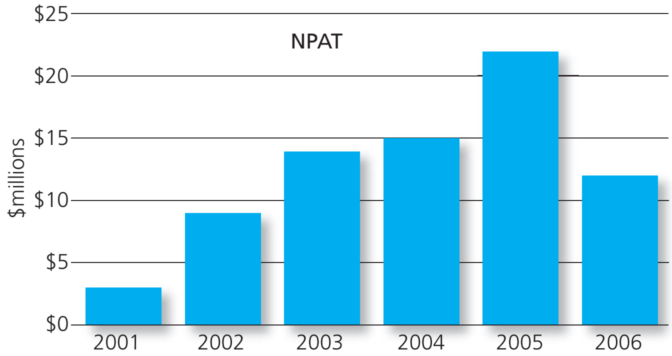
Compensation of the Senior Executives is reviewed on an annual basis by the Remuneration & Evaluation Committee having regard to personal and corporate performance and relevant comparative information. Compensation for senior executives comprises both fixed compensation and an "at risk" component. The "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 component pursuant to the Funtastic Executive Share Option Plan and Funtastic Performance Share Rights 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 are assessed on an annual basis.

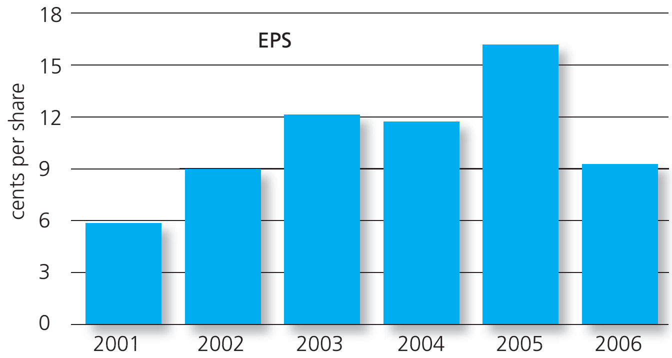
Compensation and other terms of employment for senior executives are formalised in service agreements.

Compensation and company performance

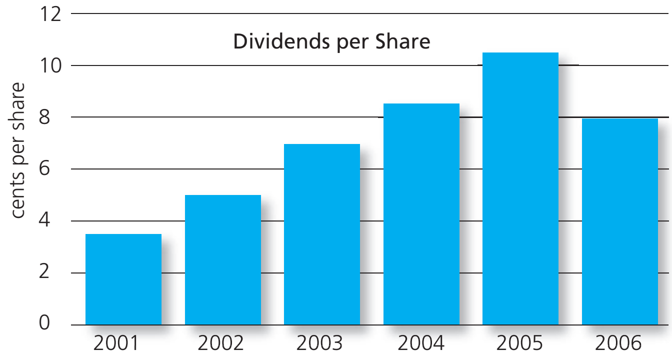
The graphs below show the Funtastic Limited Net Profit after Tax (NPAT) and Diluted Earnings per Share (EPS) growth since 2001. These two financial measures have been the central performance measures for the Company's incentive plans for executives since listing. Other measures include revenue growth, Return on Average Funds Employed, net operating cash flow and other business objectives.



Over the past 5 years, NPAT has increased from $3.1 million to $12.1 million and represents a compound annual growth rate of 31% per annum.



Over the past 5 years, diluted EPS has increased from 5.9 cents per share to 9.3 cents per share and represents a compound annual growth rate of 9.5% per annum. Due to unacceptable performance in 2006 diluted earnings per share fell 43% to 9.1 cents



Since 2001, dividends per share have increased from 3.5 cents per share to 8.0 cents per share and represents a compound annual growth rate over the period of 18% per annum. The 2006 dividend per share of 8.0 cents represents a 24% reduction over the 10.5 cents paid for 2005.

Long term and Short Term incentives have been reduced as a result of the company's lower earnings.

Remuneration Report (cont.)

Details of compensation

Details of the nature and amount of each element of the emoluments of each executive director and senior executive of Funtastic Limited for the year ended 31 December 2006 are set out in the following table:

	Short term			Post-employment		Share based payments		
	Cash salary, fees & allowances $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Termination benefits $	Options /PSRs[3] $	Total $	% Consisting of options/PSRs $
Executive directors								
Moshe Meydan[1,2]	188,846	-	-	78,825	53,879	(18,381)	303,169	(6.1%)
Tony Oates	430,346	-	74,336	44,491	-	(7,856)	541,317	(1.5%)
Executive officers								
Ian Ashmore[2] (resigned 26 September 2006)	176,500	-	-	15,885	41,917	(5,166)	229,136	(2.2%)
Paul Cannon (appointed 15 June 2006)	134,880	-	17,429	12,139	-	6,241	170,690	3.6%
Colin Caulfield	267,293	-	10,221	28,232	-	(27,917)	277,830	(10.0%)
Karl Nixon	238,109	-	16,834	25,502	-	33,921	314,366	10.8%
John Redenbach[2] (resigned 18 December 2006)	249,965	-	55,007	22,497	20,545	(6,353)	341,660	(1.9%)
Mark Scott (appointed 27 February 2006)	176,112	-	-	15,850	-	9,067	201,029	4.5%
Robert Vasy	240,720	-	110,769	24,815	-	9,472	385,775	2.5%

(1) Moshe Meydan completed his employment contract with the company with effect from 31 August 2006 - he continues as a Non Executive Director. The above amount also includes Non Executive Directors fees of $25,000 received to 31 December 2006.

(2) Termination benefits paid to Moshe Meydan, Ian Ashmore and John Redenbach represent statutory annual leave and long service leave entitlements payable on resignation.

(3) The amount disclosed for options and other share based payments includes the financial effect of options that lapsed due to the non-achievement of internal performance hurdles.

Details of the nature and amount of each element of the emoluments of each executive director and senior executive of Funtastic Limited for the year ended 31 December 2005 are set out in the following table:

	Short term			Post-employment		Share based payments		
	Cash salary, fees & allowances $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Termination benefits $	Options $	Total $	% Consisting of options/PSRs $
Executive Directors								
David Hendy[1]	478,211	87,750	-	73,039	180,707	35,937	855,644	4.2%
Moshe Meydan	234,231	112,500	-	74,461	-	18,381	439,573	4.2%
Tony Oates	278,914	64,000	88,058	33,028	-	20,098	484,098	4.2%
Executive Officers								
Ian Ashmore	223,907	5,250	-	21,001	-	13,703	263,861	5.2%
Colin Caulfield	264,929	51,400	-	26,319	-	20,307	362,955	5.6%
Tracey Leslie	201,031	15,000	30,224	23,053	-	16,606	285,914	5.8%
Karl Nixon	194,175	45,250	16,834	19,441	-	5,318	281,018	1.9%
John Redenbach (From 1 June 2005 to 31 December 2005)	103,819	-	83,292	13,338	-	6,353	206,802	3.1%
Robert Vasy	108,675	45,590	123,140	24,516	-	19,844	321,765	6.2%

(1) David Hendy retired as Managing Director on 31 December 2005 but continued as a Non Executive Director. Subsequent to the end of the financial year he was appointed Non Executive Chairman with effect from 11 May 2006. Termination benefits paid reflect statutory annual and long service leave entitlements payable on retirement.

Remuneration Report (cont.)

Components of compensation

Fixed compensation

The terms of employment for all executive management contain a fixed compensation component, which is expressed in local currency. This fixed component is set in accordance with the market rate for a comparable role by reference to appropriate external benchmark information and having regard to an individual's responsibilities, performance, qualifications, experience and location. An executives' compensation is also reviewed on promotion.

Fixed compensation includes contributions to superannuation and pension plans in accordance with relevant legislation or as contractually required. Fixed compensation is structured as a total employment cost package which may be delivered to the executive as a mix of cash and prescribed non-financial benefits at the executives' discretion. There are no guaranteed pay increases in any senior executives' contracts.

Benefits for termination of employment may be payable subject to the circumstances of the termination and within the terms of the employment contract.

At risk compensation

Annual Bonus

The cash bonus included in the above tables represents the actual entitlements payable under Funtastic's annual short-term incentive program (STI). Details are set out below of the amount available for the bonus and the performance conditions that were required to be satisfied in order for the bonus to be payable.

The STI plan is a cash-based plan that involves linking specific targets (predominantly financial) with the opportunity to earn incentives based on a percentage of fixed compensation. In relation to members of the senior executive team, this generally comprises an amount of between 25% and 40% (Managing Director 50%) of their fixed annual compensation for achieving a range of target performance criteria.

In general, the performance measures for 2006 were based on targeted sales growth, NPAT, inventory levels, Return on Average Funds Employed, product category earnings, net operating cash flow and other business objectives with proportions applicable to each component determined according to the respective executive's level and area of responsibility.

Performance against these objectives was determined and incentives paid only following the completion of the audit of the financial accounts.

Specific information relating to the percentage of the STI payable and the percentage of the awards at target level that was not achieved for the Managing Director and the senior executives of the Group are set out in the table below:

	Cash bonus $	Maximum available bonus $	Paid %	Forfeited %
Tony Oates	-	240,000	-	100%
Paul Cannon (appointed 15 June 2006)	-	41,250	-	100%
Colin Caulfield	-	124,000	-	100%
Karl Nixon	-	108,000	-	100%
Mark Scott (appointed 27 February 2006)	-	67,083	-	100%
Robert Vasy	-	106,000	-	100%

Remuneration Report (cont.)

Share Option / Share Performance Right Plans

Share options / Share Performance Rights granted

The Company's long-term incentive arrangements are designed to link executives compensation with growth in shareholder value through the grant of options over equity securities (shares) in the company. Options or Performance Share Rights are granted under the company's Executive Share Option Plan (ESOP) which was approved by shareholders and directors of the company on 2 August 2000 or the Funtastic Employee Performance Share Rights Plan (PSR) which was established in 2005.

Participation in the ESOP and / or EPSRP is offered to executives who are able to, or who have the potential to influence the generation of shareholder wealth and thus have a direct impact on the Company's performance against the relevant performance hurdles.

In general, these executives are offered a grant under the plans which is designed to be the equivalent of up to 30% of their fixed compensation (Managing Director 40% of fixed compensation) on an annualised basis.

Options and / or rights are granted under the plans for no consideration and are granted over varying periods and on conditions and performance hurdles applicable to each issue. The options or rights vest and become exercisable only when these specific criteria are met.

Options over un-issued ordinary shares of Funtastic Limited granted during or since the end of the financial year to key management personnel were as below:

Share Option	Grant date	Option number	Options granted	Expiry date	Exercise price per option	Fair Value per option at grant date	Performance conditions
Executive Director							
Tony Oates	11-May-2006	25	250,000	31-Mar-2011	$1.8645	$0.2206	1
Executives							
Paul Cannon	15-Aug-2006	27	157,144	2-Sep-2011	$1.64	$0.2966	2
Colin Caulfield	15-Aug-2006	27	170,000	2-Sep-2011	$1.64	$0.2966	2
Karl Nixon	15-Aug-2006	27	170,000	2-Sep-2011	$1.64	$0.2966	2
Mark Scott	27-Feb-2006	24	100,000	2-Apr-2011	$1.88	$0.3337	1

Performance Share Rights granted during or since the end of the financial year to key management personnel were as follows:

Performance Share Rights	Grant date	PSR number	PSR granted	Expiry date	Exercise price per PSR	Fair Value per PSR at grant date	Performance conditions
Executives							
Ian Ashmore	15-Aug-2006	26	25,000	2-Sep-2009	Nil	$1.64	3
John Redenback	15-Aug-2006	26	25,000	2-Sep-2009	Nil	$1.64	3
Robert Vasy	15-Aug-2006	26	30,000	2-Sep-2009	Nil	$1.64	3

Performance condition - 1 Executive Options (ESOPs)

(a) 50% exercisable if the average diluted EPS reaches or exceeds 13% per annum over a three year period commencing five years prior to the expiry date

(b) and remaining options will vest pro rata so that all options will be vested when the average diluted EPS reaches or exceeds 17% per annum over the same five year period

(c) and executive remaining in employment at the date of vesting.

Performance condition - 2 Executive Options (ESOPs)

In respect to one half of the options granted the following performance conditions are required to be achieved::

(a) for 50% to vest the diluted earnings per share (EPS) average increase in growth rate over three years ending 31 December 2008, is required to be 11%

(b) for the remaining 50% to vest the average diluted EPS growth rate over the three years ending 31 December 2008, is required to be 15%

(c) If the average annual increase in diluted EPS growth rate over the three years ending 31 December 2008, is between 11% and 15%, the options will vest proportionately from 50% up to 100% of the entitlement.

(d) and the employee being in continuous employment with the Company until 31 March 2009.

In respect of the other half of the options granted the following performance conditions are required to be achieved:

(a) for 50% to vest, Funtastic's relative total shareholders return (TSR) during the period 1 July 2006 to 30 June 2009 is required to be at least equal the TSR achived by the median of the companies TSR in the S&P ASX small ordinaries index (The Comparator Group).

(b) for the remaining 50% of the entitlement to vest, Funtastic's TSR has to be equal to the 75th percentile of the Comparator Group during the period 1 July 2006 to 30 June 2009

(c) for each percentile increase in Funtastic's ranking above the median ranking up to the 75th percentile, an additional 2% vests up to 100%.

(d) and the employee being in continuous employment with the Company until 31 August 2009.

Remuneration Report (cont.)

Share options / Share Performance Rights granted (cont.)

Performance condition - 3 Performance Share Rights (PSRs)

In respect to one half of the PSRs granted the following performance conditions are required to be achieved:

(a) for 50% to vest the diluted earnings per share (EPS) average increase in growth rate over three years ending 31 December 2008, is required to be 11%.

(b) for the remaining 50% to vest the average diluted EPS growth rate over the three years ending 31 December 2008, is required to be 15%.

(c) If the average annual increase in diluted EPS growth rate over the the three years ending 31 December 2008, is between 11% and 15%, the options will vest proportionately from 50% up to 100% of the entitlement.

(d) and the employee being in continuous employment with the Company until 31 March 2009.

In respect of the other half of the PSRs granted the following performance conditions are required to be achieved:

(a) for 50% to vest, Funtastic's relative total shareholders return (TSR) during the period 1 July 2006 to 30 June 2009 is required to be at least equal the TSR achived by the median of the companies TSR in the S&P ASX small ordinaries index (The Comparator Group).

(b) for the remaining 50% of the entitlement to vest, Funtastic's TSR has to be equal to the 75th percentile of the Comparator Group during the period 1 July 2006 to 30 June 2009

(c) for each percentile increase in Funtastic's ranking above the median ranking up to the 75th percentile, an additional 2% vests up to 100%.

(d) and the employee being in continuous employment with the Company until 31 August 2009.

The amounts disclosed above for compensation relating to ESOPs and PSRs are the assessed fair values 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-tradable 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. The total value of options and performance share rights included in compensation for the year is calculated in accordance with AASB 2 'Share Based Payments' where the value is determined at grant date, and are included in compensation on a proportionate basis from grant date to vesting date.

