Funtastic Limited
2003 Annual Report


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Funtastic Limited
2003 Annual Report

highlights for 2003

Net Sales	$223.5m, up 70.6%
EBIT	$22.37m, up 61.6%
Net Profit before Tax	$20.8m, up 67.7%
Net Profit after Tax	$13.99m, up 55.7%
Dividend for 2003 year	7.0 cents per share, up 40%
Net Assets	increased to $86.6m, up 62%

contents

message to shareholders

Financial Highlights

In the 12 months to 31st December 2003, your company has achieved outstanding results. The key financial achievements in comparison to the previous period are set out below.

- Net Sales $223.5m up 70.6%
- EBIT $22.37m up 61.6%
- NPBT $20.8m up 67.7%
- NPAT $13.99m up 55.7 %

The directors are delighted to declare a final fully franked dividend of 5 cents per share. The total dividend for the 2003 year amounts to 7 cents for the year, compared to 5.0 cents per share in 2002. The record date for the final dividend is 22nd March 2004 and the dividend will be paid on 7th April 2004.

The Dividend Reinvestment Plan (DRP) will be maintained.

Operations

Funtastic has continued to enhance its position as one of Australia's major marketing and distribution companies with the continuation of both organic growth and growth by acquisition and having an excellent understanding of our customer's needs and wants.

During the 2003 year Funtastic acquired Australian Horizons, a leading apparel manufacturer with over 20 years heritage in the Australian market. Australian Horizons brings with it the expertise that is needed to produce top quality apparel including brands such as Piping Hot™, Nike™, Boomdoggers™ and STE™. With Funtastic's marketing expertise and knowledge of licensed products, and Australian Horizon's knowledge of production, we are already seeing the benefit of the acquisition.

As has been the case with previous acquisitions, the stock market reaction has been very positive.

The Outlook for 2004

Funtastic has a very exciting program for 2004. Our objective is to continue working on extracting revenue and cost synergies from our expanded operations, maintaining strong organic growth and creating a cohesive working environment for our different product areas. We have already started to group staff together by complementary product types. All of our apparel staff are now located at the Northcote premises. Toy, nursery and publishing staff are located at South Oakleigh and our Finance, Operations, Homewares and Confectionery staff are located at Glen Waverley.

Such restructuring will not only streamline our operations, but it will also make it easier for our customers to maximise the business potential with each of these areas.

In 2004 Funtastic will be able to utilise its recently implemented computer system which will generate cost synergies.

There are some major highlights which will materialise in 2004. In Toys we have the exclusive rights for Spider-Man™ II The Movie and Bratz™ Fashion Dolls which are taking the world by storm. We will also continue our proactive focus on licensed trademarks to enhance our product offering to our customers. Some of these great trademarked brands are Thomas the Tank Engine™, Bob the Builder™, Spider-Man™, Bratz™, Zoids™, and Crush Gear™ to name just a few.

Expansion of the LeapFrog™ range in Australia has been fantastic. LeapFrog™ is a range of educational products providing excellent interactive toys for ages pre-school and onwards. We have been able to create LeapFrog™ sections in every major retailer in Australia. Having a product range that specialises in teaching children and specialising in phonics is fantastic for our company.

Towards the end of the year Funtastic will take over the Disney library of publishing products. In Homewares we are already increasing our marketing on our Dome™ range of appliances and our Piranha range of cleaning products continues to grow. We are excited to be introducing a Safety First™ stroller range in Nursery.

With the increased emphasis on our apparel range and our expanding footwear range 2004 is already looking to be a strong year for the company.

message to shareholders

Working Capital

We are pleased to note that our working capital position has improved dramatically since 2003. Consolidated cash flow from operations activities for the calendar 2003 year is a surplus of $21.9 million in comparison to 2002 of $5.0 million.

2003 Results Analysis

When reviewing the 2003 reported results in conjunction with the proforma results which include Australian Horizon's for the 12 months, a true indication of the performance of the company is revealed.

For comparison purposes the 2002 proforma numbers should also be used as they show results including JNH and Toy & Hobby for the full 12 months, taking into account the first half year result when smaller profit margins are earned.

In 2002 and 2003 Funtastic has undertaken an initiative in dealing with overseas and Australian retailers whereby product is shipped directly out of China to the retailer. This reduces the logistics costs, which are passed on to retailers through lower product costs. In 2002 and 2003 these shipments have been handled by an agent in Hong Kong and Funtastic has reported the margin or profit on these transactions. These overseas direct shipments are increasing in volume at sales values of $14 million in 2002 and $28.7 million in 2003. These sales were booked by the agent overseas. Funtastic has in turn received the margin or profit which has been reported.

In expectation of this part of the business growing, we have formed a company called Fun International in Hong Kong and are now booking the sales through this company and in turn will be reporting them in our accounts. This will provide a more accurate representation of our sales without affecting the profit. Including these sales has the effect of reducing our profit margin as a percentage of sales. To illustrate this point we have provided you the December 2003 proforma numbers including Fun International.

Funtastic views this overseas direct business as a growing percentage of the overall business. A summary of the actual 2003 and proforma numbers including Australian Horizons and Fun International are in the table on the following page:

Statement of Financial Performance

	Actual Dec '02 ($ million) Proforma Note (1)	Actual Dec '03 ($ million) Reported Note (2)	Actual Dec '03 ($ million) Proforma Note (3)	Actual Dec '03 ($ million) Proforma Note (4)
Sales	166.7	223.5	254.3	285.0
EBIT	14.47	22.37	25.73	25.73
EBIT%	8.7	10.0%	10.1%	9.1%
NPBT	12.8	20.79	23.45	23.45
NPBT%	7.7	9.3%	9.2%	8.3%
NPAT	8.96	13.99	15.85	15.85
NPAT%	5.4	6.3%	6.2%	5.6%

Note:

(1) Assume acquisition of JNH and Toy & Hobby occurred on 1st January 2002 with no cost savings or benefits

(2) Based on acquisition of Australian Horizons occurring on 1st July 2003

(3) Assume acquisition of Australian Horizons occurred on 1st January 2003 with no cost savings or benefits

(4) Assume acquisition of Australian Horizons occurred on 1st January 2003 with no cost savings or benefits and includes $28.7 million of Fun International sales

Summary

The company has had very strong organic growth which has improved profitability. During 2003, we were able to see the emergence of revenue and cost synergies resulting from recent acquisitions.

In 2004 the company will benefit from savings resulting from the introduction of a single computer system handling our logistics and financial management.

The company has shown solid growth performance over its history and again, this growth could not have been obtained without the loyal, dedicated and talented staff who work for Funtastic. We would like to thank all of the Funtastic staff for their efforts.

The Board of Directors wish to also thank all of the shareholders for their support and we look forward to a positive future.

Regards,

Geoff Tomlinson
Chairman

David Hendy
Managing Director

product categories

Funtastic Toys

Funtastic was again awarded the Major Toy Supplier of the Year for 2003, following on from the success of receiving this award in 2002.

Funtastic Toys continued its domination in the toy market throughout 2003, with an array of products from simple bubble toys, the rebirth of Teenage Mutant Ninja Turtles™ through to educational brands such as LeapFrog™.

Licensed product continues to play a significant role with classic brands, such as Strawberry Shortcake™ and movie blockbusters like Spider-Man™ and Hulk™.

Funtastic Toys, for the third year running, was awarded Toy of the Year for 2003 with Hulk Hands™. Funtastic Toys' success can be attributed to the development of strategic partnerships with companies such as Toy Biz, LeapFrog, Jakks Pacific and Spinmaster to name a few.

JNH Toys

JNH Toys has a selection of brands and licensed product that covers the needs of children from pre-schoolers through to teens. With well known brands such as Thomas & Friends™, Bob the Builder™ and the ever growing success of the hit fashion doll range of Bratz™, along with cartoon phenomenons Digimon™, Zoids™ and Crush Gear™.

JNH Toys contributes its success to the development of long term strategic partnerships with internationally recognised companies including Tomy, Bandai, MGA, Basic Fun, Spinmaster, Taiyo Edge and Thinkway. JNH Toys is a key player in the toy arena in Australia.

Toy & Hobby

Toy & Hobby market and distribute everything from innovative spy and activity products, model kits and radio controlled vehicles. With partners including Wild Planet and their range of products including Spy Gear™ and Undercover Girl™, Revell and their range of scale model kits including cars, boats and planes and Burago and their range of diecast collectibles to name a few, it is rapidly evolving into a powerhouse of growth for the company.

Sporting

Sporting products is newly created with distribution of world famous brands such as Razor™, Kelsyus™ as well as local brands Aerial™ and 2DX™. With product ranging from bikes and scooters to inflatable pool accessories and family fun products, this rapidly developing and exciting area adds another dimension to the Funtastic stable of brands.

Nursery

Nursery keeps going from strength to strength, with the Safety 1st™ range including products that encompass feeding, bath and safety along with security gates and walkers. We also have exclusive distribution rights for The First Years™, and continue to grow considerably in the infant/baby area overall.

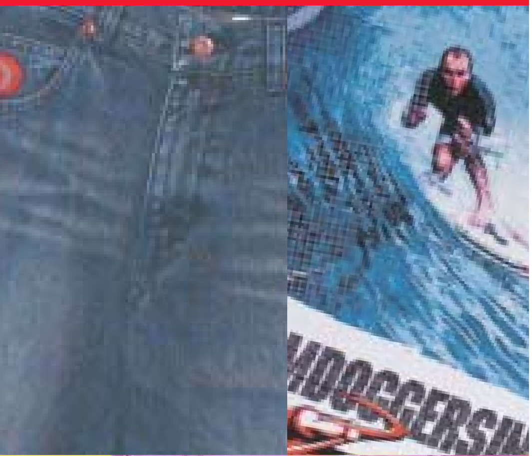
In 2003, Funtastic also announced the new distribution rights for Medela™ Breastfeeding Pumps and accessories. Alongside a range of generic and licensed feeding and plastic ranges, product development has become an important driver of growth.

Accessories

Accessories specialises in licensed cosmetic, fashion bags and backpacks under great brands such as Barbie™, Bratz™ and Spider-Man™. Accessories also market a range of hair accessories under the brands of Minx™ and Popsicle Girl™ and Barbie™ health and beauty products from lip glosses to bubble bath for little girls.

Accessories also have a range of food storage and microwaveable plasticware products which are developed under the "hot" licenses of Barbie™ and Bratz™ to name a few. We adopt the hottest licenses and follow the latest fashion trends to make our product fashionable, affordable and fun!

product categories



Australian Horizons

Funtastic announced on 19th August 2003 the acquisition of the business of Australian Horizons (effective 1st July 2003). As a result of this acquisition, Australian Horizons is now fully owned by Funtastic and is recognised as one of the key apparel manufacturers in Australia today. Australian Horizons provide all major retailers with branded and non-branded men's wear, women's wear and children's wear.

Key brands include Piping Hot™, Boomdoggers™ and STE™. Australian Horizons also has an OEM arrangement with Nike™ which is unique to their Australian operations.

Funtastic Apparel

Funtastic Apparel has become one of the largest growth areas of the company. From the strong base of sleepwear, rainwear and swimwear in well known brands such as Barbie™, Bob the Builder™, Thomas the Tank Engine™ and Winnie the Pooh™, it has now branched into the fashion-orientated categories of outerwear, underwear, socks and hosiery.

The strength and rapid growth has been driven partly by substantial investment in resources as well as capitalising on our knowledge of leading trends in the child and youth market.

Footwear

Footwear has developed into a market leader. Exceptional growth has taken place with a focus on children's licensed footwear, including powerful brands such as Winnie the Pooh™, Barbie™, Bob the Builder™, Thomas & Friends™ and many others.

The next exciting phase for Footwear is to move into developing a generic range of innovative footwear for teens and adults, which will be facilitated by the experienced team that we currently have in place.

Homewares

Homewares has grown rapidly. Originally, introducing the ever popular children's flip-out sofa to now include ranges from Manchester to lighting, wooden furniture and camping chairs.

The popular licenses that can be found in Homewares include Barbie™, Bob the Builder™, Thomas the Tank Engine™, Spider-Man™, Saddle Club™, Bratz™ and Winnie the Pooh™.

Electrical

Electrical products falls under the umbrella of Homewares. This category has successfully grown to cover a diverse range of electrical products. These include vacuum cleaners under the Piranha™ brand, appliances under the brand Dome™, home entertainment and audio visual products called Vibes™ and a personal care range under the name Jolie™.

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

Confectionery

Confectionery was originally born out of novelty confectionery such as Pez™ and Cap Candy™ (Spin Pops).

The brand portfolio has widened to include brands such as Anthon Berg™, Brown and Haley™, Cavendish and Harvey™, Chupa Chups™ (Novelty) and Beacon™.

Publishing

Publishing continues to grow at a dramatic rate. Its original focus was on children's books under leading licenses including Spider-Man™, Care Bears™, Hulk™, Barbie™ and Transformers™.

In 2003 Publishing expanded its focus to include books for the older age bracket including the distribution of the Donald Bradman book, 'The Art of Bradman'.

Looking to 2004 Publishing has recently been announced as the exclusive licensing partner for Disney publishing titles, commencing late 2004.

shareholders information

In accordance with Australian Stock Exchange Listing Rules, the following information is provided.

1. There are 6528 holders of the 121,535,011 ordinary shares with a voting right of one vote per share.

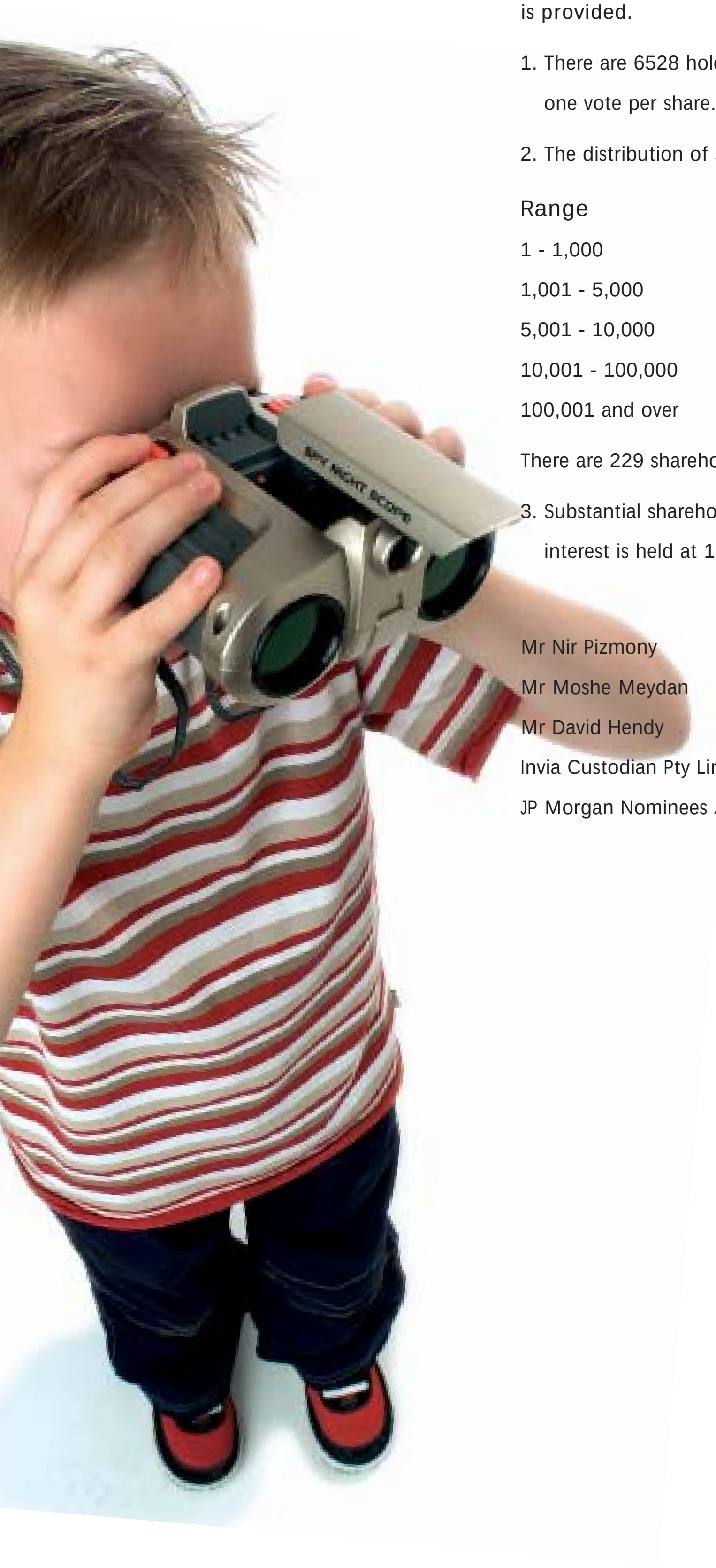
2. The distribution of shareholders is as follows :

Range	Holders
1 - 1,000	975
1,001 - 5,000	2820
5,001 - 10,000	1415
10,001 - 100,000	1250
100,001 and over	68

There are 229 shareholders holding less than a marketable parcel.