Value of options and/or performance share rights issued to key management personnel

	Options Granted	Options Exercised	Options Lapsed			
	Value at grant date $	Value at exercise date $	Value at time of lapse $	Total value of options granted, exercised and lapsed $	Value of options included in remuneration for the year $	Percentage of total remuneration for the year that consists of options %
David Hendy	-	112,303	-	112,303	-	n/a
Moshe Meydan	-	-	41,306	41,306	(18,381)	(6.1%)
Tony Oates	55,142	-	45,164	100,306	(7,856)	(1.5%)
Ian Ashmore	41,000	37,501	114,130	192,630	(5,166)	(2.2%)
Paul Cannon	46,619	-	-	46,619	6,241	3.6%
Colin Caulfield	50,433	112,718	56,111	219,262	(27,917)	(10.0%)
Karl Nixon	50,433	-	-	50,433	33,921	10.8%
John Redenback	41,000	-	82,123	123,123	(6,353)	(1.9%)
Mark Scott	33,373	-	-	33,373	9,067	4.5%
Robert Vasy	49,200	-	35,563	84,763	9,472	2.5%

Remuneration Report (cont.)

Value of options and/or performance share rights issued to key management personnel (cont.)

The model inputs for options granted during the year ended 31 December 2006 include;

Option Number	24	25	27
Issue Date	27-Feb-2006	11-May-2006	15-Aug-2006
Vesting Date	2-Apr-2009	2-Apr-2009	31-Mar-2009 & 31-Aug-2009
Expiry Date	2-Apr-2011	31-Mar-2011	2-Sep2009
Exercise price	$1.88	$1.8645	$1.64
Stock Price at Issue	$1.88	$1.61	$1.64
Expected Life (years)	4.10	3.90	3.84
Volatility	30%	30%	30%
Risk free rate	5.25%	5.50%	5.78%
Dividend yield	6.0%	6.0%	6.0%
Vesting period (years)	3.1	2.9	2.84
Value	$0.3337	$0.2206	$0.2967

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 key management personel 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 renumeration	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
2006						
Non Executive Directors						
David Hendy(1)	250,000	-	(250,000)	-	-	-
Moshe Meydan(2)	182,000	-	-	(182,000)	-	-
Executive Director						
Tony Oates	349,000	250,000	-	(199,000)	400,000	150,000
Executives						
Ian Ashmore	231,000	-	(50,000)	(181,000)	-	-
Paul Cannon	-	157,143	-	-	157,143	-
Colin Caulfield	434,373	170,000	(150,000)	(142,000)	312,373	-
Karl Nixon	166,949	170,000	-	-	336,949	-
John Redenbach	100,000	-	-	(100,000)	-	-
Mark Scott	-	100,000	-	-	100,000	-
Robert Vasy	265,000	-	-	(90,000)	175,000	75,000
2005						
Executive Directors						
David Hendy	500,000	340,000	(250,000)	(340,000)	250,000	250,000
Tony Oates	150,000	199,000	-	-	349,000	150,000
Moshe Meydan	-	182,000	-	-	182,000	-
Executives						
Ian Ashmore	131,000	100,000	-	-	231,000	-
Colin Caulfield	492,000	142,373	(200,000)	-	434,373	50,000
Karl Nixon	175,000	116,949	-	(125,000)	166,949	-
John Redenbach	-	100,000	-	-	100,000	-
Robert Vasy	165,000	100,000	-	-	265,000	25,000

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

(1) David Hendy became a Non Executive Director on 1 January 2006 and Non Executive Chairman on 11 May 2006. Options exercised and movement in options represents those granted prior to 1 January 2006 in his executive capacity..

(2) Moshe Meydan became a Non Executive Director on 31 August 2006.

Shares provided on exercise of remuneration options

Details of ordinary shares in the company, issued during the year, as a result of the exercise of remuneration options to each of the key management personel of the consolidated entity are set out below.

	Date of exercise of options	Number of ordinary shares issued on exercise of options during the year	Amount paid per share
Non Executive Director			
David Hendy(1)	29-Jun-2006	250,000	$0.92
Executives			
Ian Ashmore	6-May-2006	50,000	$1.10
Colin Caulfield	26-Sep-2006	150,000	$1.10

No amounts are unpaid or outstanding on any shares issued on the exercise of options.

(1) David Hendy became a Non Executive Director on 1 January 2006 and Non Executive Chairman on 11 May 2006. Options exercised and movement in options represents those granted prior to 1 January 2006 in his executive capacity.

Remuneration Report (cont.)

Performance Share Right holdings

The number of Performance Share Rights held during the financial year by each of the key management personel 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 renumeration	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
Executives						
Ian Ashmore	-	25,000	-	(25,000)	-	-
John Redenbach	-	25,000	-	(25,000)	-	-
Robert Vasy	-	30,000	-	-	30,000	-

There were no Performance Share Rights issued to key management personnel in 2005.

Share holdings

The numbers of shares in the company held during the financial year by each key management personnel 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 the year or date of retirement / resignation
2006					
Non Executive Directors					
Geoff Tomlinson (retired 11 May 2006)	1,092,220	-	-	-	1,092,220
David Hendy	5,789,650	250,000	-	1,440,000	4,599,650
David Berry	180,047	-	3267	-	183,314
Harry Boon	20,000	-	-	-	20,000
Antony Lynch	-	-	13,267	-	13,267
Moshe Meydan(1)	7,946,479	-	-	-	7,946,479
Executive Director					
Tony Oates	545,871	-	63,067	-	608,938
Executives					
Ian Ashmore (resigned 28 September 2006)	-	50,000	-	50,000	-
Colin Caulfield	262,680	150,000	-	-	412,680
John Redenbach (resigned 18 December 2006)	10,000	-	-	-	10,000
Karl Nixon	50,000	-	-	-	50,000
2005					
Non Executive Directors					
Geoff Tomlinson	1,063,776	-	28,444	-	1,092,220
David Berry	178,868	-	1,179	-	180,047
Harry Boon	20,000	-	-	-	20,000
Executive Directors					
David Hendy	6,539,650	250,000	-	1,000,000	5,789,650
Moshe Meydan	7,946,479	-	-	-	7,946,479
Tony Oates	545,871	-	-	-	545,871
Executives					
Colin Caulfield	167,483	200,000	197	105,000	262,680
John Redenbach	-	-	10,000	-	10,000
Karl Nixon	50,000	-	-	-	50,000

(1) Moshe Meydan became a Non Executive Director on 31 August 2006.

Remuneration Report (cont.)

Service Agreements

Remuneration and other terms of employment for the Chairman, Managing Director, Executive Directors 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 and / or the Funtastic Employee Performance Share Rights Plan.

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

David Hendy, Special Exertion Consultancy

- Term of the agreement – 11 May 2006 to 11 May 2008.
- Special exertion fee – year one $100,000 - year two $75,000 per annum
- Payment of a termination benefit on early termination by the employer is not applicable.

Tony Oates, Managing Director

- Term of the agreement – full-time permanent and no specific term.
- Base salary, inclusive of car allowance and superannuation, for the year ended 31 December 2006 of $549,173
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to 3 months fixed remuneration

Paul Cannon, General Manager – Softgoods (appointed 15 June 2006)

- Term of the agreement - full-time permanent and no specific term.
- Base salary, inclusive of car allowance and superannuation, for the year ended 31 December 2006 of $164,449
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to 3 months fixed remuneration

Colin Caulfield, Chief Operating Officer

- Term of the agreement - full-time permanent and no specific term.
- Base salary, inclusive of car allowance and superannuation, for the year ended 31 December 2006 of $305,747
- 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 term.
- Base salary, inclusive of car allowance and superannuation, for the year ended 31 December 2006 of $280,445
- Payment of a termination benefit on early termination by the employer is not applicable.

Mark Scott, General Manager – International (appointed 27 February 2006)

- Term of the agreement - full-time permanent and no specific term.
- Base salary, inclusive of car allowance and superannuation, for the year ended 31 December 2006 of $191,962
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to 4 weeks fixed remuneration

Robert Vasy, General Manager – Toys, Nursery and Sporting

- Term of the agreement - full-time permanent and no specific term.
- Base salary, inclusive of car allowance and superannuation, for the year ended 31 December 2006 of $376,303
- Payment of a termination benefit on early termination by the employer is not applicable.

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.

Non-audit services

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Details of the amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 28 to the financial statements.

Auditor's independence declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 28.

This report is made in accordance with a resolution of the directors made pursuant to s298(2) of the Corporations Act 2001.

D Hendy
Chairman

T Oates
Managing Director

Melbourne
31 March 2007

Auditors *Independence Declaration*

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Funtastic Limited
635 Waverley Road
GLEN WAVERLEY VIC 3150

31 March 2007

Dear Board Members

Funtastic Limited

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

As lead audit partner for the audit of the financial statements of Funtastic Limited for the financial year ended 31 December 2006, 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.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Tom Imbesi

Tom Imbesi
Partner
Chartered Accountants

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 four Non Executive directors, including the Chairman, and one executive director. The term of office, expertise, experience, and qualifications of each director in office at the date of the annual report are included on page 15.

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. One Non Executive director meets this strict test (A Lynch). During the year the Board comprised of additional, Independent Directors (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 fully 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 two current Non Executive directors and a Remuneration & Evaluation committee consisting of two 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 a 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 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 two Non Executive directors:

David Berry - Chair
Antony Lynch - Independent Non Executive Director
Geoff Tomlinson – retired 11 May 2006
Harry Boon – retired 28 February 2007

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 three times 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.

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:

David Hendy – Chairman from 11 May 2006
David Berry
Antony Lynch
Moshe Meydan
Tony Oates
Geoff Tomlinson – Chairman retired 11 May 2006
Harry Boon – retired 28 February 2007

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 two Non Executive directors:

Antony Lynch – Chair appointed 28 June 2006
David Hendy – from 28 June 2006
David Berry – ceased 28 June 2006
Geoff Tomlinson –retired 11 May 2006
Harry Boon – Chair retired 28 February 2007

The role of the Committee is to:

- establish processes for the review of the performance of individual directors and the Board as a whole
- 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 undertakes an annual self assessment of its collective performance, the performance of the Chairman, its directors and 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 and 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

Full details of the remuneration paid to key management personnel are set out in the Remuneration Report on pages 19 to 27.

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.

It is recommended Board policy that the purchase and sale of company securities, by directors, should only occur after reference to the company Chairman, within a specific trading window and, for employees, by reference to the Company Secretary. It is recommended that the Chairman should 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 prohibited from 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 prohibited from trading in periods other than in three trading windows per annum. The trading windows are for six weeks and commence following 48 hours after the public release of the half year, full year financial results and the update provided to Shareholders at the Annual General Meeting. Exceptions to this prohibition can be approved by the Chairman (for other directors) or the Company Secretary (for all other employees) in circumstances of financial hardship. Prohibitions also apply 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).

18. Corporate Governance disclosure

During the reporting period the company has complied with the recommendations set out in the ASX Guidelines, except that;

The Board comprises five directors and it is aware that it does not include a majority of independent directors. There are four Non Executive directors, one of whom is independent. The Board considers there is sufficient independence of thought on the Board and whilst a second 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 two Non Executive directors, one of whom is 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 one independent director is sufficient for the independence of the committee.

Independent Audit Report

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Independent audit report to the members of

Funtastic Limited

Scope

The financial report, compensation disclosures and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both Funtastic Limited (the company) and the consolidated entity, for the financial year ended 31 December 2006 as set out on pages 33 to 74. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the compensation of key management personnel ("compensation disclosures") as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 Related Party Disclosures ("AASB 124"), under the heading "remuneration report" on pages 19 to 27 of the directors' report, and not in the financial report.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with Accounting Standards in Australia and the Corporations Act 2001. This includes responsibility for the maintenance of adequate financial records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the preparation and presentation of the compensation disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

Audit approach

We have conducted an independent audit of the financial report and compensation disclosures in order to express an opinion on them to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement and the compensation disclosures comply with AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards 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, their changes in equity and their cash flows and whether the compensation disclosures comply with AASB 124.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the compensation disclosures in the directors' report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

Audit Opinion

In our opinion:

(1) the financial report of Funtastic Limited is in accordance with 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 2006 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(2) the compensation disclosures that are contained on pages 19 to 27 under the heading "remuneration report" of the directors' report comply with paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 Related Party Disclosures.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Tom Imbesi
Tom Imbesi
Partner
Chartered Accountants

Melbourne, 31 March 2007

Directors' *Declaration*

The directors declare that the financial statements and notes set out on pages 34 to 74:

(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 2006 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.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of directors made pursuant to s.295(5) of the Corporations Act 2001.

D Hendy
Chairman

T Oates
Managing Director

Melbourne

31 March 2007

Income Statement For the year ended 31 December 2006

		Consolidated		Company	
		2006	2005	2006	2005
	Note	$	$	$	$
Revenue	5	362,650,560	348,156,996	278,840,369	276,761,924
Cost of goods sold		(242,619,607)	(234,732,616)	(194,790,692)	(182,544,490)
Warehouse and occupancy expenses		(28,009,282)	(25,568,096)	(23,968,333)	(22,586,725)
Marketing expenses		(20,056,666)	(14,299,239)	(12,006,888)	(10,464,967)
Selling expenses		(27,002,901)	(20,843,812)	(19,558,482)	(17,910,044)
Administration and corporate expenses		(16,467,165)	(17,206,634)	(14,070,504)	(15,140,337)
Amortisation and impairment expenses		(4,267,000)	(447,700)	(55,000)	-
Borrowing costs expenses		(6,889,251)	(3,827,340)	(5,472,114)	(2,187,837)
Profit before Income Tax Expense	6	17,338,688	31,231,559	8,918,356	25,927,524
Income tax expense	7	(5,270,871)	(9,620,033)	(2,751,562)	(7,666,118)
Net Profit		12,067,817	21,611,526	6,166,794	18,261,406

Earnings per share			
Basic (cents per share)	33	9.4	17.1
Diluted (cents per share)	33	9.3	16.2

The above Income Statement should be read in conjunction with the accompanying notes.

Balance *Sheet* As at 31 December 2006

		Consolidated		Company	
		2006	2005	2006	2005
	Note	$	$	$	$
Current Assets					
Cash and cash equivalents	31	3,024,586	15,113,133	611,748	9,023,552
Trade and other receivables	9	60,722,258	48,733,386	45,598,886	34,157,329
Inventories	10	63,283,481	52,060,131	55,212,037	43,957,228
Other	11	21,940,746	7,590,341	13,018,247	6,612,476
Current tax assets	7	2,411,946	-	3,800,754	-
Other financial assets	12	894,446	240,849	2,967,391	22,483,253
Total Current Assets		152,277,463	123,737,840	121,209,063	116,233,838
Non-Current Assets					
Property, plant and equipment	13	8,293,373	8,402,947	7,074,097	7,638,628
Investments	14	-	-	65,607,924	24,840,725
Goodwill	15	95,219,263	68,225,604	44,685,556	40,446,909
Other intangibles	16	4,337,400	2,694,400	755,000	-
Deferred tax assets	7	3,801,784	2,262,798	1,803,947	1,843,170
Total Non-Current Assets		111,651,820	81,585,749	119,926,524	74,769,432
Total Assets		263,929,283	205,323,589	241,135,587	191,003,270
Current Liabilities					
Trade and other payables		16,462,290	14,287,264	11,465,463	12,203,292
Borrowings	17	41,086,697	384,862	28,559,958	84,165
Provisions	18	1,765,552	1,678,991	1,315,955	1,232,243
Current tax liabilities	7	-	3,655,393	-	1,583,991
Other	19	15,783,581	11,643,639	9,663,841	10,281,250
Interest bearing deferred purchase consideration	32	2,181,200	6,303,552	2,181,200	2,566,980
Other financial liabilities	20	765,422	661,116	19,721,165	5,565,716
Total Current Liabilities		78,044,742	38,614,817	72,907,582	33,517,637
Non-Current Liabilities					
Borrowings	21	50,138,603	50,262,540	50,099,890	50,061,940
Provisions	22	846,098	939,318	803,705	734,900
Deferred tax liabilities	7	7,337,564	1,030,574	3,280,032	222,255
Interest bearing deferred purchase consideration	32	6,107,296	-	6,107,296	-
Total Non-Current Liabilities		64,429,561	52,232,432	60,290,923	51,019,095
Total Liabilities		142,474,303	90,847,249	133,198,505	84,536,732
Net Assets		121,454,980	114,476,340	107,937,082	106,466,538
Equity					
Issued capital	23	85,264,829	76,411,289	85,264,829	76,411,289
Retained profits	24	34,405,080	35,913,170	20,579,878	27,988,991
Reserves	25	1,785,071	2,151,881	2,092,375	2,066,258
Total Equity		121,454,980	114,476,340	107,937,082	106,466,538

The above Balance Sheet should be read in conjunction with the accompanying notes.

Statements of Changes in Equity For the year ended 31 December 2006

	Note	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Total equity at the beginning of the year		114,476,340	99,055,229	106,466,538	94,481,111
Gain/(Loss) Cash Flow hedge, net of tax		(697,757)	168,594	(549,639)	168,594
Gain/(Loss) Interest rate hedge, net of tax		1,088,893	(462,781)	1,088,893	(462,781)
Exchange differences on translation of foreign operations		(244,809)	85,564	-	-
Net income recognised in equity		(833,673)	(208,623)	539,254	(294,187)
Profit for the year		12,067,817	21,611,526	6,166,794	18,261,406
Total recognised income and expense for the year		12,214,144	21,402,903	6,706,048	17,967,219
Transactions with equity holders in their capacity as equity holders:					
Share based payments		(182,601)	504,453	(182,601)	504,453
Contributions of equity, net of transaction costs	23	8,523,004	4,886,781	8,523,004	4,886,781
Dividends provided for or paid	8	(13,575,907)	(11,373,026)	(13,575,907)	(11,373,026)
Total equity at the end of the year		121,454,980	114,476,340	107,937,082	106,466,538

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

***Statements** of Cash Flows* For the year ended 31 December 2006

		Consolidated		Company	
		2006	2005	2006	2005
	Note	$	$	$	$
Cash Flows from Operating Activities					
Receipts from customers (inclusive of GST)		391,305,041	389,567,971	296,095,391	302,816,592
Payments to suppliers and employees (inclusive of GST)		(376,830,998)	(351,057,015)	(298,021,368)	(278,045,517)
		14,474,043	38,510,957	(1,925,977)	24,771,075
Income taxes paid		(10,139,328)	(7,399,835)	(5,448,188)	(5,578,067)
Interest and other costs of finance paid		(6,445,026)	(3,520,969)	(5,021,687)	(2,187,837)
Net Cash (Outflow) / Inflow from Operating Activities	31	(2,110,311)	27,596,153	(12,395,852)	17,005,171
Cash Flows from Investing Activities					
Interest received		363,592	209,269	275,115	163,396
Payments for acquisition of businesses	32	(38,239,792)	(28,308,175)	(35,485,239)	(18,624,936)
Payments for property, plant and equipment	13	(2,327,143)	(3,099,219)	(2,116,848)	(2,908,465)
Proceeds from sale of property, plant and equipment		100,507	304,725	100,507	72,067
Amounts advanced to controlled entities		-	-	22,830,296	(19,080,565)
Net Cash Outflow from Investing Activities		(40,102,836)	(30,893,401)	(14,396,169)	(40,378,503)
Cash Flows from Financing Activities					
Dividends paid	8	(13,575,907)	(10,409,449)	(13,575,907)	(10,409,449)
Proceeds from issue of shares	23	5,828,369	629,786	5,828,369	629,786
Proceeds from borrowings		38,326,224	23,976,828	26,350,254	24,057,550
Repayment of borrowings		-	(13,659,716)	-	-
Repayment of hire purchase liabilities		(383,175)	(374,825)	(222,499)	(95,756)
Net Cash Inflow / (Outflow) from Financing Activities		30,195,511	162,624	18,380,217	14,182,131
Net Decrease in cash and cash equivalents held		(12,017,636)	(3,134,624)	(8,411,804)	(9,191,201)
Cash and cash equivalents at the beginning of the financial year		15,113,133	18,214,753	9,023,552	18,214,753
Net Foreign Exchange differences		(70,911)	33,004	-	-
Cash & cash equivalents at the end of the financial year	31	3,024,586	15,113,133	611,748	9,023,552

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

Notes *to and forming part of the Financial Statements* 31 December 2006

Index to Notes

Note 1. General information

Funtastic Limited (the company) is a listed public company, incorporated in Australia and operating in Australia, New Zealand and Asia.

Funtastic Limited's registered office and its principal place of business are as follows;

Registered Office	Principal place of business
Level 2, 969 Burke Road	635 Waverley Road
Camberwell	Glen Waverley
VIC 3124	VIC 3150
Australia	Australia

Note 2. Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in any material changes to the Group's accounting policies for the current or prior years.

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective:

- AASB 7 'Financial Instruments: Disclosures' and consequential amendments to other accounting standards resulting from its issue - Effective for annual reporting periods beginning on or after 1 January 2007
- AASB 101 'Presentation of Financial Statements' – revised standard - Effective for annual reporting periods beginning on or after 1 January 2007
- Interpretation 8 'Scope of AASB 2' - Effective for annual reporting periods beginning on or after 1 May 2006
- Interpretation 9 'Reassessment of Embedded Derivatives' - Effective for annual reporting periods beginning on or after 1 June 2006
- Interpretation 10 'Interim Financial Reporting and Impairment' - Effective for annual reporting periods beginning on or after 1 November 2006

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the company or the Group. The issue of Interpretation 8 and Interpretation 9 do not affect the Group's present policies and operations. The circumstances addressed by Interpretation 10, which prohibits the reversal of certain impairment losses, do not affect either the company's or the Group's previously reported results and accordingly, there will be no impact to these financial statements on adoption of the Interpretation.

The application of AASB 101 (revised), AASB 7 and AASB 2005-10 will not affect any of the amounts recognised in the financial statements, but will change the disclosures presently made in relation to the company and the Group's financial instruments and the objectives, policies and processes for managing capital.

These Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning after the effective date of each pronouncement, which will be the company's annual reporting period beginning on 1 January 2007.

Accounting for financial guarantee contracts

The AASB released AASB 2005-9 'Amendments to Australian Accounting Standards' in September 2005. AASB 2005-9 amends AASB 139 'Financial Instruments: Recognition and Measurement' to require

Note 2. Adoption of new and revised Accounting Standards (cont.)

certain financial guarantee contracts to be recognised in accordance with AASB 139 and measured initially at their fair values, and subsequently measured at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation in accordance with the revenue recognition policies described in note 3 (e).

The changes introduced by AASB 2005-9 are applied by the Group with effect from the beginning of the comparative reporting period presented in this financial report. The application of these amendments has resulted in no adjustment to the financial statements of the Company or the Group.

Accounting for business combinations involving entities or businesses under common control

The AASB released AASB 2005-6 'Amendments to Australian Accounting Standards' in June 2006. AASB 2005-6 amends AASB 3 'Business Combinations' by removing business combinations involving entities or business under common control from its scope. The effect of the scope amendment is that there is no longer any explicit guidance under Accounting Standards as to how to account for these types of business combinations.

The application of these amendments has resulted in no adjustment to the financial statements of the Company or the Group.

Note 3. Significant accounting policies

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting standards and Interpretations, and complies with other requirements of the law.

The financial report includes the separate financial statements of the company and the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the directors on 31 March 2007.

Basis of preparation

These financial statements have been prepared under the historical cost convention, except derivative financial instruments that have been measured at fair value. All amounts are presented in Australian dollars, unless otherwise stated. Cost is based on the fair values of the consideration given in exchange for assets.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as "the Group" in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

(b) Income Tax

Current tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted, or substantively enacted, for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax for the period

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Notes to and forming part of the Financial Statements 31 December 2006

Note 3. Significant accounting policies (cont.)

Tax Consolidation

The company and its wholly-owned Australian resident entities are part of a tax-consolidated Group under Australian taxation law. Funtastic Limited is the head entity in the tax-consolidated Group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidation Group are recognised in the separate financial statements of the members of the tax-consolidated Group using the "separate taxpayer within Group" approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated Group, amounts are recognised as payable to or receivable by the company and each member of the Group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated Group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note 30 to the financial statements.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Funtastic Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(e) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer 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. Allowance is made for goods supplied on a sale or return basis.

Commission revenue is recorded when the consideration is receivable based on when the goods have been dispatched to a customer by the 3rd party.

Interest income is recognised on a time proportion basis using the effective interest rate method.

(f) Depreciation of Property, Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is calculated on a straight line or 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
Leasehold improvements	5 Years

(g) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less allowance for doubtful debts, rebates and settlement discounts.

Note 3. Significant accounting policies (cont.)

Collectability of trade receivables is reviewed in an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is recognised in the income statement.

(h) 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. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

(i) Trade and other payables

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

(j) Investments

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

(k) 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 balance sheet.

Cash flows are included in the cash flow statement 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.

(l) 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 lower of fair value and the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense, so as to achieve a constant rate of interest on the remaining balance of the liability.

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 on a straight line basis over the period of the lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(m) Leasehold Improvements

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

(n) Borrowings

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(o) 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.

(p) Employee Benefits

(i) Wages and Salaries and Annual Leave

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave where it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their normal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Notes to and forming part of the Financial Statements 31 December 2006

Note 3. Significant accounting policies (cont.)

(ii) Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

(iii) Share-based payments

Share-based compensation benefits are provided to employees via the Funtastic Executive Share Option Plan and Performance Share Rights Plan.

The fair value of options and performance share rights granted under the Funtastic Executive Share Option Plan and Funtastic Performance Share Rights Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a 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 share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options and performance share rights granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options or performance share rights, the balance of the share-based payments reserve relating to those options is transferred to share capital.

The market value of shares issued to employees for no cash consideration under the employee share scheme is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

The above policy is applied to all equity-settled share-based payments that were granted after 7 November 2002 and that vested after 1 January 2005. No amount has been recognised in the financial statements in respect of the other equity-settled share-based payments.

(iv) 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.

(v) 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.

(q) Business combinations

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 3 (s)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(r) Intangible assets

Intangible assets acquired in a business combination

All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

Impairment of other tangible and intangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual

Note 3. Significant accounting policies (cont.)

cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount if the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

(s) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units (CGUs), or groups of CGUs, expected to benefit from the synergies of the business combination. CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or groups of CGUs), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or groups of CGUs) and then to the other assets of the CGU of CGUs pro-rata on the basis of the carrying amount of each asset in the CGU (or CGUs). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in subsequent periods.

On disposal of an operation within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

(t) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(ii) Fair value hedge

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting, The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Notes to and forming part of the Financial Statements 31 December 2006

Note 3. Significant accounting policies (cont.)

(u) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is a best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligations, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount if the receivable can be measured reliably

Note 4. Critical accounting judgements and key sources of estimation uncertainty.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 3 (s). The recoverable amount of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 15 for details of these assumptions.

(ii) Recoverability of prepaid and committed royalty and license agreements

The Group reviews the recoverability of prepaid royalty and license agreements on an annual basis. The Group takes into account current and projected market sell through in assessing the recoverability of royalty commitments.

Note 5. Revenue

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $
Revenue from the sale of goods				
Gross	398,749,098	386,419,113	305,640,350	302,839,251
Less settlement discounts and rebates	(39,013,249)	(40,764,024)	(30,453,930)	(35,447,034)
	359,735,849	345,655,089	275,186,420	267,392,216
Interest from bank deposits	363,592	209,269	275,115	163,397
Commission received	2,120,732	1,519,939	447,788	642,654
Other (aggregate of immaterial amounts)	430,387	772,699	221,230	475,541
Management fee	-	-	2,709,816	8,088,116
	2,914,711	2,501,907	3,653,949	9,369,707
	362,650,560	348,156,996	278,840,369	276,761,924

Note 6. Expenses

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
Profit before income tax includes the following specific expenses:				
Borrowing costs				
Interest on bank loans	6,533,124	3,812,023	5,131,940	2,172,520
Interest on hire purchase agreements	26,568	15,317	10,615	15,317
Interest on deferred purchase consideration	329,559	-	329,559	-
	6,889,251	3,827,340	5,472,114	2,187,837
Inventory				
Write-down of inventory to net realisable value	727,764	805,547	781,151	952,534
Depreciation	2,884,400	1,657,681	2,254,522	1,517,356
Loss / (profit) on disposal of plant and equipment	508,531	(1,200)	435,487	16,400
Amortisation and impairment				
Intangibles	4,267,000	447,700	55,000	-
Operating lease rental expense				
Rental expenses relating to operating leases	4,369,357	3,505,660	3,645,366	3,137,123
Provision for vacant space	225,003	-	225,003	-
	4,594,360	3,505,660	3,870,369	3,137,123
Management services provided by controlled entities	-	-	796,352	485,961
Employee benefit expense:				
Post employment benefits:				
Defined contribution plans	2,494,792	1,953,209	2,008,662	1,935,966
Share-based payments - employees				
Equity settled share-based payments	(192,166)	418,912	(192,166)	418,912
Termination benefits	600,055	-	600,055	-
Other employee benefits	35,168,088	29,745,281	27,249,851	26,827,767
	38,070,769	32,117,402	29,666,402	29,182,645

Notes *to and forming part of the Financial Statements* 31 December 2006

Note 7. Income Tax

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
(a) Income tax expense				
Current tax	3,183,124	10,062,756	128,794	8,153,080
Deferred tax	2,087,747	(442,723)	2,622,768	(486,962)
	5,270,871	9,620,033	2,751,562	7,666,118
(b) Income Tax recognised in profit or loss				
Numerical reconciliation of income tax expense to prima facie tax payable				
Operating profit before income tax expense	17,338,688	31,231,559	8,918,356	25,927,524
Tax at the Australian tax rate of 30% (2005 30%)	5,201,606	9,369,467	2,675,507	7,778,257
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Share based payments	(54,780)	151,336	(54,780)	151,336
Difference in overseas tax rates	49,154	89,195	-	-
Expenses that are not deductible in determining taxable profit	74,891	10,035	130,835	(263,475)
Income tax expense	5,270,871	9,620,033	2,751,562	7,666,118

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period. The Group also operates in New Zealand and Hong Kong where the corporate tax rates are 33% and 17.5% respectively.

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
(c) Amounts recognised directly in equity				
Deferred Tax Asset / (Liability):				
Financial instruments treated as cash flow hedges	(158,155)	(215,112)	(231,109)	(215,112)
(d) Current tax balances				
Current tax assets and liabilities				
Income rax receivable from tax office	2,411,946	-	3,800,754	-
Income tax payable to tax office	-	3,655,393	-	1,583,991
(e) Deferred tax balances				
Deferred tax assets comprises:				
Temporary differences	3,801,784	2,262,798	1,803,947	1,843,170
Deferred tax liability comprises:				
Temporary differences	7,337,564	1,030,574	3,280,032	222,255

Note 7. Income Tax (cont.)