3. Substantial shareholders and the number of ordinary shares in which an actual or relevant interest is held at 11 March, 2004 are as follows :

	Shares	%
Mr Nir Pizmony	9,782,523	8.0
Mr Moshe Meydan	7,746,479	6.4
Mr David Hendy	6,419,650	5.3
Invia Custodian Pty Limited	6,304,221	5.2
JP Morgan Nominees Australian Ltd	6,181,825	5.1
	36,434,698	30.0



4. The 20 largest shareholders as at 11 March, 2004 between them hold 52 per cent of the total issued capital of the Company as follows :

	Shares	%
1. NSR Toys Pty Ltd	9,782,523	8.05
2. National Australia Trustees Ltd	7,746,479	6.37
3. Hendy Innovations Pty Limited & associated entities	6,419,650	5.28
4. Invia Custodian Pty Limited	6,304,221	5.18
5. JP Morgan Nominees Limited	6,181,825	5.08
6. National Nominees Limited	5,169,139	4.25
7. Tolmer Super Services Pty Ltd	3,028,943	2.49
8. TKM Investments	2,341,928	1.94
9. Westpac Custodian Nominees Limited	2,192,480	1.82
10. Citicorp Nominees Pty Ltd	2,172,186	1.80
11. Queensland Investment Corporation	1,613,237	1.34
12. Sino Pacific Resources SA	1,552,548	1.29
13. Mirrabooka Investments Limited	1,454,311	1.21
14. Playwell Industry Ltd	1,441,928	1.20
15. ANZ Nominees Limited	1,146,264	0.94
16. Mr Geoffrey Tomlinson	1,030,305	0.85
17. UBS Private Clients Australia Nominees Pty Ltd	995,823	0.82
18. Permanent Trustee Australia Limited	914,136	0.75
19. RBC Global Services Australia Nominees Pty Limited	872,337	0.72
20. Government Superannuation Office	715,798	0.59

directors report

The directors present their report on the company for the year ended 31 December 2003.

Directors

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

Geoff Tomlinson

David Hendy

Nir Pizmony

David Berry

Moshe Meydan was appointed a director on 11th September 2003 and continues in office at the date of this report.

Principal Activities

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

Results	2003 $	2002 $
Consolidated operating profit after income tax	13,991,575	8,986,523

Review of Operations

2003 has been very successful year for Funtastic, for two main reasons:

1) Organic Growth

   Funtastic experienced sales growth across all product categories with net sales increasing by 70.6% to $223.5m, while Net Profit After Tax grew by 55.7% to $13.99m compared to the previous corresponding period. Our aim going forward is to continue to pursue strong organic growth whilst being cognisant of acquisition opportunities.

2) Acquisitions

   In the second half of 2003, Funtastic acquired the business of Australian Horizons Group effectively from 1 July, 2003. This acquisition, while being part of Funtastic for six months, contributed 21% of the 2003 consolidated net profit after tax. The integration of the acquired businesses is well advanced and we expect to see cost and revenue synergies during 2004.

Dividends

(a) In respect of the year ended 31 December, 2003, the directors of the company have resolved to pay an interim and final dividend (fully franked) which totalled 7.0 cents. This compares to 5.0 cents in respect to the previous corresponding period

(b The dividends paid during the year amounted to $5,747,566 comprising a final dividend for the 2002 year of $3,498,045 paid on the 24 April, 2003 and an interim dividend for the 2003 year of $2,249,521 paid on 15 October, 2003

(c) The directors resolved to pay a final dividend for the 2003 year of $6,050,000 representing 5.0 cents per share, payable on 7 April 2004 with the record date on 22 March, 2003

Earnings Per Share

Basic earnings per share	12.8 cents
Diluted earnings per share	12.1 cents

The calculation of earnings per share based on the number of shares issued at 31 December, 2003 is 11.6 cents per share in comparison to the previous corresponding period of 9 cents per share.

Matters Subsequent to the End of the Financial Year

There are no matters or circumstances that have arisen since 31 December 2003 that have significantly affected or may significantly affect:

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

(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

A significant change in the state of affairs of the company, during the year, was the acquisition of the business of the Australian Horizons Group effective from 1 July 2003.

Future Developments

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

directors report

Information on Directors

Director	Experience	Special Responsibilities
Geoff Tomlinson BEc	Chairman and Director of several Public Companies	Chairman, & Audit Committee Member
David Hendy	Director of Funtastic for 8 years and 22 years experience in Toy Industry.	Managing Director
Nir Pizmony	On the board of the Australian Toy Association for 6 years and 21 years experience in the Toy Industry. Founder of JNH Australia Pty Ltd.	Executive Director
Moshe Meydan	Established the Australian Horizons Group in 1982 and has had over 22 years extensive experience in the Apparel Industry.	Executive Director
David Berry BCom FCA FTIA	Chartered Accountant for 29 years and Partner of an Accounting Firm for 20 years.	Chairman Audit Committee

Directors interests in shares and share options

As at the date of this report, the interests of the directors in the shares and options of Funtastic Limited were:

Director	Shares	Share Options
G Tomlinson	1,030,305	-
D Hendy	6,419,650	500,000
N Pizmony	9,782,523	500,000
M Meydan	7,746,479	-
D Berry	157,615	-

Meetings of Directors

The numbers of meetings of the company's directors held during the year ended 31 December 2003, and the number of meetings attended by each director were:

Number of meetings held	23			
	Board meetings		Audit committee meetings	
	Eligible to attend	Number attended	Eligible to attend	Number attended
G Tomlinson	19	19	4	4
D Hendy	19	19		
N Pizmony	19	18		
D Berry	19	19	4	4
M Meydan	4	4		

Directors' and Executives' Emoluments

The Board determines remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

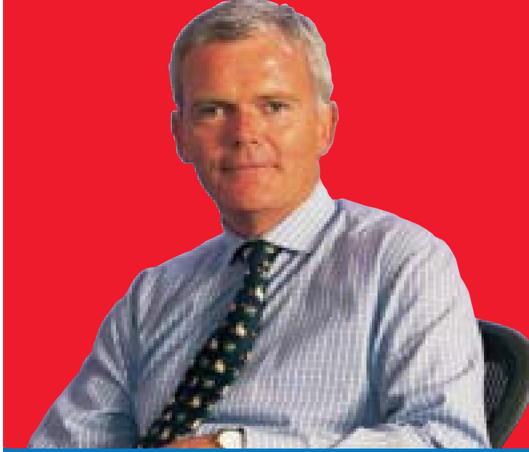
Executive remuneration and other terms of employment are reviewed annually by the Non Executive directors having regard to performance against goals set at the start of the period and relevant comparative information. As well as a base salary, remuneration packages include bonuses, superannuation, and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

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

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

Remuneration of non-executive directors is determined by the Board within the maximum amount approved by the shareholders from time to time.

Details of the nature and amount of each element of the emoluments of each director of Funtastic Limited and the executives of the company receiving the highest emoluments are set out in the following tables.





Non Executive Directors of Funtastic Limited

Name	Director's Base Fee $	Superannuation $
G Tomlinson	97,858	8,808
D Berry	53,333	-

Executive Directors of Funtastic Limited

Name	Base Salary $	Superannuation $	Motor Vehicle $	Options $
D Hendy	379,694	64,172	5,522	142,708
N Pizmony	369,795	33,281	-	-
M Meydan (1)	151,372	40,000	-	-

(1) M Meydan was a director of the company for the period 11th September 2003 to 31 December 2003.