(e) Deferred tax balances (cont.)

Deferred tax assets / (Liabilities) arise from the following

		Consolidated		Company	
	Note	2006 $	2005 $	2006 $	2005 $
Amounts recognised in profit or loss					
Provisions – receivables		1,188,497	478,697	298,249	443,192
Provisions – employee benefits		776,010	786,285	635,898	590,143
Intangibles – Licenses, distribution agreements and supplier relationships		(1,135,620)	(808,320)	(60,900)	-
Brands		(165,600)	-	(165,600)	-
Property, plant and equipment		766,928	156,018	584,801	27,804
Accruals		98,304	(4,167)	40,889	(20,064)
Prepaid royalties		(5,249,846)	(57,896)	(2,585,198)	-
Stock and WIP		(150,000)	201,339	(150,000)	201,339
Other		367,622	354,188	30,805	252,423
Amounts recognised directly in equity					
Cash flow hedges		(32,075)	126,080	(105,029)	126,080
		(3,535,780)	1,232,224	(1,476,085)	1,620,915
Movements:					
Opening balance as at 1 January		1,232,224	1,349,065	1,620,915	1,349,065
Charged/(credited) to the income statement		(2,087,747)	442,723	(2,622,768)	486,962
Charged/(credited) to equity		(158,155)	(215,112)	(231,109)	(215,112)
Acquisition of business	32	(243,123)	-	(243,123)	-
Acquisition of subsidiary	32	(2,278,979)	(344,452)	-	-
Closing balance as at 31 December		(3,535,780)	1,232,224	(1,476,085)	1,620,915

Tax consolidation

Relevance of tax consolidation to the Group

The company and its wholly-owned Australian resident entities have formed a tax-consolidation Group with effect from 1 January 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidation Group is Funtastic Limited. The members of the tax-consolidated Group are identified in note 30.

Nature of tax funding arrangement and tax sharing agreement

Entities within the tax-consolidated Group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Funtastic Limited and each of the entities in the tax-consolidated Group has agreed to pay a tax equivalent payment to or from the the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to the other entities in the tax-consolidated Group.

The tax sharing agreement entered into between members of the tax-consolidated Group provides for the determiniation of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated Group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax-consolidated Group is limited to the amount payable to the head entity under the tax funding arrangement.

Notes to and forming part of the Financial Statements 31 December 2006

Note 8. Dividends

	2006		2005	
	Cents per share	$	Cents per share	$
Recognised amounts				
Ordinary fully franked dividend paid				
Final dividend – prior year	6.5	8,265,482	5.0	6,294,482
Interim dividend – current year	4.0	5,310,424	4.0	5,078,544
Ordinary fully franked dividend paid	10.5	13,575,906	9.0	11,373,026
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the year ended 31 December 2006 and 2005 were as follows:				
Paid in cash		13,575,906		10,409,449
Satisfied by issue of shares		-		963,577
		13,575,906		11,373,026
Dividend Not Recognised at Year End				
In addition to the above dividends, since year end the directors have determined the payment of a final dividend of 4.0 cents per fully paid ordinary share (2005 6.5 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 12 April 2007 out of retained profits at 31 December 2006, but not recognised as a liability at the year end.		6,475,130	8,263,034	

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
Franking credits available for the subsequent financial year	24,194,453	28,209,584	11,722,606	19,515,871

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.

The franking account includes the dividend declared by the directors since year end, but not recognised as a liability at year end of $2,775,056 (2005 : $3,541,300)

Note 9. Current Assets - Trade and other receivables

	Note	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Trade receivables[1]		70,589,093	57,395,308	50,217,884	39,181,683
Amount owing from director related entities		1,886,742	2,776,400	1,886,742	2,776,400
Allowance for doubtful debts, credit notes, rebates and settlement discounts		(12,196,764)	(11,815,599)	(6,715,825)	(8,141,195)
		60,279,071	48,356,109	45,388,801	33,816,888
Other receivables		443,187	377,276	210,085	340,441
		60,722,258	48,733,386	45,598,886	34,157,329

(1) Trade receivable are provided on normal industry terms and payment conditions of between 7 and 260 days.

Note 10. Current Assets - Inventories

	Note	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Finished goods - at cost		58,808,108	49,188,139	51,783,259	41,085,236
Finished goods – at net realisable value		4,475,373	2,871,992	3,428,778	2,871,992
		63,283,481	52,060,131	55,212,037	43,957,228

Note 11. Current Assets - Other

	Note	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Prepaid royalties and other prepayments		21,940,746	7,590,341	13,018,247	6,612,476

Note 12. Current Assets - Other Financial

	Note	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Cash flow hedges - forward currency contract	26	-	240,849	-	240,849
Cash flow hedges – interest rate hedges	26	894,446	-	894,446	-
Interest bearing loans – Controlled entities		-	-	2,072,945	22,242,404
		894,446	240,849	2,967,391	22,483,253

Notes to and forming part of the Financial Statements 31 December 2006

Note 13. Non-Current Assets - Property, Plant and Equipment

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
Plant and equipment - at cost	14,593,820	13,331,729	12,863,589	12,533,647
Less: accumulated depreciation	(6,937,707)	(5,938,586)	(6,487,024)	(5,904,822)
	7,656,112	7,393,143	6,376,565	6,628,825
Leasehold improvements	920,531	1,390,997	851,117	1,390,997
Less: accumulated amortisation	(283,271)	(381,194)	(153,585)	(381,194)
	637,260	1,009,804	697,532	1,009,804
	8,293,373	8,402,947	7,074,097	7,638,628

Aggregate depreciation allocated during the year is recognised as an expense and disclosed in note 6 to the financial statements

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 $
2006			
Cost			
Opening Balance	13,331,729	1,390,997	14,722,726
Additions	2,075,789	251,354	2,327,143
Additions on Acquisition	1,137,619	-	1,137,619
Disposals	(1,881,903)	(791,234)	(2,673,137)
Closing Balance	14,663,234	851,117	15,514,351
Accumulated Deprecation			
Opening Balance	(5,938,586)	(381,194)	(6,319,780)
Disposals	1,596,557	386,645	1,983,202
Depreciation/amortisation	(2,725,364)	(159,036)	(2,884,400)
Closing Balance	(7,067,393)	(153,585)	(7,220,978)
Written Down Value			
Opening Balance	7,393,143	1,009,803	8,402,946
Closing Balance	7,595,841	697,532	8,293,373
2005			
Cost			
Opening Balance	9,834,469	1,376,228	11,210,697
Additions	3,084,450	14,769	3,099,219
Additions on Acquisition	924,352	-	924,352
Disposals	(511,542)	-	(511,542)
Closing Balance	13,331,729	1,390,997	14,722,726
Accumulated Deprecation			
Opening Balance	(4,579,511)	(295,200)	(4,874,711)
Disposals	212,612	-	212,612
Depreciation/amortisation	(1,571,687)	(85,994)	(1,657,681)
Closing Balance	(5,938,586)	(381,194)	(6,319,780)
Written Down Value			
Opening Balance	5,254,958	1,081,028	6,335,986
Closing Balance	7,393,143	1,009,803	8,402,946

Note 13. Non-Current Assets - Property, Plant and Equipment (cont.)

Company	Plant and Equipment $	Leasehold Improvements $	Total $
2006			
Cost			
Opening Balance	12,533,647	1,390,997	13,924,644
Additions	1,865,494	251,354	2,116,848
Additions on Acquisition	42,629	-	42,629
Disposals	(1,578,181)	(791,234)	(2,369,415)
Closing Balance	12,863,589	851,117	13,714,706
Accumulated Deprecation			
Opening Balance	(5,904,822)	(381,194)	(6,286,016)
Disposals	1,572,621	327,308	1,899,929
Depreciation/amortisation	(2,154,823)	(99,699)	(2,254,522)
Closing Balance	(6,487,024)	(153,585)	(6,640,609)
Written Down Value			
Opening Balance	6,628,825	1,009,803	7,638,628
Closing Balance	6,376,565	697,532	7,074,097
2005			
Cost			
Opening Balance	9,834,469	1,376,228	11,210,697
Additions	2,893,696	14,769	2,908,465
Disposals	(194,518)	-	(194,518)
Closing Balance	12,533,647	1,390,997	13,924,644
Accumulated Deprecation			
Opening Balance	(4,579,511)	(295,200)	(4,874,711)
Disposals	105,740	-	105,740
Depreciation/amortisation	(1,431,051)	(85,994)	(1,517,045)
Closing Balance	(5,904,822)	(381,194)	(6,286,016)
Written Down Value			
Opening Balance	5,254,958	1,081,028	6,335,986
Closing Balance	6,628,825	1,009,803	7,638,628

Note 14. Non-Current Assets - Other Financial Assets – Investments

		Consolidated		Company	
	Note	2006 $	2005 $	2006 $	2005 $
Investment in controlled entities	30	-	-	65,607,924	24,840,725

Notes *to and forming part of the Financial Statements* 31 December 2006

Note 15. Non-Current Assets - Goodwill

		Consolidated		Company	
	Note	2006 $	2005 $	2006 $	2005 $
Gross carrying amount					
Balance at beginning of financial year		68,225,604	38,954,346	40,446,909	40,446,909
Additional amounts recognised from business combinations occurring during the year	32	27, 530,384	29,435,254	4,238,647	-
Effects of foreign currency exchange differences		(704,792)	(163,996)	-	-
Other		168,067	-	-	-
Balance at the end of financial year		95,219,263	68,225,604	44,686,036	40,446,909
Net book value					
Balance at beginning of financial year		68,225,604	38,954,346	40,446,909	40,446,909
Balance at the end of financial year		95,219,263	68,225,604	44,685,556	40,446,909

(a) Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs). The carrying amount of goodwill allocated to CGUs is as follows;

Cash-generating-unit	2006 $	2005 $
Toys	30,050,934	29,882,866
DVD and Theatrical distribution	23,291,737	-
Confectionery	4,238,647	-
Nursery	2,838,528	2,838,528
Apparel	19,051,512	19,051,512
New Zealand - Planet Fun	15,747,905	16,452,697
Total	95,219,263	68,225,604

Toys

The recoverable amount of the Toys operations as determined is based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 10.54% per annum. Cash flows beyond that five year period have been extrapolated using a steady 0-2.5% per annum growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the Toy operations operate.

The key assumptions used in the value in use calculations for the Toys operations are as follows;

Sales Growth Rate 2.5%, Earnings contribution Growth Rate 2.5%, Discount Rate 10.54%

DVD and Theatrical distribution

The recoverable amount of the DVD and Theatrical distribution operation as determined is based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 10.4% per annum. Cash flows beyond that five year period have been extrapolated using a steady 0-2.5% per annum growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the DVD and Theatrical distribution operations operate.

The key assumptions used in the value in use calculations for the DVD and Theatrical distribution operations are as follows - Sales Growth Rate 2.5%, Earnings contribution Growth Rate 2.5%, Discount Rate 10.4%

Confectionery

The recoverable amount of the Confectionery operations as determined is based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 11.50.4% per annum. Cash flows beyond that five year period have been extrapolated using a steady 0-2.5% per annum growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the Confectionery operations operate.

The key assumptions used in the value in use calculations for the Confectionery operations are as follows - Sales Growth Rate 2.5%, Earnings contribution Growth Rate 2.5%, Discount Rate 11.50.4%

Nursery

The recoverable amount of the Nursery operations as determined is based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 10.54% per annum. Cash flows beyond that five year period have been extrapolated using a steady 0-2.5% per annum growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the Nursery operations operate.

The key assumptions used in the value in use calculations for the Nursery operations are as follows - Sales Growth Rate 2.5%, Earnings contribution Growth Rate 2.5%, Discount Rate 10.54%

Apparel

The recoverable amount of the Apparel operations as determined is based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 11.30.4% per annum. Cash flows beyond that five year period have been extrapolated using no a steady 0-1.5% per annum growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the Apparel operations operate.

The key assumptions used in the value in use calculations for the apparel operations are as follows - Sales Growth Rate 0-1.5%, Earnings contribution Growth Rate 0-1.5%, Discount Rate 11.30.4%

Note 15. Non-Current Assets - Goodwill (cont.)

New Zealand - Planet Fun

The recoverable amount of the Planet Fun – New Zealand operations as determined is based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 11.54% per annum. Cash flows beyond that five year period have been extrapolated using a steady 0-2.5% per annum growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the Planet Fun operations operate.

The key assumptions used in the value in use calculations for the Planet Fun operations are as follows - Sales Growth Rate 2.5%, Earnings contribution Growth Rate 2.5%, Discount Rate 11.54%

(b) Impairment charge

The recoverable amount for each separately identifiable CGU exceeds the carrying amount, therefore there is no impairment charge applicable for the year ended 31 December 2006.

Note 16. Non-Current Assets – Other Intangibles

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Brand Names	552,000	-	552,000	-
Licenses, distribution agreements & supplier relationships	8,500,100	3,142,100	258,000	-
Less: Accumulated amortisation and impairment	(4,714,700)	(447,700)	(55,000)	-
	4,337,400	2,694,400	755,000	-

Consolidated	Brand names(1) Cost $	Brand names(1) Accumulated amortisation and impairment $	Brand names(1) Net book amount $	Licenses, distribution agreements and supplier relationships(2) Cost $	Licenses, distribution agreements and supplier relationships(2) Accumulated amortisation and impairment $	Licenses, distribution agreements and supplier relationships(2) Net book amount $	Total Cost $	Total Accumulated amortisation and impairment $	Total Net book amount $
At 1 January 2005	-	-	-	-	-	-	-	-	-
Additions	-	-	-	3,142,100	-	3,142,100	3,142,100	-	3,142,100
Amortisation / impairment charge(3)	-	-	-	-	(447,700)	(447,700)	-	(447,700)	(447,700)
As at 31 December 2005	-	-	-	3,142,100	(447,700)	2,694,400	3,142,100	(447,700)	2,694,400
Additions	552,000	-	552,000	5,358,000	-	5,358,000	5,910,000	-	5,910,000
Amortisation / impairment charge(3)	-	-	-	-	(4,267,000)	(4,267,000)	-	(4,267,000)	(4,267,000)
As at 31 December 2006	552,000	-	552,000	8,500,100	(4,714,700)	3,785,400	9,052,100	(4,714,700)	4,337,400
Company									
At 1 January 2005	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-
Amortisation / impairment charge(3)	-	-	-	-	-	-	-	-	-
As at 31 December 2005	-	-	-	-	-	-	-	-	-
Additions	552,000	-	552,000	258,000	-	258,000	810,000	-	810,000
Amortisation / impairment charge(3)	-	-	-	-	(55,000)	(55,000)	-	(55,000)	(55,000)
As at 31 December 2006	552,000	-	552,000	258,000	(55,000)	203,000	810,000	(55,000)	755,000

(1) Brands acquired and separately identified as part of the acquisition of Mike & Jack confectionery in May 2006. The Group intends to continue use of the brands for an indefinite period and these are therefore not amortised but are subject to an annual test for impairment.

(2) Licenses, distribution agreements and supplier relationships separately identified as part of the acquisitions of the Madman and Dorcy groups of companies in May 2006 and August 2005, respectively. These have a finite useful life and are amortised in proportion with the revenues generated from the exploitation of the assets over a period of ten years.

(3) Amortisation and impairment expense of $4,267,000 (2005 : $447,700), with respect to the licenses, distribution agreements and supplier relationships is included in amortisation expense in the income statement.

Notes to and forming part of the Financial Statements 31 December 2006

Note 17. Current Liabilities – Borrowings

	Note	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
At amortised cost - secured					
Trade finance		10,114,010	-	10,114,010	-
Bill finance		27,512,289	-	15,000,000	-
Debtors finance		3,195,353	-	3,195,353	-
		40,821,652	-	28,309,363	-
Hire purchase liabilities	29	265,045	384,862	250,595	84,165
		41,086,697	384,862	28,559,958	84,165

The Trade finance, Bill finance and Debtors finance facilities 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.

Note 18. Current Liabilities – Provisions

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Employee benefits	1,765,552	1,678,991	1,315,955	1,232,243

Note 19. Current Liabilities – Other

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Accrued royalties	4,553,892	4,228,611	3,904,794	4,145,818
Other accrued expenses	11,229,689	7,415,028	5,759,045	6,123,431
	15,783,581	11,643,639	9,663,841	10,281,250

Note 20. Current Liabilities – Other Financial

	Note	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Cash flow hedges – forward currency contract	26	765,422	-	765,422	-
Cash flow hedges – interest rate hedges	26	-	661,116	-	661,116
Interest bearing loans – Controlled entities		-	-	18,955,743	4,904,600
		765,422	661,116	19,721,165	5,565,716

Note 21. Non-Current Liabilities – Borrowings

		Consolidated		Company	
		2006	2005	2006	2005
At amortised cost - secured	Note	$	$	$	$
Bill finance		50,000,000	50,000,000	50,000,000	50,000,000
Hire purchase liabilities	29	138,603	262,540	99,890	61,940
Net non-current interest bearing liabilities		50,138,603	50,262,540	50,099,890	50,061,940

Financing Arrangements

Unrestricted access was available at balance date to the following lines of credit

Trade Finance				
Total Facilities				
National Debtor Finance Facility	25,000,000	31,000,000	25,000,000	25,000,000
Trade Refinance Facility	40,000,000	45,000,000	40,000,000	45,000,000
	65,000,000	76,000,000	65,000,000	70,000,000
Used at Balance Date				
National Debtor Finance Facility	3,195,353	-	3,195,353	-
Trade Refinance Facility	10,114,010	-	10,114,010	-
	13,309,363	-	13,309,363	-
Unused at Balance Date				
National Debtor Finance Facility	21,804,647	31,000,000	21,804,647	25,000,000
Trade Refinance Facility	29,885,990	45,000,000	29,885,990	45,000,000
	51,690,637	76,000,000	51,690,637	70,000,000
Commercial Bill Facilities				
Total facilities	87,512,289	56,367,658	75,000,000	54,367,658
Used at balance date	77,512,289	50,000,000	65,000,000	50,000,000
Unused at balance date	10,000,000	6,367,658	10,000,000	4,367,658
Documentary Letter of Credit Facilities				
Total facilities	50,000,000	56,368,286	50,000,000	45,000,000
Used at balance date	13,170,984	14,728,943	13,170,984	12,968,499
Unused at balance date	36,829,016	41,639,343	36,829,016	32,031,501
Bank Guarantee Facilities				
Total facilities	1,560,000	1,560,000	1,560,000	1,500,000
Used at balance date	742,863	708,012	742,863	648,012
Unused at balance date	817,137	851,988	817,137	851,988

Security for Borrowings

The 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

Financing Arrangement - Company

$50,000,000 of the Commercial Bill facilities expires 31 Dec 2010.

The remaining facilities are subject to annual review on or by 31 May 2007.

The current interest rates are 7.7% on the National Debtor Finance Facility, 7.7% on the Trade Refinance Facility and 6.8% on the Commercial Bill Facility. (2005 7.2%, 7.2% and 6.7% respectively)

Financing Arrangements – Controlled Entities

Planet Fun Pty Limited

The Commercial Bill Facility of NZ$14,000,000 (A$12,512,289) is subject to annual review on 31 May 2007. The interest rate is 8.56% (2005 n/a)

All facilities are secured by a first ranking registered mortgage debenture over all assets and undertakings of the Group.

Notes *to and forming part of the Financial Statements* 31 December 2006

Note 22. Non-Current Liabilities – Provisions

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
Employee benefits	846,098	939,318	803,705	734,900

Note 23. Issued Capital

(a) Share Capital

132,760,618 fully paid ordinary shares (2005 127,123,602)	85,264,829	76,411,289	85,264,829	76,411,289

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

(b) Movements in Ordinary Share Capital

Date	Details	Notes	Number of Shares	Issue Price	$
1-Jan-05	Opening balance		124,278,603		71,483,309
4-Jan-05	Planet Fun issue ex sale agreement		1,537,217	$2.14	3,293,359
1-Nov-04	Dividend reinvestment plan	(1)	515,282	$1.87	963,577
17-Jun-05 to 30-Dec-05	Exercise of ordinary options – Xconcepts	(4)	100,000	$0.84	84,000
11-Jul-05 to 30-Aug-05	Exercise of ESOP options	(4)	30,000	$0.50	15,000
26-May-05 to 3-Oct-05	Exercise of ESOP options	(4)	280,000	$0.62	173,600
8-Feb-05 to 5-Dec-05	Exercise of ESOP options	(4)	105,000	$0.88	92,736
19-Aug-05	Exercise of ESOP options	(4)	250,000	$0.92	230,000
18-Jul-05 to 10-Nov-05	Exercise of ESOP options	(4)	17,500	$1.10	19,250
14-Jun-05	Exercise of ESOP options	(4)	10,000	$1.52	15,200
1-Jan-05 to 31-Dec-05	Transfer from equity-settled reserve				41,258
31-Dec-05	Closing balance		127,123,602		76,411,289
10-May-06	Madman issue ex sale agreement	(3)	1,555,870	$1.73	2,694,635
25-Sep-06	Share purchase plan	(2)	3,366,146	$1.53	5,151,000
25-Sep-06	Capital raising costs				(12,099)
24-Jan-06 to 4-Oct-06	Exercise of ESOP options	(4)	240,000	$0.88	211,968
5-Apr-06 to 26-Oct-06	Exercise of ESOP options	(4)	225,000	$1.10	247,500
26-Jun-06	Exercise of ESOP options	(4)	250,000	$0.92	230,000
1-Jan-06 to 31-Dec-06	Transfer from equity-settled reserve				330,536
31-Dec-06	Closing balance		132,760,618		85,264,829

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

(1) Dividend Reinvestment Plan

The company had 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. The dividend reinvestment plan was suspended on 15 August 2005.

(2) Share Purchase Plan

During the year, on 25 September 2006 3,366,146 shares were issued at an issue price of $1.53 through a Share Purchase Plan (SPP) where eligible shareholders were invited to subscribe for up to $5,000 worth of Shares.

(3) Share Issue on Acquisition of Business Assets

During the year, on 9 May 2006, 1,555,870 shares were issued at an issue price of $1.73 as part payment for the business of the Madman Group of Companies (details of which are in Note 32).

(4) 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 37.

Ordinary Options

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 Options 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.

The options lapsed on 15 February 2006.

Note 23. Issued Capital (cont.)

(b) Movements in Ordinary Share Capital (cont.)

Note (4) Options (cont.)

Grant date	Type	Expiry Date	Exercise price	Fair value at issue	Balance at start of year Number	Issued during the year Number	Expired during the year Number	Exercised during the year Number	Balance as at end of year Number
Consolidated and Company – 2006									
19-Jan-2004	Ordinary options – MGA	19-Jan-2014	$1.50	$0.7493	1,500,000	-	-	-	1,500,000
5-Apr-2004	Ordinary options - Toybiz	15-Feb-2006	$2.14	$0.2640	1,000,000	-	1,000,000	-	-
					2,500,000	-	1,000,000	-	1,500,000
Consolidated and Company – 2005									
28-Oct-2002	Ordinary options – Xconcepts	3-Jan-2006	$0.84	-	100,000	-	-	100,000	-
19-Jan-2004	Ordinary options – MGA	19-Jan-2014	$1.50	$0.7493	1,500,000	-	-	-	1,500,000
5-Apr-2004	Ordinary options - Toybiz	15-Feb-2006	$2.14	$0.2640	1,000,000	-	-	-	1,000,000
					2,600,000	-	-	100,000	2,500,000

(c) Options

Options hold no dividend or voting rights

(d) Performance Share Rights

Performance Share Rights

Information relating to the Funtastic Limited Performance Share Plan, including details of performance rights issued under the scheme, are set out in Note 37.

Note 24. Retained Profits

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Opening balance	35,913,170	25,674,670	31,041,028	24,512,648
Net profit after tax for the year	12,067,817	21,611,526	6,166,794	18,261,406
Dividends paid	(13,575,907)	(11,373,026)	(13,575,907)	(11,373,026)
	34,405,080	35,913,170	23,991,915	31,401,028

Notes to and forming part of the Financial Statements 31 December 2006

Note 25. Reserves

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
Currency revaluation	(159,186)	85,623	-	-
Equity-settled benefits	1,847,308	2,360,445	1,847,308	2,360,445
Hedging	96,949	(294,187)	245,067	(294,187)
	1,785,071	2,151,881	2,092,375	2,066,258

Currency translation reserve

Balance at the beginning of the year	85,623	-	-	-
Translation of foreign operations	(244,809)	85,623	-	-
Balance at the end of the year	(159,186)	85,623	-	-

Exchange differences relating to the translation from New Zealand Dollars and Hong Kong Dollars, being the functional currencies of the consolidated entity's foreign controlled entities in New Zealand and Hong Kong, into Australian dollars are brought to account by entries made directly to the foreign currency translation reserve.

Equity settled benefit reserve

Balance at the beginning of the year	2,360,445	1,897,250	2,360,445	1,897,250
Share based payment	(182,601)	504,453	(182,601)	504,453
Transfer to Share capital	(330,536)	(41,258)	(330,536)	(41,258)
Balance at the end of the year	1,847,308	2,360,445	1,847,308	2,360,445

The equity-settled benefit reserve arises on the grant of share options and performance share rights to executives and other beneficiaries under the executive share option, and performance share rights plans. Amounts are transferred out of the reserve and into issued capital when the options or rights are exercised. Further information about share-based payments is made in note 37 to the financial statements.

Hedging reserve

Balance at the beginning of the year	(294,187)	(796,114)	(294,187)	(796,114)
Gain/(Loss) recognised				
Forward exchange contracts	(1,006,271)	1,387,490	(785,199)	1,387,490
Interest rate swaps	1,555,562	(670,451)	1,555,562	(670,451)
Deferred tax asset(liability) arising on hedges	(158,155)	(215,112)	(231,109)	(215,112)
Balance at the end of the year	96,949	(294,187)	245,067	(294,187)

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 3. Amounts are recognised in profit and loss when the hedged transaction affects profit and loss.

Note 26. Financial Instruments

Financial risk management objectives

The Group's Finance function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks, by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed on a continual basis. The Group does not enter into any trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including;

- Forward foreign currency exchange contracts to hedge the exchange risk arising on the import of inventories purchased in United States Dollars
- Forward interest rate contracts to manage interest rate risk

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Significant accounting policies

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward exchange and forward currency protection contracts.

Forward Exchange Contracts – cash flow hedges

The Group 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 Group's outstanding contracts at balance date are:

	Average Exchange Rate		Foreign currency		Sell Australian dollars		Fair value	
			2006	2005	2006	2005	2006	2005
Buy US dollars	2006	2005	US$	US$	$	$	$	$
Maturity								
0-6 months	0.7687	0.7394	17,964,353	16,786,565	23,371,059	22,703,141	(544,350)	294,158

	Average Exchange Rate		Foreign currency		Sell New Zealand dollars		Fair value	
			2006	2005	2006	2005	2006	2005
Buy US dollars	2006	2005	US$	US$	NZ$	NZ$	$	$
Maturity								
0-6 months	0.6514	0.6685	2,250,000	2,800,000	3,454,316	4,188,583	(221,072)	(39,886)
6-9 months	n/a	0.6634	-	800,000	-	1,205,909	-	(13,423)
Total	0.6514	0.6673	2,250,000	3,600,000	3,454,316	5,394,492	(221,072)	(53,309)

The portion of the gain or loss on the forward exchange contracts that are determined to be an effective hedge are recognised directly in equity. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the balance sheet by the related amount directly in equity.

At balance date these contracts were liabilities of the Group of $765,422 (2005 : asset $240,849) and liabilities of the Company of $544,350 (2005 : asset $240,849)

Notes to and forming part of the Financial Statements 31 December 2006

Note 26. Financial Instruments (cont.)

Interest Rate Risk Management

The consolidated entity is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings and by the use of interest rate swap contracts.

Interest Rate Swap Contracts

Bank borrowings of the Group currently bear an average variable interest rate of 7.9%. It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the company 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 financial assets / liabilities.

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 100% (2005: 100%) of the long term loan principal outstanding and are timed to expire as the end of the facility. The fixed interest rate is 6.7% (2005: 6.7%) and the variable rate is the bank bill rate of the term of the underlying bill which at balance date was 7.7% (2005: 6.9%)

As at 31 December 2006, the notional principal amounts and the periods of expiry of the interest rate swap contract was as follows;

	Average contracted fixed interest rate		Notional principal amount		Fair value	
	2006 %	2005 %	2006 $	2005 $	2006 $	2005 $
Less than 1 year			-	-	-	-
1 - 3 years			-	-	-	-
4 - 5 years	6.01	6.01	50,000,000	50,000,000	894,446	(661,116)
			50,000,000	50,000,000	894,446	(661,116)

The portion of the gain or loss on the interest rate swap contracts that are determined to be an effective hedges are recognised directly in equity. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the balance sheet by the related amount directly in equity.

At balance date these contracts were assets of the Group and company of $894,446 (2005 : liability $661,116)

Note 26. Financial Instruments (cont.)

Interest Rate Risk Exposures

The Group'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.