Executives of Funtastic Limited

Name	Base Salary $	Superannuation $	Motor Vehicle & Other $	Options $
T Oates	323,571	29,121	-	-
C Caulfield	214,389	20,683	15,426	99,917
Rob Vasy	93,908	8,452	-	29,417
Steve Natsis	166,296	14,967	11,503	-
Ian Ashmore	161,893	15,594	38,155	49,948

Share Options granted to Directors and the most highly remunerated Officers

Options over unissued ordinary shares of Funtastic Ltd granted during or since the end of the financial year to directors were as follows:

Directors	Options granted	
Geoff Tomlinson	-	
D Hendy	500,000	(Approved at the 2003 AGM)
N Pizmony	-	
Moshe Meydan	-	
David Berry	-	
Officers		
T Oates	-	
C Caulfield	200,000	
R Vasy	100,000	
S Natsis	-	
I Ashmore	100,000	

Shares under Option

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

Grant Date	Expiry Date	Exercise Price	Options Granted	Options exercised and shares issued during the year 2003	Options exercised and shares issued during the year 2002	Options lapsed during the year 2003	Options lapsed during the year 2002	Unissued shares and options available at the end of the year 2003	Unissued shares and options available at the end of the year 2002
14 Sept 2000	14 Sept 2005	$0.50	1,190,000	440,000	102,500	-	-	620,000	1,060,000
14 Sept 2000	14 Sept 2005	$0.50	1,460,000	695,000	-	-	-	765,000	1,460,000
2 Apr 2002	2 Apr 2007	$0.62	715,000	83,750	-	276,250	-	355,000	715,000
13 Nov 2002	13 Nov 2007	$0.88	800,000	-	-	-	-	800,000	800,000
2 Jan 2002	2 Jan 2004	$0.65	1,000,000	500,000	-	-	-	500,000	1,000,000
28 Oct 2002	3 Jan 2006	$0.84	200,000	-	-	-	-	200,000	200,000
7 Mar 2003	7 Nov 2007	$0.88	960,000	-	-	100,000	-	860,000	-
1 May 2003	1 Oct 2007	$0.92	500,000	-	-	-	-	500,000	-
23 Sep 2003	2 Apr 2008	$1.10	730,000	-	-	70,000	-	660,000	-
11 Nov 2003	1 Aug 2008	$1.52	280,000	-	-	-	-	280,000	-
11 Sep 2003	11 Sep 2008	$1.89	500,000	-	-	-	-	500,000	-
17 Dec 2003	17 Sep 2008	$1.89	575,000	-	-	-	-	575,000	-

Shares Issued on the Exercise of Options

The following ordinary shares of Funtastic Limited were issued during the year ended 31 December 2003.

Date options exercised	Issue price of shares	Number of shares issued
25 June 2003	$0.65	500,000
25 June 2003	$0.50	20,000
25 June 2003	$0.62	25,000
26 June 2003	$0.50	25,000
4 Aug 2003	$0.62	2,500
19 Sept 2003	$0.50	20,000
23 Sept 2003	$0.62	50,000
25 Sept 2003	$0.50	300,000
25 Sept 2003	$0.50	630,000
26 Sept 2003	$0.50	75,000
26 Sept 2003	$0.50	65,000
17 Dec 2003	$0.62	6,250

directors report

Insurance of Officers

During the financial year Funtastic Limited has paid a premium of $37,298 to insure individual directors and officers against damages, out of court settlements or legal costs arising from any wrongful act committed by them in their capacity as a director or officer, other than conduct involving a wilful breach of duty in relation to the company.

Environmental Regulation

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

Proceedings on Behalf of the Company

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

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

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

G Tomlinson
Director
Melbourne
17 March 2004

D Hendy
Director

corporate governance statement

The directors of Funtastic Limited aspire to high standards of corporate governance.

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.

The Board of Directors

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 CEO 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 committee consisting of two current non-executive directors.

At the date of signing the directors' report the Board consisted of two non-executive directors. Details of the directors are set out in the directors' report under the heading "Information on Directors". The Chairman has engaged an Executive Search firm to assist in the identification of an appropriately qualified person to join the Board as an independent non executive director.

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

corporate governance statement

Chairman

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

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.

Audit Committee

The audit committee consists of the following:

- D Berry (Chairman)
- G Tomlinson

The responsibilities of the audit 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 auditors' performance, including independence and objectivity; and recommending to the Board and the shareholders 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.
- ensuring that it is receiving adequate, up to date and reliable information;

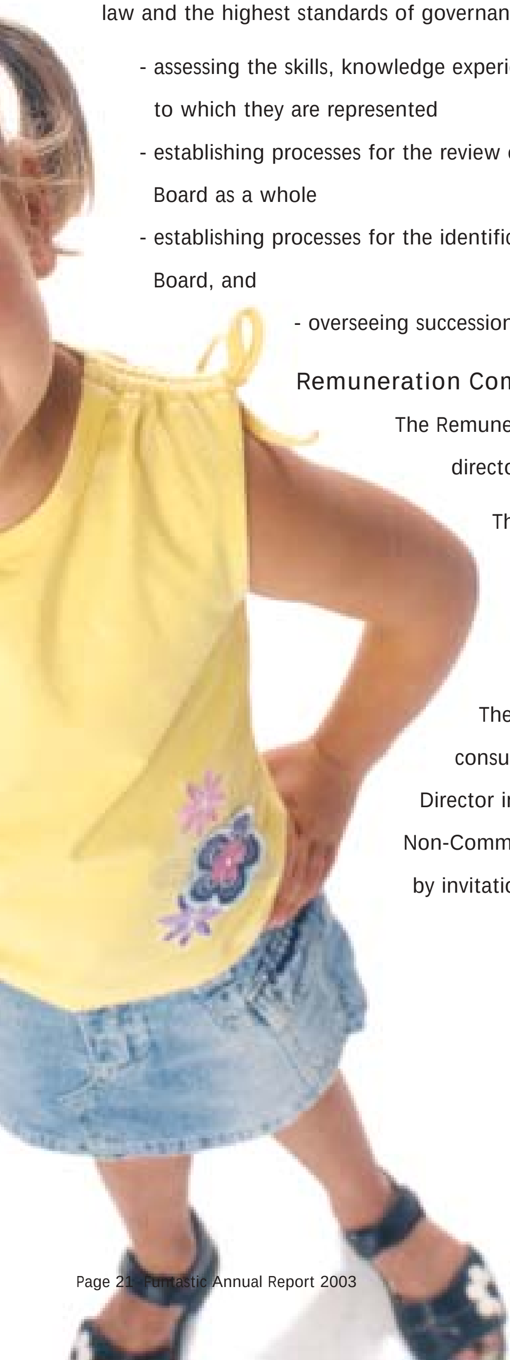
The committee meets with the external auditors at least twice a year, more frequently if necessary. The external auditors have a clear line of direct communication at any time to the Chairman of the Board. The Managing Director, Chief Financial Officer and other senior executives as appropriate, are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

Nomination Committee

The Nomination Committee is composed of the full Board, with Geoff Tomlinson as the Chairman.

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 review of the performance of individual Directors and the Board as a whole
- establishing processes for the identification of suitable candidates for appointment to the Board, and
- overseeing succession planning for the Board



Remuneration Committee

The Remuneration Committee is composed of the two non executive directors, with Geoff Tomlinson as Chairman.

The role of the Remuneration Committee is to:

- determine executive remuneration policy
- determine the remuneration of Executive Directors
- reviewing and approving all equity based-plans

The Committee seeks advice and guidance from external consultants and seeks recommendations from the Managing Director in regard to executive remuneration, other than his own. Non-Committee members attend Committee meetings only by invitation.

corporate governance statement

Code of Conduct

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

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

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

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

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

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 in 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.

External Audit

The Board has delegated to the Audit Committee responsibility for making recommendations on the appointment, evaluation and dismissal of external auditors, and ensuring that the auditors report to the Committee and the Board as representatives of shareholders.

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

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 appointment of directors.

Share trading

All employees are notified that it is company policy not to buy and sell the company's securities 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 notified of the company's policy in respect of not trading in periods other than in two trading windows per annum. Each of the two trading windows last for six weeks and commence 48 hours after the release of the half year and full year financial results. Exceptions to this policy may be approved by the Chairman (for other directors) or the Company Secretary (for all other employees) in circumstances of financial hardship. The policy also applies 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).

independent audit report

To the members of Funtastic Limited

Scope

We have audited the financial report of Funtastic Limited for the financial year ended 31 December 2003 as set out on pages 25 to 54. The company's directors are responsible for the financial report which includes the financial statements of the company and the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of, or during, the financial year. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

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

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

Audit Opinion

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

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2003 and of their performance for the financial year ended on that date; and

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

(b) other mandatory professional reporting requirements in Australia.

RSM Bird Cameron Partners
Chartered Accountants
Melbourne
17 March 2004

P A RANSOM
Partner

directors' declaration

The directors declare that the financial statements and notes set out on pages 26 to 54:

(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 2003 and their performance for the financial year ended on that date.