Consolidated	Weight average effective interest rate %	Variable interest rate $	Fixed maturity dates: Less than 1 Year $	1-2 years $	2-3 years $	3-4 years $	4-5 years $	5+ years $	Non interest bearing $	Total $
2006										
Financial assets:										
Cash and cash equivalents	4.7%	2,947,758	-	-	-	-	-	-	76,828	3,024,586
Trade receivables	-	-	-	-	-	-	-	-	60,279,071	60,279,071
Other receivables	-	-	-	-	-	-	-	-	443,187	443,187
Current tax asset	-	-	-	-	-	-	-	-	2,411,946	2,411,946
Foreign currency										
forward contracts	-	-	-	-	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-	-	-	894,446	894,446
Investments in subsidiaries	-	-	-	-	-	-	-	-	-	-
Related party loans	-	-	-	-	-	-	-	-	-	-
		2,947,758	-	-	-	-	-	-	64,105,478	67,053,236
Financial liabilities:										
Trade payables	-	-	-	-	-	-	-	-	16,462,290	16,462,290
Other payables	-	-	-	-	-	-	-	-	-	-
Current tax liabilities	-	-	-	-	-	-	-	-	-	-
Foreign currency										
forward contracts	-	-	-	-	-	-	-	-	765,422	765,422
Interest rate swaps	-	-	-	-	-	-	-	-	-	-
Finance lease liabilities	-	-	-	-	-	-	-	-	-	-
Debtors finance	7.7%	3,195,353	-	-	-	-	-	-	-	3,195,353
Trade finance	7.7%	10,114,010	-	-	-	-	-	-	-	10,114,010
Commercial bill finance	7.1%	27,512,289	-	-	-	-	50,000,000	-	-	77,512,289
Hire purchase	8.0%	-	265,045	109,202	23,134	6,267	-	-	-	403,648
Related party loans	-	-	-	-	-	-	-	-	-	-
Deferred purchase										
consideration	6.5%	-	2,181,200	1,271,024	1,381,296	3,454,976	-	-	-	8,288,496
		40,821,652	2,446,245	1,380,226	1,404,430	3,461,243	50,000,000	-	17,227,712	116,741,508

Consolidated	Weight average effective interest rate %	Variable interest rate $	Fixed maturity dates: Less than 1 Year $	1-2 years $	2-3 years $	3-4 years $	4-5 years $	5+ years $	Non interest bearing $	Total $
2005										
Financial assets:										
Cash and cash equivalents	4.7%	15,069,361	-	-	-	-	-	-	43,772	15,113,133
Trade receivables	-	-	-	-	-	-	-	-	48,356,110	48,356,110
Other receivables	-	-	-	-	-	-	-	-	377,276	377,276
Current tax asset	-	-	-	-	-	-	-	-	-	-
Foreign currency										
forward contracts	-	-	-	-	-	-	-	-	240,849	240,849
Interest rate swaps	-	-	-	-	-	-	-	-	-	-
Investments in subsidiaries	-	-	-	-	-	-	-	-	-	-
Related party loans	-	-	-	-	-	-	-	-	-	-
		15,069,361	-	-	-	-	-	-	49,018,007	64,087,368
Financial liabilities:										
Trade payables	-	-	-	-	-	-	-	-	14,287,264	14,287,264
Other payables	-	-	-	-	-	-	-	-	-	-
Current tax liabilities	-	-	-	-	-	-	-	-	3,655,393	3,655,393
Foreign currency										
forward contracts	-	-	-	-	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-	-	-	661,116	661,116
Finance lease liabilities	-	-	-	-	-	-	-	-	-	-
Debtors finance	-	-	-	-	-	-	-	-	-	-
Trade finance	-	-	-	-	-	-	-	-	-	-
Commercial bill finance	6.7%	-	-	-	-	-	-	50,000,000	-	50,000,000
Hire purchase	8.0%	-	384,862	179,340	70,489	23,134	6,267	-	-	664,092
Related party loans	-	-	-	-	-	-	-	-	-	-
Deferred purchase consideration	-	-	-	-	-	-	-	-	6,303,552	6,303,552
		-	384,862	179,340	70,489	23,134	6,267	50,000,000	24,907,325	75,571,417

Notes to and forming part of the Financial Statements 31 December 2006

Note 26. Financial Instruments (cont.)

Interest Rate Risk Exposures (cont.)

The Company'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.

	Weight average		Fixed maturity dates							
	effective interest rate	Variable interest rate	Less than 1 Year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years	Non interest bearing	Total
Company	%	$	$	$	$	$	$	$	$	$
2006										
Financial assets:										
Cash and cash equivalents	4.7%	539,097	-	-	-	-	-	-	72,651	611,748
Trade receivables	-	-	-	-	-	-	-	-	45,388,801	45,388,801
Other receivables	-	-	-	-	-	-	-	-	210,085	210,085
Current tax asset	-	-	-	-	-	-	-	-	3,800,754	3,800,754
Foreign currency forward contracts	-	-	-	-	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-	-	-	894,446	894,446
Investments in subsidiaries	-	-	-	-	-	-	-	-	65,607,924	65,607,924
Related party loans	-	-	-	-	-	-	-	-	2,072,945	2,072,945
		539,097	-	-	-	-	-	-	118,047,606	118,586,703
Financial liabilities:										
Trade payables	-	-	-	-	-	-	-	-	11,465,463	11,465,463
Other payables	-	-	-	-	-	-	-	-	-	-
Current tax liabilities	-	-	-	-	-	-	-	-	-	-
Foreign currency forward contracts	-	-	-	-	-	-	-	-	544,350	544,350
Interest rate swaps	-	-	-	-	-	-	-	-	-	-
Finance lease liabilities	-	-	-	-	-	-	-	-	-	-
Debtors finance	7.7%	3,195,353	-	-	-	-	-	-	-	3,195,353
Trade finance	7.7%	10,114,010	-	-	-	-	-	-	-	10,114,010
Commercial bill finance	7.1%	15,000,000	-	-	-	-	50,000,000	-	-	65,000,000
Hire purchase	8.0%	-	250,595	70,489	23,134	6,267	-	-	-	350,485
Related party loans	-	-	-	-	-	-	-	-	19,176,815	19,176,815
Deferred purchase consideration	6.5%	-	2,181,200	1,271,024	1,381,296	3,454,976	-	-	-	8,288,496
		28,309,363	2,431,795	1,341,513	1,404,430	3,461,243	50,000,000	-	31,186,628	118,134,972

	Weight average		Fixed maturity dates							
	effective interest rate	Variable interest rate	Less than 1 Year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years	Non interest bearing	Total
Company	%	$	$	$	$	$	$	$	$	$
2006										
Financial assets:										
Cash and cash equivalents	4.7%	8,983,025	-	-	-	-	-	-	40,527	9,023,552
Trade receivables	-	-	-	-	-	-	-	-	33,816,888	33,816,888
Other receivables	-	-	-	-	-	-	-	-	340,441	340,441
Current tax asset	-	-	-	-	-	-	-	-	-	-
Foreign currency forward contracts	-	-	-	-	-	-	-	-	240,849	240,849
Interest rate swaps	-	-	-	-	-	-	-	-	-	-
Investments in subsidiaries	-	-	-	-	-	-	-	-	24,840,725	24,840,725
Related party loans	-	-	-	-	-	-	-	-	22,242,404	22,242,404
		8,983,025	-	-	-	-	-	-	81,521,834	90,504,859
Financial liabilities:										
Trade payables	-	-	-	-	-	-	-	-	12,203,292	12,203,292
Other payables	-	-	-	-	-	-	-	-	-	-
Current tax liabilities	-	-	-	-	-	-	-	-	1,583,991	1,583,991
Foreign currency forward contracts	-	-	-	-	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-	-	-	661,116	661,116
Finance lease liabilities	-	-	-	-	-	-	-	-	-	-
Debtors finance	-	-	-	-	-	-	-	-	-	-
Trade finance	-	-	-	-	-	-	-	-	-	-
Commercial bill finance	6.7%	-	-	-	-	-	-	50,000,000	-	50,000,000
Hire purchase	8.0%	-	84,165	61,940	-	-	-	-	-	146,105
Related party loans	-	-	-	-	-	-	-	-	4,904,600	4,904,600
Deferred purchase consideration	-	-	-	-	-	-	-	-	2,566,980	2,566,980
		-	84,165	61,940	-	-	-	50,000,000	21,919,979	72,066,084

Note 26. Financial Instruments (cont.)

Credit Risk Exposures

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Trade receivables consist of a large number of customers spread across diverse industries. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance is purchased.

The Group has a large credit risk exposure to a small number of major ASX listed corporations for which credit guarantee insurance is not purchased. Ongoing credit evaluation is performed on the financial condition of these accounts receivable.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, who has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Financial Instruments

The directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the financial statements approximates their fair value.

Note 27. Key Management Personnel

Details of Key Management Personnel

The key management personnel of Funtastic Limited during the year were:

Geoff Tomlinson
– Chairman – Non Executive Director (retired 11 May 2006)

David Hendy
– Chairman – Non Executive Director (Change of status from Executive Director effective 1 January 2006)

David Berry
– Non Executive Director

Harry Boon
- Non Executive Director (retired 28 February 2007)

Anthony Lynch
– Non Executive Director (appointed 25 May 2006)

Moshe Meydan
– Non Executive Director (change of status from Executive Director effective 31 August 2006)

Tony Oates
– Managing Director

Ian Ashmore
– General Manager Publishing (resigned 26 September 2006)

Paul Cannon
– General Manager Softgoods (appointed 15 June 2006)

Colin Caulfield
- Chief Operating Officer

Karl Nixon
- Chief Financial Officer

John Redenbach
- Group General Manager Hardgoods (resigned 18 December 2006)

Mark Scott
– General Manager International (appointed 27 February 2006)

Robert Vasy
- General Manager Toys, Nursery and Sporting

Key Management Personnel Compensation

The aggregate compensation made to key management personnel of the company and the Group is set out below:

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $
Short-term employee	2,900,395	3,128,965	2,900,395	3,128,965
Post-employment benefits	288,809	319,756	288,809	319,756
Termination benefits	116,341	180,707	116,341	180,707
Share-based payment	(6,909)	156,547	(6,909)	156,547
	3,298,636	3,785,975	3,298,636	3,785,975

The Company has taken advantage of the relief provided by ASIC Class Order 06/50 and has transferred the detailed key management personnel remuneration disclosures to the Directors' Report. The relevant information can be found in the Remuneration Report on pages 19 to 27.

Notes *to and forming part of the Financial Statements* 31 December 2006

Note 27. Key Management Personnel (cont.)

Transactions with Key Management Personnel

Mr D Berry, a director and company secretary, is a partner of the accounting firm O'Keeffe Walton Berry, which provided company secretarial 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 an office building owned 50% by Hendy Properties Pty Ltd. The lease agreement is based on normal terms and conditions and supported by independent valuation.

Mr D Hendy, is a director and has an interest in Headstart International Pty Limited. During the year the company has purchased products on normal commercial terms. At 31 December the amount payable was $Nil (2005 $1,931).

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.
- Thornhills Pty Limited Funtastic entered into a lease agreement to rent a warehouse and office building owned by this company.
- Ferristex Pty Limited and Vestito Pty Limited purchase clothing and apparel from Funtastic Limited. The purchases were on normal terms and conditions. At 31 December the amounts payable were $Nil (2005 $NIL) and $1,886,742 (2005 $2,776,401) 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 31 December 2006.

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

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $
Company Secretarial Services	78,521	74,345	70,946	74,345
Rent of Office and Warehouse Buildings				
Lucky Bay Pty Limited	817,036	793,090	817,036	793,090
A.H. Meydan Pty Limited	-	168,000	-	168,000
Thornhills Pty Limited	84,000	-	84,000	-
Hendy Properties Pty Limited	118,930	87,429	118,930	87,429
	1,019,966	1,048,519	1,019,966	1,048,519
Purchase of products				
Headstart International Pty Limited	46,486	215,432	46,486	215,432
Sale of clothing and apparel				
Ferristex Pty Limited	-	96,770	-	96,770
Vestito Pty Limited	5,523,266	5,969,947	5,523,266	5,969,947
	5,523,266	6,066,717	5,523,266	6,066,717

Note 28. Remuneration of Auditors

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Auditor of the parent entity				
Audit and review of the financial reports of the entity	328,000	-	168,000	-
Previous Auditor of the parent entiy				
Audit and review of the financial reports of the entity	-	325,450	-	268,950
Due diligence and acquisition reviews	-	92,100	-	92,100
Other services including assurance and taxation services	-	20,680	-	20,680
	-	438,230	-	381,730
Related practice of the Previous Company auditor				
Audit and review of the financial reports of the entity	-	3,121	-	-

The auditor of Funtastic Limited is Deloitte Touche Tohmatsu who were appointed on 11 May 2006 (Previous auditor RSM Bird Cameron)

Note 29. Commitments for Expenditure

Non-cancellable operating Lease payments

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

		Consolidated		Company	
		2006	2005	2006	2005
	Note	$	$	$	$
Not later than one year		3,875,177	3,427,224	3,518,311	3,167,781
Later than one year but not later than five years		6,500,928	7,038,744	6,209,958	6,988,062
Later than five years		1,869,805	1,035,000	1,869,805	1,035,000
		12,158,952	11,500,968	11,598,074	11,190,844

The operating leases are non-cancellable leases with respect to office and warehouse premises with lease terms of between six months and six years, some with options to extend. All operating leases with options to extend contain market review clauses in the event that the company/Group exercises its option to renew. The company/Group does not have an option to purchase the leased asset at the expiry of the leased period.

Hire purchase commitments

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

Not later than one year		277,793	415,986	263,343	91,428
Later than one year but not later than five years		143,925	280,635	105,212	63,345
Minimum lease and hire purchase payments		421,718	696,621	368,555	154,773
Less future finance charges		(18,070)	(49,219)	(18,070)	(8,668)
Total hire purchase liabilities		403,648	647,402	350,845	146,105
Representing					
Current	17	265,045	384,862	250,595	84,165
Non current	21	138,603	262,540	99,890	61,940
		403,648	647,402	350,485	146,105

The weighted average interest rate in the hire purchase agreements is 8.0% (2005: 7.6%).

The hire purchase agreements are non-cancellable and are in respect to motor vehicles and warehouse equipment with lease terms of up to 18 months.

License guarantee commitments

Under the terms of various License Agreements the Company guarantees the minimum levels of royalty payments. The commitment in relation to these guarantees contracted for but not capitalised in the accounts are payable as follows:

Not later than one year	14,367,441	3,609,142	13,294,532	3,609,142
Later than one year but not later than two years	15,510,097	1,736,354	15,505,097	1,736,354
Later than two years but not later than five years	4,700	1,226,750	4,700	1,226,750
	29,882,238	6,572,246	28,804,329	6,572,246

Notes to and forming part of the Financial Statements 31 December 2006

Note 30. Investments in Controlled Entities

Name of Entity	Country of Incorporation	Equity Holding 2006 %	Equity Holding 2005 %
Company			
Funtastic Limited[1]	Australia		
Subsidiaries			
JNH Australia Pty Ltd[2]	Australia	100	100
Fun International Ltd	Hong Kong	100	100
Funtastic International Limited[2]	Hong Kong	100	100
Planet Fun Pty Limited	Australia	100	100
Dorcy Irwin Pacific Pty Limited[2]	Australia	100	100
Dorcy Investments Pty Limited[2]	Australia	100	100
Irwin Pacific Pty Limited[2]	Australia	100	100
Dorcy NZ Pty Limited	New Zealand	50	50
Madman Entertainment Pty Limited[2]	Australia	100	-
Madman Films Pty Limited[2]	Australia	100	-
Madman Interactive Pty Limited[2]	Australia	100	-
The AV Channel Pty Limited[2]	Australia	100	-

(1) Funtastic Limited is the head entity within the tax-consolidated Group.

(2) These companies are members of the tax-consolidated Group.

Note 31. Notes to the cash flow statement

(a) Reconciliation of cash and cash equivalents

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $
Cash on hand	76,828	43,772	72,651	40,527
Cash at bank	2,947,758	15,069,361	539,097	8,983,025
Cash and cash equivalents	3,024,586	15,113,133	611,748	9,023,552

(b) Businesses acquired

During the financial year, the Group acquired two businesses and settled the earn-out component of the purchase consideration associated with acquisitions of the Planet Fun ($3,430,532) and Dorcy Irwin ($2,500,000) businesses in 2005. The net cash outflow of these acquisitions was $38,239,792. Refer note 32 for further details.

Note 31. Notes to the cash flow statement (cont.)