In the directors' opinion:

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

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

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

G Tomlinson
Director

D Hendy
Director

Melbourne
17 March 2004

statement of financial performance

As at 31 December 2003

	Note	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Revenue from Ordinary Activities	2	229,234,455	132,279,887	226,299,675	72,973,044
Cost of goods sold		(140,926,516)	(80,891,372)	(138,796,096)	(45,881,326)
Warehouse and occupancy expenses		(16,436,137)	(10,510,504)	(16,436,137)	(5,612,515)
Marketing expenses		(10,054,467)	(6,006,025)	(10,054,467)	(3,207,164)
Selling expenses		(27,620,388)	(13,688,628)	(27,620,388)	(7,309,605)
Administration and finance expenses		(11,625,857)	(7,327,157)	(10,354,421)	(3,912,635)
Borrowing costs expenses	3	(1,780,390)	(1,434,952)	(1,780,390)	(1,151,505)
Profit from Ordinary Activities before Income Tax Expense	3	20,790,700	12,421,249	21,257,776	5,898,294
Income tax expense	4	(6,799,125)	(3,434,726)	(6,718,865)	(1,751,957)
Net Profit		13,991,575	8,986,523	14,538,911	4,146,337
Total changes in equity other than those resulting from transactions with owners as owners		13,991,575	8,986,523	14,538,911	4,146,337

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

statement of financial position

As at 31 December 2003

	Note	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Current Assets					
Cash assets	6	21,877,764	3,889,956	21,344,795	2,195,931
Receivables	7	41,857,916	47,308,214	40,916,381	30,194,654
Inventories	8	38,361,277	30,770,034	38,179,854	17,710,655
Other	9	2,243,181	1,222,646	2,243,181	1,180,474
Total Current Assets		104,340,138	83,190,850	102,684,211	51,281,714
Non-Current Assets					
Property, plant and equipment	10	4,905,066	2,762,189	4,098,002	1,666,323
Other financial assets – Investments	11	-	-	30,303,609	30,303,609
Intangibles	12	38,962,705	19,958,929	20,534,828	528,908
Deferred tax assets	13	1,541,776	1,191,358	1,541,776	328,358
Total Non-Current Assets		45,409,547	23,912,476	56,478,216	32,827,198
Total Assets		149,749,685	107,103,326	159,162,427	84,108,912
Current Liabilities					
Payables	14	15,152,173	22,419,340	14,063,372	11,019,062
Interest bearing liabilities	15	20,977,457	21,339,088	20,931,204	17,648,886
Provisions	16	2,197,492	1,527,687	2,197,492	289,099
Current tax liabilities	17	2,566,970	1,356,733	2,566,970	17,677
Other	18	9,610,355	6,447,498	9,498,036	2,822,800
Total Current Liabilities		50,504,447	53,090,346	49,257,074	31,797,524
Non-Current Liabilities					
Payables	19	-	-	14,548,675	2,911,475
Interest bearing liabilities	20	11,775,708	221,228	11,753,989	119,960
Provisions	21	826,500	247,851	826,500	150,231
Deferred tax liabilities	22	9,817	10,179	9,817	10,179
Total Non-Current Liabilities		12,612,025	479,258	27,138,981	3,191,845
Total Liabilities		63,116,472	53,569,604	76,396,055	34,989,369
Net Assets		86,633,213	53,533,722	82,766,372	49,119,543
Equity					
Contributed equity	23	66,278,717	41,423,235	66,278,717	41,423,235
Retained profits	24	20,354,496	12,110,487	16,487,655	7,696,308
Total Equity		86,633,213	53,533,722	82,766,372	49,119,543

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

statement of cash flows

As at 31 December 2003	Note	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Cash Flows from Operating Activities					
Receipts from customers (inclusive of GST)		263,025,546	118,040,720	261,129,199	65,258,003
Payments to suppliers & employees (inclusive of GST)		(234,201,035)	(107,392,495)	(232,837,656)	(64,465,319)
		28,824,511	10,648,225	28,291,543	792,684
Interest received		204,827	85,931	204,827	16,303
Income taxes paid		(5,311,406)	(4,254,320)	(5,311,406)	(2,717,996)
Interest and other costs of finance paid		(1,780,390)	(1,448,746)	(1,780,390)	(1,151,505)
Net Cash Inflow/(Outflow) from Operating Activities	30	21,937,542	5,031,090	21,404,574	(3,060,514)
Cash Flows from Investing Activities					
Payments for acquisition of businesses		(20,842,868)	(23,251,573)	(20,842,868)	(22,592,988)
Payments for property, plant and equipment		(2,455,375)	(478,679)	(2,455,375)	(437,389)
Proceeds from sale of property, plant and equipment		400,174	217,912	307,942	27,458
Loans (to)/from related parties		(212,221)	1,714,155	1,574,036	2,291,475
Payment for patents		(140,214)	-	(140,214)	-
Net Cash (Outflow) from Investing Activities		(23,250,504)	(21,798,185)	(21,556,479)	(20,711,444)
Cash Flows from Financing Activities					
Dividends paid		(4,382,521)	(1,584,562)	(4,382,521)	(1,584,562)
Proceeds from issue of shares		12,539,941	24,242,778	12,539,941	24,242,778
Share issue transaction costs		(49,501)	(1,074,177)	(49,501)	(1,074,177)
Proceeds from borrowings		21,422,278	10,915,908	21,422,278	3,383,334
Repayment of borrowings		(10,199,142)	(12,548,093)	(10,199,142)	-
Repayment of hire purchase liabilities		(30,286)	(488,122)	(30,286)	(192,802)
Net Cash Inflow from Financing Activities		19,300,769	19,463,732	19,300,769	24,774,571
Net Increase in Cash Held		17,987,807	2,696,637	19,148,864	1,002,612
Cash at the beginning of the financial year		3,889,956	1,193,319	2,195,931	1,193,319
Cash at the End of the Financial Year	6	21,877,764	3,889,956	21,344,795	2,195,931

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

As at 31 December 2003

Note 1. Summary of Significant Accounting Policies

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

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

(a) Income Tax

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

(b) Acquisitions of Assets

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

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

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

(c) Recoverable Amount of Non-Current Assets

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

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

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

(d) Depreciation of Property, Plant and Equipment

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

Plant and equipment	2.5 to 10 years

(e) Employee Entitlements

(i) Wages and Salaries and Annual Leave

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

(ii) Long Service Leave

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

(iii) Profit sharing and bonus plans

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

(iv) Employee benefit on-costs

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

(f) Foreign currency translations

(i) Transactions

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

(ii) Specific Commitments

Hedging is undertaken in order to avoid or minimise possible adverse financial effects of movements in exchange rates. Gains or costs arising upon entry into a hedging transaction intended to hedge the purchase or sale of goods and services, together with subsequent exchange gains or losses are deferred up to the date of the purchase or sale and included in the measurement of the purchase or sale.

(iii) General Commitments

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

(g) Cash

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

(h) Revenue Recognition

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

(i) Receivables

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

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

(j) Inventories

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

(k) Trade and Other Creditors

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

(l) Investments

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

(m) Goods and Services Tax

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

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

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

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

(n) Leased Non-Current Assets

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

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

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

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

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

(o) Leasehold Improvements

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

(p) Interest Bearing Liabilities

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

(q) Borrowing Costs

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

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

(r) Earnings per Share

(i) Basic Earnings per Share

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

(ii) Diluted Earnings per Share

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

(s) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Funtastic Limited (‘company’ or ‘parent entity’) as at 31 December 2002 and the results of all controlled entities for the year then ended. Funtastic Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statement of financial performance and statement of financial position, respectively.

(t) Intangibles

Goodwill

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

As at 31 December 2003

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$
Note 2. Revenue				
Revenue from Operating Activities				
Sales of goods				
Gross	247,411,440	142,877,846	244,568,892	79,506,025
Less settlement discounts	(7,013,989)	(3,219,313)	(7,013,989)	(1,137,345)
Less rebates	(16,890,890)	(8,652,923)	(16,890,890)	(5,422,236)
	223,506,561	131,005,610	220,664,013	72,946,444
Revenue from Outside the Operating Activities				
Interest	204,827	85,930	204,827	16,302
Commission	5,171,709	993,634	5,171,709	-
Other	351,358	194,713	259,126	10,298
	5,727,894	1,274,277	5,635,662	26,600
Revenue from Ordinary Activities	229,234,455	132,279,887	226,299,675	72,973,044

As at 31 December 2003	Consolidated		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$

Note 3. Profit from Ordinary Activities

Net Gains and Expenses

Operating profit before income tax includes

the following specific net gains and expenses:

(a) Net gains				
Profit on sale of non-current assets	1,291	5,806	19,509	1,766
(b) Expenses				
Borrowing Costs				
Interest and finance charges paid or payable	1,780,390	1,434,952	1,780,390	1,151,505
Depreciation	755,174	426,306	585,413	293,436
Amortisation				
Intangibles	-	41,050	-	41,050
Investment in joint venture	-	50,000	-	50,000
Leasehold improvements	78,020	58,799	70,719	55,118
Goodwill	1,495,063	497,921	492,920	7,500
	1,573,083	647,770	563,639	153,668
Rental expenses relating to operating leases	2,010,536	971,749	2,010,536	596,897

As at 31 December 2003	Consolidated		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$

Note 4. Income Tax

The aggregate amount of income tax attributable to the financial year differs from the amount calculated on the operating profit. The differences are reconciled as follows:

	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Operating profit before income tax	20,790,700	12,421,249	21,257,776	5,898,294
Income tax calculated at 30%	6,237,210	3,726,375	6,377,333	1,769,488
Tax effect of permanent differences:				
Over provision for tax relating to prior year	(76,349)	-	(76,349)	-
Amortisation of intangible assets	448,519	149,376	147,876	2,250
Other permanent differences	189,745	(441,025)	270,005	(19,781)
Income tax expense	6,799,125	3,434,726	6,718,865	1,751,957

Note 5. Dividends

	Parent Entity 2003 $	Parent Entity 2002 $
Ordinary fully franked dividend paid	5,747,566	1,876,343
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the year ended 31 December 2003 and 2002 were as follows:		
Paid in cash	4,382,521	1,584,562
Satisfied by issue of shares	1,365,045	291,781
	5,747,566	1,876,343
Dividend Not Recognised at Year End In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 5 cents per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 7 April 2004 out of retained profits at 31 December 2003, but not recognised as a liability at the year end.	6,050,000	3,498,045

	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Franking credits available for the subsequent financial year	15,000,674	12,649,114	15,000,674	3,697,164

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.

As at 31 December 2003	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Note 6. Current Assets - Cash Assets				
Cash on hand	32,978	19,436	32,978	2,703
Cash at bank	21,844,786	3,870,520	21,311,817	2,193,228
	21,877,764	3,889,956	21,344,795	2,195,931
Note 7. Current Assets - Receivables				
Trade debtors	44,779,817	48,571,206	43,838,282	30,302,079
Provision for doubtful debts, credit notes and settlement discounts	(3,394,275)	(1,593,470)	(3,394,275)	(181,470)
	41,385,542	46,977,736	40,444,007	30,120,609
Other debtors	472,374	330,478	472,374	74,045
	41,857,916	47,308,214	40,916,381	30,194,654
Note 8. Current Assets - Inventories				
Finished goods – at cost	33,046,742	24,362,554	32,865,319	14,903,851
Provision for stock obsolescence	(352,680)	(591,024)	(352,680)	(190,030)
	32,694,062	23,771,530	32,512,639	14,713,821
Stock in transit	5,667,215	6,998,504	5,667,215	2,996,834
	38,361,277	30,770,034	38,179,854	17,710,655
Note 9. Current Assets - Other				
Prepayments	2,243,181	1,222,646	2,243,181	1,180,474

As at 31 December 2003	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Note 10. Non-Current Assets - Property, Plant and Equipment				
Plant and equipment – at cost	8,857,600	4,434,471	7,623,956	2,782,615
Less: accumulated depreciation	(4,636,733)	(2,271,451)	(3,938,797)	(1,436,804)
	4,220,867	2,163,020	3,685,159	1,345,811
Leasehold improvements	911,067	748,017	619,020	455,970
Less: accumulated amortisation	(226,868)	(148,848)	(206,177)	(135,458)
	684,199	599,169	412,843	320,512
	4,905,066	2,762,189	4,098,002	1,666,323

Reconciliations

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

Consolidated	Plant and Equipment $	Leasehold Improvements $	Total $
Carrying amount at 1 January 2003	2,163,020	599,169	2,762,189
Additions	2,292,325	163,050	2,455,375
Additions through acquisition of net assets of entity	919,579	-	919,579
Disposals (net)	(398,883)	-	(398,883)
Depreciation/Amortisation expenses (Note 3)	(755,174)	(78,020)	(833,194)
Carrying amount at 31 December 2003	4,220,867	684,199	4,905,066

Parent	Plant and Equipment $	Leasehold Improvements $	Total $
Carrying amount at 1 January 2003	1,345,811	320,512	1,666,323
Additions	2,292,325	163,050	2,455,375
Additions through acquisition of net assets of entity	919,579	-	919,579
Disposals (net)	(287,142)	-	(287,142)
Depreciation/Amortisation expenses (Note 3)	(585,413)	(70,719)	(656,132)
Carrying amount at 31 December 2003	3,685,160	412,843	4,098,003

As at 31 December 2003	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Note 11. Non-Current Assets - Other financial assets - Investments				
Investment in controlled entities	-	-	30,303,609	30,303,609
Note 12. Non-Current Assets - Intangibles				
Patents	1,026,862	-	1,026,862	-
Less: Accumulated amortisation	-	-	-	-
	1,026,862	-	1,026,862	-
Goodwill	39,928,827	20,456,850	20,008,386	536,408
Less: Accumulated amortisation	(1,992,984)	(497,921)	(500,420)	(7,500)
	37,935,843	19,958,929	19,507,966	528,908
	38,962,705	19,958,929	20,534,828	528,908
Note 13. Non-Current Assets - Other				
Future income tax benefit	1,541,776	1,191,358	1,541,776	328,358
Note 14. Current Liabilities - Accounts Payable				
Trade and other creditors	14,736,132	22,419,340	13,647,331	11,019,062
Amount owing to director related entity	416,041	-	416,041	-
	15,152,173	22,419,340	14,063,372	11,019,062

As at 31 December 2003

	Note	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Note 15. Current Liabilities - Interest bearing liabilities					
Trade finance		6,363,387	16,562,530	6,363,387	12,981,357
Bill finance		14,422,278	4,500,000	14,422,278	4,500,000
		20,785,665	21,062,530	20,785,665	17,481,357
Hire purchase liabilities	29	221,734	307,795	171,486	186,068
Less unexpired hire purchase charges		(29,942)	(31,237)	(25,945)	(18,539)
		191,792	276,558	145,539	167,529
		20,977,457	21,339,088	20,931,204	17,648,886

For details of security over borrowings - see Note 20.

Note 16. Current Liabilities - Provisions

Provision for employee benefits	2,197,492	1,527,687	2,197,492	289,099

Note 17. Current Liabilities - Current tax liabilities

Provision for income tax	2,566,970	1,356,733	2,566,970	17,677

Note 18. Current Liabilities - Other

Accrued expenses	9,610,355	6,447,498	9,498,036	2,822,800

Note 19. Non-Current Liabilities - Payables

Loans from related parties	-	-	14,548,675	2,911,475

As at 31 December 2003		Consolidated		Parent Entity	
		2003	2002	2003	2002
	Note	$	$	$	$
Note 20. Non-Current Liabilities - Interest bearing liabilities					
Bill finance		11,500,000	-	11,500,000	-
Hire purchase liabilities	29	300,948	240,523	278,973	132,326
Less unexpired hire purchase charges		(25,240)	(19,295)	(24,982)	(12,366)
		275,708	221,228	253,991	119,960
		11,775,708	221,228	11,753,989	119,960

Security for borrowings

The trade finance and bill finance accounts are secured by a 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.

		Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Note 21. Non-Current Liabilities - Provisions					
Provision for employee benefits		826,500	247,851	826,500	150,231
Note 22. Non-Current Liabilities - Deferred tax liabilities					
Provision for deferred income tax		9,817	10,179	9,817	10,179

As at 31 December 2003	2003 Shares	2002 Shares	2003 $	2002 $

Note 23. Contributed Equity

(a) Share Capital

Ordinary shares fully paid	120,484,549	99,943,967	66,278,717	41,423,235

(b) Movements in ordinary share capital

Date	Details	Notes	Number of Shares	Issue Price	$
1 Jan 2002	Opening balance		53,350,000		8,717,832
24 Apr 2002	Eligible termination payment		139,344	0.61	85,000
26 Apr 2002	Dividend reinvestment plan		115,517	0.62	71,407
4 Jun 2002	Exercise of options		102,500	0.50	51,250
25 Jun 2002	Direct share placement		248,749	0.77	191,528
14 Oct 2002	Share issue purchase		807,760	0.76	610,021
15 Oct 2002	Dividend reinvestment plan		261,398	0.84	220,374
11 Nov 2002	Capital raising		33,333,333	0.72	24,000,000
11 Nov 2002	Capital raising costs				(1,074,177)
13 Nov 2002	Share issue purchase		11,585,366	0.74	8,550,000
31 Dec 2002	Balance		99,943,967		41,423,235
1 Jan 2003	Opening balance		99,943,967		41,423,235
24 Apr 2003	Dividend reinvestment plan	(c)	823,165	1.09	898,483
6 Jun 2003	Share purchase plan	(e)	9,996,445	1.16	11,595,876
6 Jun 2003	Capital raising costs				(49,501)
25 Jun 2003	Exercise of ordinary options		500,000	0.65	325,000
25 Jun 2003	Exercise of ESOP options		20,000	0.50	10,000
25 Jun 2003	Exercise of ESOP options		25,000	0.62	15,500
26 Jun 2003	Exercise of ESOP options		10,000	0.50	5,000
4 Aug 2003	Exercise of ESOP options		15,000	0.50	7,500
4 Aug 2003	Exercise of ESOP options		2,500	0.62	1,550
11 Sep 2003	Australian Horizon Issue	(d)	7,746,479	1.42	11,000,000
19 Sep 2003	Exercise of ESOP options		20,000	0.50	10,000
23 Sep 2003	Exercise of ESOP options		50,000	0.62	31,000
25 Sep 2003	Exercise of ESOP & Royalty options		930,000	0.50	465,000
26 Sep 2003	Exercise of ESOP & Royalty options		140,000	0.50	70,000
15 Oct 2003	Dividend reinvestment plan	(c)	255,743	1.82	466,199
17 Dec 2003	Exercise of ESOP options		6,250	0.62	3,875
31 Dec 2003	Closing Balance		120,484,549		66,278,717