(c) Reconciliation of Operating Profit after Income Tax to Net Cash Inflow from Operating Activities

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
Operating profit after income tax	12,067,817	21,611,526	6,166,794	18,261,406
Amortisation and impairment	4,267,000	447,700	55,000	-
Depreciation	2,844,400	1,657,681	2,254,522	1,517,356
Interest revenue	(363,592)	(209,269)	(275,115)	(163,396)
Share options expense	(182,601)	504,453	(182,601)	504,453
Write down of inventory to NRV	727,764	805,547	781,151	952,534
(Profit) / Loss on sale of non-current assets	508,530	(1,200)	435,487	16,400
Decrease /(Increase) in trade and other receivables	2,258,342	3,493,331	(1,857,588)	(2,265,819)
(Increase) / decrease in inventories	(7,147,251)	4,571,025	(4,938,522)	2,784,951
Decrease / (increase) in deferred tax asset	288,074	(176,549)	338,475	(239,131)
(Increase) in prepayments	(6,617,858)	(1,300,255)	(5,830,114)	(1,060,959)
(Decrease) in trade creditors and accruals	(2,610,050)	(8,226,806)	(1,529,436)	(6,411,412)
(Decrease)/ increase in current tax liability	(7,062,428)	2,295,122	(5,749,956)	1,908,446
(Decrease)/ increase in employee provisions	(61,742)	51,109	(253,975)	30,835
Increase / (Decrease) in deferred tax liability	1,800,857	(86,169)	2,618,698	150,000
(Decrease) / increase in doubtful debts, credit notes, rebates and settlement discounts	(2,827,573)	2,158,907	(4,428,672)	1,019,507
Net cash (outflow) / inflow from operating activities	(2,110,311)	27,596,153	(12,395,852)	17,005,171

Note 32. Business combinations

Madman Group of Companies

(a) Summary of acquisition

On 10 May 2006 the Company acquired all of the issued shares in the Madman Group of Companies (Madman), a leading independent distributor of DVD products into retail and rental stores throughout Australia and New Zealand.

The acquired business contributed revenues of $30,989,315 and net profit after tax of $2,529,040 to the Group for the period from 11 May 2006 to 31 December 2006. If the acquisition had occurred on 1 January 2006, the revenue and net profit after tax for the year ended 31 December 2006 would have been $40,176,828 and $2,038,604 respectively.

(b) Purchase consideration

	$
Cash to Vendor	26,351,715
Equity to Vendor	2,694,635
Earn-out consideration	8,288,496
Direct costs relating to the acquisition	684,666
Total Consideration	38,019,512
Fair value of net identifiable assets acquired	14,727,775
Goodwill	23,291,737

The equity to vendor was in the form of 1,555,870 ordinary shares in Funtastic issued to the vendor on 11 May 2006 at a price per share of $1.73 being the market price at signing of the purchase agreement.

An earn-out will be payable based on a multiple of future EBIT for the each of the years ended 31 December 2006 to 31 December 2009. The estimated amount payable, based on profit for the year ended 31 December 2006, has been included in the determination of the value of goodwill. The earn-out estimate has increased by $688,496 from $7,600,000 as a result of higher than expected earnings in 2006. Interest on the earn-out consideration is payable to the Vendors at 6.5% per annum.

The company has undertaken an extensive analysis of identifiable intangible assets and has separately identified Licenses and Distribution Agreements. These have been independently valued and will be amortised over four years, being the expected life of the assets.

Other than the Licenses and Distribution Agreements there are no other material identifiable intangible assets.

The goodwill is attributable to the buyer specific synergies that arise on acquisition.

Notes to and forming part of the Financial Statements 31 December 2006

Note 32. Business combinations (cont.)

Madman Group of Companies (cont.)

(c) Assets and liabilities acquired

The fair value of assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount $	Fair Value $
Cash	675,979	675,979
Debtors	9,582,602	9,582,602
Inventories	2,880,636	2,880,636
Other current assets	8,162,399	8,162,399
Licenses and Distribution Agreements	-	5,100,000
Plant and equipment	1,256,990	1,094,990
Deferred Tax Asset	1,741,028	1,861,028
Trade creditors	(3,183,958)	(3,183,958)
Current interest bearing liabilities	(54,909)	(54,909)
Current tax liability	(1,042,414)	(1,042,414)
Provision for leave	(370,591)	(370,591)
Other current liabilities	(5,515,468)	(5,753,468)
Non-Current interest liabilities	(84,512)	(84,512)
Deferred Tax Liability	(2,610,007)	(4,140,007)
Net identifiable assets acquired	11,437,775	14,727,775

The difference between the acquiree's carrying amount and the fair value of net identifiable assets acquired, arises due to the identification of the intangible assets on allocation of the purchase price and fair value assessments of other assets and liabilities.

Mike & Jack Confectionery

(a) Summary of acquisition

On 10 May 2006 the Company completed the acquisition of the business and assets of Mike & Jack Confectionery (M&J).

M&J is a well established distributor, wholesaler and marketer of licensed, branded and novelty confectionery ranges. The business owns the trademarks of popular brands including "Mr Mallow", "X-treme", "Dip'n Lick" and "Groovy", as well as having the "Hello Kitty!", "Simpsons" and Disney licenses for novelty confectionery ranges.

The acquired business contributed revenues of $6,219,927 and net profit after tax of $554,741 to the Group for the period from 11 May 2006 to 31 December 2006. If the acquisition had occurred on 1 January 2006, the revenue and net profit after tax for the year ended 31 December 2006 would have been $9,295,521 and $132,924 respectively.

(b) Purchase consideration

	$
Cash to Vendor	5,100,000
Direct costs relating to the acquisition	205,195
Total Consideration	5,305,195
Fair value of net identifiable assets acquired	1,066,548
Goodwill	4,238,647

The company has undertaken an extensive analysis of identifiable intangible assets and has separately identified Brands, Licenses and Licensor Relationships. These have been independently valued and the Licenses and Licensor Relationships will be amortised over four years, being the expected life of the assets, while the Brands will be subject to annual tests of impairment.

Other than the Brands, Licenses and Licensor Relationships there are no other material identifiable intangible assets. The goodwill is attributable to the buyer specific synergies that arise on acquisition.

(c) Assets and liabilities acquired

The fair value of assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount $	Fair Value $
Cash	2,421	2,421
Debtors	1,444,328	1,444,328
Other current assets	81,199	81,199
Inventories	1,665,672	1,665,672
Brands	-	552,123
Licences and licensor relationships	-	258,000
Plant and equipment	42,629	42,629
Trade creditors	(481,343)	(481,343)
Current interest bearing liabilities	(1,959,109)	(1,959,109)
Provision for leave	(71,123)	(71,123)
Other current liabilities	(225,126)	(225,126)
Deferred Tax Liability	-	(243,123)
Net identifiable assets acquired	499,548	1,066,548

The difference between the acquiree's carrying amount and the fair value of net identifiable assets acquired, arises due to the identification of the intangible assets on allocation of the purchase price.

Note 33. Earnings per Share

	2006	2005
Basic earnings per share	9.4 Cents	17.1 Cents
Diluted earnings per share	9.3 Cents	16.2 Cents
Basic earnings per share (before amortisation)	11.7 Cents	17.4 Cents
Diluted earnings per share (before amortisation)	11.6 Cents	16.4 Cents
Earnings used in the calculation of total basic and diluted earnings per share equals the net profit in the income statement	$12,067,817	$21,611,526
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share.	128,313,863	126,167,719
Shares deemed to be issued for no consideration in respect of:		
Share options and performance share rights	931,199	7,243,621
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share.	129,245,062	133,411,339

Note 34. Segment

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

Note 35. Related Party Transactions

Key Management personnel

Disclosure relating to key management personnel is set out in Note 27 and the Remuneration Report.

Wholly Owned Group

The wholly owned Group consists of Funtastic Limited and its wholly-owned controlled entities, JNH Australia Pty Limited, Fun International Limited, Funtastic International Limited, Planet Fun Pty Limited the Dorcy Irwin group of companies and the MadMan group of companies. Ownership interests in these controlled entities are set out in Note 30.

Transactions between Funtastic Limited and other entities in the wholly-owned Group during the years ended 31 December 2006 and 2005 consisted of:

(a) Sales made by Funtastic Limited;
(b) loans advanced and interest charged by Funtastic Limited;
(c) management services provided by Funtastic Limited;
(d) management services provided to Funtastic Limited; and
(e) payment to/from 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		Company	
	2006 $	2005 $	2006 $	2005 $
Loans to controlled entities	-	-	2,072,945	22,242,404
Loans from controlled entities	-	-	19,176,815	4,904,600
Sale of product to controlled entity	-	-	233,530	235,439
Interest charged to controlled entity	-	-	251,961	768,202
Provision of management services to controlled entities	-	-	2,709,816	8,088,116
Management services provided by controlled entities	-	-	796,352	485,961

Notes to and forming part of the Financial Statements 31 December 2006

Note 36. Events Occurring After Balance Date

On the 2 January 2007 Funtastic completed the acquisition of the Judius Group of Companies from ABC Learning Centres (ABC) funded via the issue of 29,117,647 shares, valued at the date of completion at $46,879,412, and $5,000,000 in cash

Judius is a leading wholesaler and distributor of toys, learning and educational products to the childcare industry and to specialty retailers. The products cover the complete spectrum of children's development, including literacy, maths, motor skills, arts & crafts and music.

The acquisition includes a long term agreement with ABC. The key commercial terms are:

- Ongoing supply arrangement, with Judius supplying toys, furniture and learning and development products on an exclusive basis to all of ABC's childcare centres
- Judius' right to supply ABC will be global, and will have an initial term of 20 years
- ABC will be entitled to a percentage of revenue on sales made to and through ABC centre

	$
Cash to Vendor	5,000,000
Equity to Vendor	46,879,412
Direct costs relating to the acquisition	1,400,000
Amount due from Vendor	(274,169)
Total Consideration	53,005,243
Fair value of net identifiable assets acquired	39,786,509
Goodwill	13,218,734

The company has undertaken a preliminary analysis of identifiable intangible assets and has separately identified the twenty year agreement with ABC. This agreement will be amortised over twenty years, being the initial expected life of the asset.

At this stage, no other material identifiable intangible assets have been separately identified. The residual goodwill is attributable to the buyer specific synergies that arise on acquisition.

The fair value of assets and liabilities arising from the acquisition are estimated as follows:

	Acquiree's carrying amount $	Fair Value $
Cash	738,655	738,655
Debtors	4,465,945	4,465,945
Other current assets	189,206	189,206
Inventories	7,548,911	7,548,911
Plant and equipment	331,758	331,758
Customer agreement	-	40,000,000
Deferred Tax Asset	174,064	174,064
Trade creditors	(1,297,786)	(1,297,786)
Current interest bearing liabilities	(65,030)	(65,030)
Employee benefits	(299,214)	(299,214)
Deferred Tax Liability	-	(12,000,000)
Net identifiable assets acquired	11,786,509	39,786,509

The difference between the acquiree's carrying amount and the fair value of net identifiable assets acquired, arises due to the identification of the intangible assets on allocation of the purchase price.

Other than the acquisition of Judius Pty Limited, there are no matters or circumstances that have arisen since 31 December 2006 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 37. Share based payments

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 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 EPS reaches or exceeds 13% per annum over a three year period commencing five years prior to the expiry date and 50% exercisable if the average diluted EPS reaches or exceeds 17% per annum over the same five year period and executive remaining in employment at the date of vesting.

Option type 3

In respect to one half of the options granted the following performance conditions are required to be achieved:

(a) for 50% to vest the diluted earnings per share (EPS) average increase in growth rate over three years, is required to be 11%
(b) for the remaining 50% to vest the average diluted EPS growth rate over the three years, is required to be 15%
(c) If the average annual increase in diluted EPS growth rate over three years, is between 11% and 15%, the options will vest proportionately from 50% up to 100% of the entitlement.
(d) and the employee being in continuous employment with the Company the 31 March in the year following the three years.

In respect of the other half of the options granted the following performance conditions are required to be achieved:

(a) for 50% to vest, Funtastic's relative total shareholders return (TSR) during the period 1 July 2006 to 30 June 2009 is required to be at least equal the TSR achived by the median of the companies TSR in the S&P ASX small ordinaries index (The Comparator Group).
(b) for the remaining 50% of the entitlement to vest, Funtastic's TSR has to be equal to the 75th percentile of the Comparator Group during the period 1 July 2006 to 30 June 2009
(c) for each percentile increase in Funtastic's ranking above the median ranking up to the 75th percentile, an additional 2% vests up to 100%.
(d) and the employee being in continuous employment with the Company until 31 August 2009.

Note 37. Share based payments (cont.)

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.

Set out below are summaries of options granted under the plan and the balance outstanding at the end of the financial year.

Grant date	Option NR	Type	Expiry date	Fair price at grant date	Exercise price	Balance at start of year Number	Issued during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance as at end of year Number
Consolidated and Company – 2006										
14-Sep-2000	1	1	14-Sep-2005	$0.50	-	-	-	-	-	-
2-Apr-2002	2	1	2-Apr-2007	$0.62	-	-	-	-	-	-
13-Nov-2002	4	1	13-Nov-2007	$0.88	$0.16	650,000	-	-	-	650,000
7-Mar-2003	4	1	7-Mar-2007	$0.88	$0.19	282,500	-	240,000	-	42,500
1-May-2003	3	1	1-Oct-2007	$0.92	$0.44	250,000	-	250,000	-	-
23-Sep-2003	5	1	2-Apr-2008	$1.10	$0.75	272,500	-	225,000	-	47,500
11-Nov-2003	6	1	1-Aug-2008	$1.52	$0.32	105,000	-	-	-	105,000
17-Dec-2003	7	1	17-Sep-2008	$1.89	$0.38	410,625	-	-	220,000	190,625
29-Dec2004	8	1	29-Dec-2008	$2.18	$0.46	50,000	-	-	-	50,000
5-Jan-2004	9	1	5-Jan-2009	$2.12	$0.45	50,000	-	-	-	50,000
14-Apr-2004	22	1	14-Apr-2007	$2.10	$0.40	15,000	-	-	-	15,000
3-Nov-2004	11	1	9-Aug-2009	$2.39	$0.47	100,000	-	-	-	100,000
17-Dec-2004	12	2	2-Apr-2009	$2.04	$0.40	698,000	-	-	698,000	-
29-Apr-2005	14	2	2-Apr-2009	$2.04	$0.23	381,000	-	-	381,000	-
3-Aug-2005	20	2	2-Apr-2010	$2.00	$0.41	1,212,906	-	-	551,842	661,064
27-Feb-2006	24	2	2-Apr-2011	$1.88	$0.33	-	100,000	-	-	100,000
11-May-2006	25	2	31-Mar-2011	$1.86	$0.22	-	250,000	-	-	250,000
15-Aug-2006	27	3	2-Sep-2011	$1.64	$0.30	-	497,143	-	-	497,143
						4,477,531	847,143	715,000	1,850,842	2,758,832
Weighted average exercise price								$0.96		
Consolidated and Company – 2005										
14-Sep-2000	1	1	14-Sep-2005	$0.50	-	30,000	-	30,000	-	-
2-Apr-2002	2	1	2-Apr-2007	$0.62	-	280,000	-	280,000	-	-
13-Nov-2002	4	1	13-Nov-2007	$0.88	$0.16	650,000	-	-	-	650,000
7-Mar-2003	4	1	7-Mar-2007	$0.88	$0.19	562,500	-	105,000	175,000	282,500
1-May-2003	3	1	1-Oct-2007	$0.92	$0.44	500,000	-	250,000	-	250,000
23-Sep-2003	5	1	2-Apr-2008	$1.10	$0.75	485,000	-	17,500	195,000	272,500
11-Nov-2003	6	1	1-Aug-2008	$1.52	$0.32	180,000	-	10,000	65,000	105,000
17-Dec-2003	7	1	17-Sep-2008	$1.89	$0.38	1,065,000	-	-	654,375	410,625
18-Feb-2004	10	1	18-Feb-2009	$2.16	$0.46	50,000	-	-	50,000	-
29-Dec2004	8	1	29-Dec-2008	$2.18	$0.46	100,000	-	-	50,000	50,000
5-Jan-2004	9	1	5-Jan-2009	$2.12	$0.45	100,000	-	-	50,000	50,000
14-Apr-2004	22	1	14-Apr-2007	$2.10	$0.40	30,000	-	-	15,000	15,000
3-Nov-2004	11	1	9-Aug-2009	$2.39	$0.47	200,000	-	-	100,000	100,000
17-Dec-2004	12	2	2-Apr-2009	$2.04	$0.40	859,000	-	-	161,000	698,000
29-Apr-2005	14	2	2-Apr-2009	$2.04	$0.23	-	721,000	-	340,000	381,000
3-Aug-2005	20	2	2-Apr-2010	$2.00	$0.41	-	1,212,906	-	-	1,212,906
						5,091,500	1,933,906	692,500	1,855,375	4,477,531
Weighted average exercise price								$0.79		

Notes *to and forming part of the Financial Statements* 31 December 2006

Note 37. Share based payments (cont.)