As at 31 December 2003

Note 23. Contributed Equity - continued

(c) Dividend reinvestment plan

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

(d) Share issue on acquisition of business assets

During the year, on 11 September 2003, 7,746,479 shares were issued at an issue price of $1.42 per share as part payment for the business of Australian Horizons Group (details of which are in Note 33).

(e) Capital Raising -Share Purchase Plan

On April 2003, the company invited Shareholders to subscribe to purchase 9,996,445 ordinary shares at an issue price of $1.16 per share. Costs of raising capital totalled $49,501.

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$
Note 24. Retained Profits				
Opening balance	12,110,487	5,426,314	7,696,308	5,426,314
Net profit after tax for the year	13,991,575	8,986,523	14,538,911	4,146,337
Dividends paid	(5,747,566)	(1,876,343)	(5,747,563)	(1,876,343)
Adjustment on consolidation	-	(426,007)	-	-
	20,354,496	12,110,487	16,487,656	7,696,308

Note 25. Financial Instruments

(a) Off-Balance Sheet Derivative Instruments

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

Forward Exchange Contracts

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

	Average Rate			
Sell	2003	2002	2003	2002
	$A	$A	$	$
Maturity 0-7 months				
United States dollars	0.6318	0.5373	67,571,284	11,545,847
Euros	-	0.5576	-	448,626
			67,571,284	11,994,473

(b) Credit Risk Exposures

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

As at 31 December 2003

Note 25. Financial Instruments - continued

(c) Interest Rate Risk Exposures

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

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

2002	Notes	Floating Interest Rate $	Fixed Interest 1 Year or Less $	Maturing In: 1 to 5 years $	Non Interest Bearing $	Total $
Financial Assets						
Cash	6	3,870,520	-	-	19,436	3,889,956
Receivables	7	-	-	-	47,308,214	47,308,214
		3,870,520	-	-	47,308,214	51,198,170
Average Interest Rate		4%				
Financial Liabilities						
Payables	14	-	-	-	22,419,340	22,419,340
Bill finance	15	4,500,000	-	-	-	4,500,000
Trade finance	15	16,562,530	-	-	-	16,562,530
Hire purchase liabilities	15,20	-	276,558	221,228	-	497,786
		21,062,530	276,558	221,228	22,419,340	43,979,656
Average Interest Rate		6.5%	7.5%	7.5%		
Net Financial Assets		(17,192,010)	(276,558)	(221,228)	24,888,874	7,218,514

As at 31 December 2003

Note 25. Financial Instruments - continued

(d) Net Fair Value of Financial Assets and Liabilities

(i) On-balance sheet

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

(ii) Off-balance sheet

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

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$
Note 26. Remuneration of Directors				
Income paid or payable, or otherwise made available, to directors by the company in connection with the management of its affairs	1,346,543	932,287	1,346,543	814,942

The number of parent entity directors whose total income from the parent entity or related parties was within the specified bands are as follows:

$		$	2003	2002
30,000	-	39,999	-	2
50,000	-	59,999	1	-
70,000	-	79,999	-	1
100,000	-	109,999	1	-
130,000	-	139,999	-	1
190,000	-	199,999	1	-
200,000	-	209,999	-	1
310,000	-	319,999	-	-
360,000	-	369,999	-	1
400,000	-	499,999	1	-
500,000	-	599,999	1	-

The amounts disclosed for remuneration of both directors and executive officers included the assessed fair value of options granted to directors during the year ended 31 December 2003 at the date they were granted. Fair values have been assessed using the Black-Scholes option pricing model. Factors taken into account include the exercise price, the term 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.

As at 31 December 2003

	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $

Note 27. Remuneration of Executives

	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Remuneration received, or due and receivable, from the company by executive officers whose remuneration was at least $100,000:	1,293,250	478,167	1,293,250	123,706

Number of executives whose total income from both the company and the consolidated entity was within the specified bands are as follows:

	Consolidated 2003	Consolidated 2002	Parent Entity 2003	Parent Entity 2002
120,000 - 129,999	-	-	-	1
130,000 - 139,999	1	-	1	-
190,000 - 199,999	1	-	1	-
210,000 - 219,999	-	1	-	-
260,000 - 269,999	1	1	1	1
350,000 - 359,999	2	-	2	-

Note 28. Remuneration of Auditors

During the year the auditor of the parent entity earned the following remuneration:

	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Audit and review of the financial reports of the entity	140,000	110,000	130,000	55,000
Other services including assurance and taxation services	80,000	100,000	80,000	100,000
	220,000	210,000	210,000	155,000

As at 31 December 2003		Consolidated		Parent Entity	
		2003	2002	2003	2002
	Note	$	$	$	$

Note 29. Commitments for Expenditure

Operating lease commitments

Commitments in relation to non-cancellable operating leases contracted for but not capitalised in the accounts are payable as follows:					
Not later than one year		2,627,023	1,965,231	2,627,023	1,111,145
Later than two years but not later than five years		5,589,696	5,261,855	5,589,696	1,862,148
Later than five years		162,616	516,381	162,616	414,541
		8,379,335	7,743,467	8,379,335	3,387,834

Hire purchase commitments

Commitments in relation to hire purchase liabilities are payable as follows:					
Not later than one year		221,734	307,795	171,485	186,068
Later than one year but not later than five years		300,948	240,523	278,973	132,326
Minimum lease and hire purchase payments		522,682	548,318	450,458	318,394
Less future finance charges		(55,182)	(50,532)	(50,928)	(30,905)
Total hire purchase liabilities		467,500	497,786	399,530	287,489
Representing:					
Current	15	191,792	276,558	145,539	167,529
Non current	20	275,708	221,228	253,991	119,960
		467,500	497,786	399,530	287,489

As at 31 December 2003	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $

Note 30. Reconciliation of Operating Profit after Income Tax to Net Cash Inflow/(Outflow) from Operating Activities

	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Operating profit after income tax	13,991,575	8,986,523	14,538,911	4,146,337
Amortisation	1,495,064	647,770	492,921	153,668
Depreciation	833,194	426,306	656,132	293,436
(Profit)/loss on sale of non-current assets	(1,291)	(5,805)	18,218	(1,766)
Non cash employee entitlements	-	85,000	-	85,000
(Increase)/decrease in trade and other debtors	8,317,828	(8,343,571)	9,259,365	(4,832,727)
(Increase)/decrease in inventories	1,159,908	(5,507,920)	1,341,331	(6,083,405)
(Increase) in future income tax benefit	(350,418)	(1,046,855)	(350,418)	(183,855)
(Increase) in prepayments	(174,783)	(224,666)	(174,783)	(224,666)
Increase/(decrease) in trade creditors and accruals	(7,111,325)	9,080,054	(8,154,893)	4,178,417
Increase/(decrease) in current tax liability	1,210,237	227,266	1,210,237	(782,180)
Increase in employee provisions	448,454	322,090	448,454	136,334
Increase/(decrease) in deferred tax	(362)	-	(362)	-
Increase/(decrease) in doubtful debts provision	2,357,805	419,470	2,357,805	(20,530)
Increase/(decrease) in provision for stock obsolescence	(238,344)	(34,572)	(238,344)	75,423
Net cash inflow from operating activities	21,937,542	5,031,090	21,404,574	(3,060,514)

Note 31. Non-Cash Financing and Investing Activities

	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Acquisition of plant and equipment by means of hire purchase	356,676	108,067	356,676	108,067

Note 32. Investments in Controlled Entities

Name of Entity	Country of incorporation	Class of shares	Equity Holding 2003 %	Equity Holding 2002 %
JNH Australia Pty Ltd	Australia	Ordinary	100	100
Funtastic International Ltd	Hong Kong	Ordinary	100	-

Incorporation and Acquisition of controlled entity

Effective on 8 September 2003 the parent entity incorporated the wholly owned Hong Kong company, Fun International Ltd. The operating results of this newly controlled entity have been included in the consolidated statement of financial performance since the date of incorporation.

As at 31 December 2003

Note 33. Individually Significant Items

Effective 1 July 2003 the company acquired the business net assets of Australian Horizons Group. Details of the acquisition are as follows:

Fair value of identifiable net assets of controlled entity acquired	$
Cash	75,557
Receivables	5,225,338
Inventories	8,512,807
Other	845,752
Plant and equipment	919,580
Intangibles	886,647
Payables and Provisions	(3,447,236)
Borrowings	(8,076,025)
	4,942,420
Goodwill	18,423,974
Acquisition costs	476,006
	23,842,400
Cash Consideration	12,842,400
Share Consideration	11,000,000
	23,842,400

Outflow of cash to acquire controlled entity	Consolidated		Parent Entity	
	2003 $	2002 $	2003 $	2002 $
Cash consideration	12,842,400	22,455,047	12,842,400	22,455,047
Add: balances acquired				
Cash	(75,557)	(24,729)	(75,557)	(403)
Borrowings/bank overdraft	8,076,025	821,255	8,076,025	138,344
	8,000,468	796,526	8,000,468	137,941
Outflow of cash	20,842,868	23,251,573	20,842,868	22,592,988

As at 31 December 2003

Note 34. Earnings Per Share	2003	2002
Basic earnings per share	12.8 cents	15.0 cents
Diluted earnings per share	12.1 cents	14.5 cents
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share.	109,250,763	60,029,931
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share.	115,865,763	62,153,981

Note 35. Related Party Transactions

Directors

The names of directors who have held office during the financial year are:

G Tomlinson D Hendy N Pizmony M Meydan D Berry

Remuneration Benefits

Information on remuneration benefits of directors is disclosed in note 26.

Transactions of Directors and Director Related Entities Concerning Shares or Share Options

Aggregate numbers of shares and share options of Funtastic Limited acquired/disposed by directors of the company or their director related entities from the company:

	2003 Number	2002 Number
Ordinary shares	8,729,399	12,027,210
Options over ordinary shares	1,000,000	500,000
Disposals		
Ordinary shares	2,347,000	2,950,000
Options over ordinary shares	930,000	130,000

Aggregate numbers of shares and options of Funtastic Limited held directly, indirectly or beneficially by directors of the company or their director related entities at balance date:

	2003	2002
Ordinary shares	27,337,415	20,945,016
Options over ordinary shares	1,855,000	1,785,000

As at 31 December 2003

Note 35. Related Party Transactions - continued

Other Transactions with Directors and Director Related Entities

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

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

Mr N Pizmony is a director of Jamensky Pty Limited. Funtastic has a lease agreement to rent a warehouse and office building owned by this company. The lease agreement is based on normal terms and conditions.

Mr M Meydan is a director of 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.

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

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$
Company Secretarial and Taxation Services	82,863	58,364	82,863	58,364
Rent of Office and Warehouse Buildings				
Lucky Bay Pty Limited	366,778	-	366,778	-
Jamensky Pty Limited	769,664	-	769,664	-
Hendy Properties Pty Limited	87,450	85,508	87,450	85,508
	1,223,892	85,508	1,223,892	85,508

Note 36. Segment Reporting

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

Note 37. Events Occurring After Balance Date

Since 31 December 2003, there are no matters or circumstances that have arisen that have significantly affected or may significantly affect:

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

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

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

As at 31 December 2003		Consolidated		Parent Entity	
		2003	2002	2003	2002
	Note	$	$	$	$
Note 38. Employee Benefits					
Employee Benefit and Related On-Costs Liabilities					
Included in other creditors - current	18	356,979	149,788	356,971	149,788
Provision for employee benefits - current	16	2,197,492	1,527,687	2,197,492	289,099
Provision for employee benefits - non current	21	826,500	247,851	826,500	150,231
Aggregate employee benefits related on cost liabilities		3,380,971	1,925,326	3,380,971	589,118
Employee Numbers					
Average number of employees during the financial year		250	201	250	75

Royalty Option Agreement

On 14 September 2000, Funtastic issued 1,460,000 Royalty Options to David Hendy, David Tolmer and SINO Pacific Resources S.A in consideration for the termination on 1 July 2000 of royalty payments that they were entitled to receive under certain royalty agreements with Funtastic. The Royalty Options were excisable at any time, subject to voluntary escrow arrangements. When exercisable, each option was convertible into one ordinary share.

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

Employee 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 as highlighted above. The entitlements to the options are vested (that is, they are not conditional on future employment) as soon as they become exercisable. The options are not exercisable until certain criteria is met viz: 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. 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.

As at 31 December 2003

Employee Share Option Plan - continued

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

Grant Date	Expiry Date	Exercise Price	Balance at start of the year	Issued during the year	Exercised during the year	Lapsed during the year	Balance as at end of the year
Consolidated and Parent Entity - 2003							
14 Sep 2000	14 Sep 2005	$0.50	1,060,000	-	440,000	130,000	620,000
2 Apr 2002	2 Apr 2007	$0.62	715,000	-	83,750	276,250	355,000
13 Nov 2002	13 Nov 2007	$0.88	800,000	-	-	-	800,000
7 Mar 2003	7 Mar 2007	$0.88	-	960,000	-	100,000	860,000
1 May 2003	1 Oct 2007	$0.92	-	500,000	-	-	500,000
23 Sep 2003	2 Apr 2008	$1.10	-	730,000	-	70,000	660,000
11 Nov 2003	1 Aug 2008	$1.52	-	280,000	-	-	280,000
11 Sep 2003	11 Sep 2008	$1.89	-	500,000	-	-	500,000
17 Dec 2003	17 Sep 2008	$1.89	-	575,000	-	-	575,000
Consolidated and Parent Entity - 2002							
14 Sep 2000	14 Sep 2005	$0.50	1,190,000	-	102,500	27,500	1,060,000
2 Apr 2002	2 Apr 2007	$0.62	-	715,000	-	-	715,000
13 Nov 2002	13 Nov 2007	$0.88	-	800,000	-	-	800,000

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

Exercise Date	Fair Value of Shares at Issue Date	Consolidated 2003 Number	Consolidated 2002 Number	Parent Entity 2003 Number	Parent Entity 2002 Number
4 Jun 2002	$0.77	-	102,500	-	102,500
25 Jun 2003	$1.40	20,000	-	20,000	-
25 Jun 2003	$1.40	25,000	-	25,000	-
26 Jun 2003	$1.40	25,000	-	25,000	-
4 Aug 2003	$1.53	2,500	-	2,500	-
19 Sep2003	$1.89	20,000	-	20,000	-
23 Sep2003	$1.89	50,000	-	50,000	-
25 Sep2003	$1.83	300,000	-	300,000	-
26 Sep2003	$1.85	75,000	-	75,000	-
17 Dec 2003	$2.14	6,250	-	6,250	-

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.

As at 31 December 2003

Employee Share Option Plan - continued

Employee options vested at the reporting date are as follows:

	Consolidated		Parent Entity	
	2003	2002	2003	2002
Option Price	$	$	$	$
$0.50	620,000	540,000	620,000	540,000
$0.62	88,750	-	88,750	-
$0.88	200,000	-	200,000	-
Aggregate proceeds received from employees on the exercise of options and recognised as issue capital	271,925	51,250	271,925	51,250
Market value of shares issued to employees on the exercise of options as at their issue date	935,250	78,925	935,250	78,925

Company Information

Directors	Geoff Tomlinson BEc	Chairman and Non Executive Director
	David Hendy	Managing Director
	Nir Pizmony	Executive Director
	Moshe Meydan	Executive Director
	David Berry BCom FCA FTIA	Non Executive Director
Secretary	David Berry	
Registered Office	Level 2, 969 Burke Road, Camberwell Vic 3124	
Principal Administrative Office	1076-1078 Centre Road, Oakleigh Vic 3167	
Share Registry	Computershare Investor Services Pty Limited Level 12, 565 Bourke Street, Melbourne Vic 3000	
Auditors	RSM Bird Cameron Rialto Level 8, 525 Collins Street, Melbourne Vic 3000	
Bankers	National Australia Bank 535 Bourke Street, Melbourne Vic 3000	
Solicitors	Freehills 101 Collins Street, Melbourne Vic 3000	

funtastic
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