Fair value of options granted

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-tradable 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.

The total value of options included in remuneration for the year is calculated in accordance with AASB 2 'Share Based Payments' where the value of options is determined at grant date, and are included in remuneration on a proportionate basis from grant date to vesting date.

The model inputs for options granted include;

Option Number	3	4	5	6	7	8
Issue Date	2-May-2003	13-Nov-2002	2-Apr-2003	1-Aug-2003	17-Dec-2003	29-Dec-2003
Vesting Date	16-Jan-2004	6-Dec-2003	30-Jan-2005	11-Mar-2005	3-Jun-2005	30-Dec-2005
Expiry Date	18-Oct-2007	13-Nov-2007	2-Apr-2008	1-Aug-2008	17-Sep-2008	29-Dec-2008
Exercise price	$0.92	$0.88	$1.10	$1.52	$1.89	$2.18
Stock Price at Issue	$1.33	$0.88	$1.89	$1.55	$1.89	$2.18
Expected Life (years)	3.04	3.06	3.83	3.61	3.46	4.01
Volatility	30%	30%	30%	30%	30%	30%
Risk free rate	4.6%	4.8%	4.8%	5.0%	5.4%	5.6%
Dividend yield	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%
Vesting period (years)	1.0	1.1	1.8	1.6	1.5	2.0
Value	$0.44	$0.16	$0.75	$0.32	$0.38	$0.47

Option Number	9	10	11	12	14
Issue Date	5-Jan-2004	18-Feb-2004	9-Aug-2004	17-Dec-2004	29-Apr-2005
Vesting Date	1-Jan-2006	16-Jan-2006	14-Mar-2006	30-Mar-2007	30-Mar-2007
Expiry Date	5-Jan-2009	18-Feb-2009	9-Aug-2009	2-Apr-2009	2-Apr-2009
Exercise price	$2.12	$2.16	$2.39	$2.04	$2.04
Stock Price at Issue	$2.12	$2.16	$2.39	$2.04	$1.72
Expected Life (years)	3.99	3.91	3.60	3.28	2.92
Volatility	30%	30%	30%	30%	30%
Risk free rate	5.6%	5.5%	5.4%	4.9%	5.3%
Dividend yield	4.3%	4.3%	4.3%	4.3%	4.3%
Vesting period (years)	2.0	1.9	1.6	2.3	1.9
Value	$0.45	$0.46	$0.48	$0.40	$0.23

Option Number	20	22	24	25	27
Issue Date	3-Aug-2005	14-Apr-2004	27-Feb-2006	11-May-2006	15-Aug-2006
Vesting Date	31-Mar-2008	3-Feb-2006	2-Apr-2009	2-Apr-2009	31-Mar-2009 & 31-Aug-2009
Expiry Date	2-Apr-2010	14-Apr-2007	2-Apr-2011	31-Mar-2011	2-Sep-2011
Exercise price	$2.00	$2.10	$1.88	$1.86	$1.64
Stock Price at Issue	$2.00	$2.10	$1.88	$1.61	$1.64
Expected Life (years)	3.66	2.91	4.10	3.90	3.84
Volatility	30%	30%	30%	30%	30%
Risk free rate	5.3%	5.3%	5.3%	5.5%	5.8%
Dividend yield	4.3%	4.3%	6.0%	6.0%	6.0%
Vesting period (years)	2.7	1.8	3.1	2.9	2.8
Value	$0.41	$0.40	$0.33	$0.22	$0.30

Note 37. Share based payments (cont.)

Fair value of options exercised

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

Exercise date	Option Nr	Fair value of shares at issue date	2006 number	2005 number
6-Jan-2006	4	$1.73	37,500	
31-Mar-2006	4	$1.76	50,000	
6-Apr-2006	5	$1.80	50,000	
18-May-2006	4	$1.75	50,000	
29-Jun-2006	3	$1.60	250,000	
3-Aug-2006	4	$1.74	37,500	
9-Aug-2006	5	$1.72	25,000	
25-Sep-2006	4	$1.64	50,000	
26-Sep-2006	5	$1.65	150,000	
4-Oct-2006	4	$1.61	15,000	
8-Feb-2005	4	$1.92		7,500
21-Apr-2005	4	$1.73		25,000
26-May-2005	2	$1.72		30,000
26-May-2005	4	$1.72		7,500
27-May-2005	4	$1.72		5,000
14-Jun-2005	6	$1.81		10,000
11-Jul-2005	1	$1.93		15,000
18-Jul-2005	5	$1.98		5,000
19-Aug-2005	3	$2.20		250,000
25-Aug-2005	4	$2.20		12,500
30-Aug-2005	1	$2.19		200,000
30-Aug-2005	2	$2.19		15,000
3-Oct-2005	2	$2.07		50,000
10-Nov-2005	5	$1.77		12,500
11-Nov-2005	4	$1.76		25,000
15-Nov-2005	4	$1.74		5,000
21-Nov-2005	4	$1.82		7,500
5-Dec-2005	4	$1.86		10,000
TOTAL			715,000	692,500

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	
Option Price	Option Nr	2006 number	2005 number
$0.88	4	692,500	932,500
$0.92	3	-	250,000
$1.10	5	47,500	62,500
$1.52	6	105,000	35,000
$1.89	7	190,625	133,125
$2.18	8	50,000	-
$2.39	11	50,000	-
TOTAL		1,135,625	1,413,125

	$	$
Aggregate proceeds received from employees on the exercise of options and recognised as issue capital	689,468	545,786
Market value of shares issued to employees on the exercise of options as at their issue date	1,192,275	1,446,625

Employee Performance Share Rights

During 2005 the company established the Funtastic Employee Performance Share Rights Plan (PSR).

Rights are granted under the plan for no consideration. Rights are granted over varying periods and on conditions attributable to each issue of right. The entitlements to the PSRs are as soon as they become exercisable.

The rights are not exercisable until certain performance criteria are met as follows;

PSR Type 1

50% are granted if the average diluted EPS reaches or exceeds 13% per annum over a three year period commencing three years prior to the expiry date and 50% are granted if the average diluted EPS reaches or exceeds 17% per annum over the same three year period and executive remaining in employment at the date of vesting.

PSR Type 2

In respect to one half of the PSRs granted the following performance conditions are required to be achieved:

(a) for 50% to vest the diluted earnings per share (EPS) average increase in growth rate over three years ending 31 December 2008, is required to be 11%

(b) for the remaining 50% to vest the average diluted EPS growth rate over the three years ending 31 December 2008, is required to be 15%

(c) If the average annual increase in diluted EPS growth rate over the the three years ending 31 December 2008, is between 11% and 15%, the options will vest proportionately from 50% up to 100% of the entitlement.

(d) and the employee being in continuous employment with the Company until 31 March 2009.

In respect of the other half of the PSRs granted the following performance conditions are required to be achieved:

(a) for 50% to vest, Funtastic's relative total shareholders return (TSR) during the period 1 July 2006 to 30 June 2009 is required to be at least equal the TSR achived by the median of the companies TSR in the S&P ASX small ordinaries index (The Comparator Group).

(b) for the remaining 50% of the entitlement to vest, Funtastic's TSR has to be equal to the 75th percentile of the Comparator Group during the period 1 July 2006 to 30 June 2009

(c) for each percentile increase in Funtastic's ranking above the median ranking up to the 75th percentile, an additional 2% vests up to 100%.

(d) and the employee being in continuous employment with the Company until 31 August 2009.

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

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

No consideration is payable by participants if the performance measures are achieved and the shares are granted on the expiry date.

Notes to and forming part of the Financial Statements 31 December 2006

Note 37. Share based payments (cont.)

Employee Performance Share Rights (cont.)

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

Grant date	PSR Nr	Fair value at grant date	Expiry date	Balance at start of year Number	Issued during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance as at end of year Number
Consolidated and Parent – 2006								
30-Apr-2005	13	$1.72	2-Apr-2007	88,932	-	-	88,932	-
3-Aug-2005	21	$2.00	2-Apr-2008	157,639	-	-	55,002	102,637
4-Oct-2005	23	$2.11	2-Apr-2008	4,787	-	-	-	4,787
15-Aug-2006	26	$1.64	2-Sep-2009	-	287,500	-	75,000	212,500
8-Sep-2006	28	$1.59	2-Sep-2009	-	5,000	-	-	5,000
				251,358	292,500	-	218,934	324,924
Consolidated and Parent – 2005								
30-Apr-2005	13	$1.72	2-Apr-2007	-	105,150	-	16,218	88,932
3-Aug-2005	21	$2.00	2-Apr-2008	-	176,951	-	19,313	157,639
4-Oct-2005	23	$2.11	2-Apr-2008	-	4,787	-	-	4,787
				-	286,888	-	35,531	251,358

No Rights were vested at the reporting date

Fair value of performance rights granted

Fair values have been determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the right, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the right, 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.

The total value of performance rights included in remuneration for the year is calculated in accordance with AASB 2 'Share Based Payments' where the value of performance rights is determined at grant date, and are included in remuneration on a proportionate basis from grant date to vesting date.

The model inputs for Performance Rights Grants include:

PSR Number	13	21	23	26	28
Issue Date	30-Apr-2005	3-Aug-2005	4-Oct-2005	15-Aug-2006	8-Sep-2006
Vesting Date	30-Mar-2007	31-Mar-2008	31-Mar-2008	31-Mar-2009 & 31/8/2009	31-Mar-2009 & 31/8/2009
Expiry Date	2-Apr-2007	2-Apr-2008	2-Apr-2008	2-Sep-2009	2-Sep-2009
Exercise price	$0.00	$0.00	$0.00	$0.00	$0.00
Stock Price at Issue	$1.72	$2.00	$2.11	$1.64	$1.59
Expected life (years)	1.92	2.67	2.50	3.05	2.99
Volatility	30%	30%	30%	30%	30%
Risk free rate	5.3%	5.3%	5.3%	5.8%	5.8%
Dividend yield	4.3%	4.3%	4.3%	6.0%	6.0%
Vesting period (years)	1.9	2.7	2.5	2.8	2.8
Value	$1.72	$2.00	$2.11	$1.64	$1.59

Shareholders *Information*

The shareholder information set out below was applicable as at 12 March 2007.

A. Distribution of equity securities

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

Range	Ordinary Share Holders	Options	Performance share rights
1 – 1,000	1,376	-	-
1,001 - 5,000	3,507	1	4
5,001 - 10,000	1,554	7	4
10,001 - 100,000	1,361	18	15
100,001 and over	72	9	-
	7,870	35	23

There are 2,729 shareholders holding less than a marketable parcel of ordinary shares.

B. Substantial holders

Substantial holders in the company are set out below:

	Shares	%
ABC Learning Centres Limited	29,117,647	17.99%
Pepetual Limited and Subsidiaries	13,385,665	8.27%
NSR Toys Pty Ltd	8,782,272	5.43%
	51,285,584	31.69%

B. 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	ABC Learning Centres Limited	29,117,647	17.99%
2	NSR Toys Pty Ltd	8,734,749	5.40%
3	A H Meydan Pty Limited	7,946,479	4.91%
4	RBC Dexia Investor Services Australia Nominees Pty Limited <pipooled A/c>	7,003,193	4.33%
5	RBC Dexia Investor Services Australia Nominees Pty Limited <piic A/c>	5,801,211	3.58%
6	J P Morgan Nominees Australia Limited	5,646,899	3.49%
7	Westpac Custodian Nominees Limited	4,662,356	2.88%
8	National Nominees Limited	3,938,533	2.43%
9	AMP Life Limited	3,629,140	2.24%
10	Mr Vincent Michael O'sullivan	3,580,000	2.21%
11	ANZ Nominees Limited <cash Income A/c>	3,555,556	2.20%
12	Mr David Graham Hendy + Mrs Suzanne Marie Hendy <hendy Retire Fund - Fun A/c>	2,580,000	1.59%
13	Citicorp Nominees Pty Limited	2,193,850	1.36%
14	Tolmer Super Services Pty Ltd	1,672,548	1.03%
15	National Australia Trustees Limited	1,555,870	0.96%
16	HSBC Custody Nominees (Australia) Limited-gsco Eca	1,424,397	0.88%
17	Hendy Innovations Pty Ltd	1,190,872	0.74%
18	Mr Vincent Michael O'sullivan + Mrs Diane Marie O'sullivan <the Trickster S/f A/c>	1,100,000	0.68%
19	CS Fourth Nominees Pty Ltd	1,017,711	0.63%
20	Mr Edmund Stuart Groves	1,000,000	0.62%

Unquoted equity securities

	Number on issue	Number of holders
Options issued under the Funtastic Executive Share Option Plan	2,748,932	33
Performance share rights issued under the Funtastic Performance Share Rights Plan	324,922	23
Ordinary options	1,550,000	2

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

(c) Performance Share Rights

No voting rights

Company *Information*

Directors

David Hendy
Chairman and Non Executive Director

Tony Oates
Managing Director

David Berry BCom FCA FTIA
Non Executive Director

Antony Lynch BCom
Non Executive Director

Moshe Meydan
Non Executive Director

Secretary

David Berry

Registered Office

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Camberwell Vic 3124

Principal Administrative Office

635 Waverley Road

Glen Waverley, VIC 3150

Share Registry

Computershare Investor Services Pty Limited

Yarra Falls

452 Johnston Street

Abbotsford Vic 3067

Auditors

Deloitte

180 Lonsdale Street

Melbourne Vic 3000

Australia

Bankers

National Australia Bank

535 Bourke Street

Melbourne Vic 3000

Solicitors

Freehills

101 Collins Street

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