Chairman's Address

2005 AGM

On behalf of the Board, I welcome you to our 2005 Annual General Meeting.

Let me begin by briefly taking you through the meeting agenda.

In a few moments, I will speak to you about the recent performance of your company and its prospects for 2005. On completion of my address, I will ask your Managing Director, David Hendy, to speak to you on a number of operational issues.

After David's address, we will deal with Item 1 of the Notice of Meeting which is to receive and consider the financial report and the reports of the directors and the auditor for the year ended 31st December 2004. At that stage, I will open the meeting to questions from shareholders.

On completion of the question and answer session, we will move to Items 2 and 3 of the Notice of Meeting which deal with the election/re-election of directors and the proposed grant of options to three executive directors.

Before starting my address, I would like to introduce my Board colleagues and two members of our senior executive – Harry Boon, Moshe Meydan, David Berry, David Hendy, Tony Oates, Colin Caulfield and Karl Nixon.

A brief profile of each director appears on page 19 of the annual report. To give you a better understanding of the qualifications and the experience of directors, I intend to ask each director standing for election/re-election to address the meeting.

While introducing people, can I ask our auditor, Phil Ransom from RSM Bird Cameron to stand. During the time set aside for questions from shareholders, you will be able to direct questions to Phil which relate to the audit process.

Ladies and gentlemen, as I look around the room, I see some shareholders who acquired shares in Funtastic at the time of our initial public offering in September 2000. The shares were issued at a price of $0.50 per share and the number of shares on issue was 53.4 million, giving the company a market capitalisation of $26.7m.

On the last trading day in 2004, the company shares closed at $1.93 per share, with 124.3 million shares on issue giving the company a market capitalisation of $239.9m.

The closing price of your company shares at the end of the last trading day in 2004, was $0.26 lower than the closing price of the shares of the year beforehand. This represents an 11.9% decline in the share price and a 9.1% decline in market capitalisation.

So what brought about the decline in our share price?

Since the time of listing on the ASX and up until the issuance of our first-ever profit warning on 2nd December, the actual performance of Funtastic has met or exceeded the market's expectations. Funtastic enjoyed strong, profitable organic growth augmented by three strategically important acquisitions, being JNH and Toy & Hobby in 2002 and Australian Horizons in 2003.

In many ways, 2004 was a positive year for your company (eg Net Sales were up 23.4% on the previous corresponding period); however, the company's financial results were impacted by 3 significant factors.

Let me elaborate.

Firstly, in December 2004, Funtastic announced that its trading results would fall short of market consensus due to the effect of an unfavourable Foreign Exchange hedging strategy undertaken in September 2003. As a publicly listed company, we are conservative with our Foreign Exchange policy, and undertook a foreign exchange hedge of US$40m in September 2003 due to a need to underpin a steadily weakening Australian dollar and protect our purchasing position in 2004. In January 2004, the exchange rate was $0.73 and by March 2004, had strengthened to $0.78. As a result, Funtastic landed product 10% to 15% below the prevailing US dollar/Australian dollar rates, having a negative impact on our margins of $3.0m at an after tax level. The strength of our exclusive and branded merchandise allowed us to withstand a level of pricing pressure, but not to the tune of 10% to 15%.

Secondly, our internal expectations were for sales growth at the higher end of our 10% to 15% market guidance. However, we experienced a softening of sales in the critical October and November periods due to a combination of challenging retail market conditions after a very strong September quarter and overstocks at retail level, resulting in a reduction of orders during this peak trading period.

This softening of sales towards the end of last year meant that we finished the year with a higher level of stock than we planned. While this was unfortunate, we have no real concerns about the quality of our stock or our capacity to reduce it to more normal levels. While higher stock holdings equates to higher than planned working capital; our return on average funds employed for the year ended 31st December, 2004 was well above our current weighted average cost of capital and above our target return on average funds employed.

The third financial factor which impacted our 2004 result was a one off in nature and had a positive impact on profit. It was a tax benefit of $1.3 million. This was brought about by a prior year tax adjustment of $0.8 million and a $0.5 million reduction in tax due to a change in the tax treatment of intangibles.

Including these three factors the key financial achievements in comparison to the previous corresponding period are:-

- Net Sales $311.3 million up 23.4%
- Earnings before interest and tax (EBIT) $25.6 million up 14.4%
- Net profit before tax (NPBT) $23.1 million up 11.1%
- Net profit after tax (NPAT) $16.9 million up 20.7%

While these figures look good, a more meaningful comparison is to look at the pro-forma results for 2003 against the reported results for 2004. The 2003 pro-forma results assumes Australian Horizons was acquired on 1st January 2003, rather than the actual acquisition date of 1st July 2003.

AUD m's Full Year Ended	**Reported 31/12/2004**	**Proforma 31/12/2003**	**Reported 31/12/2003**		**% Change 04/03 PF**	**% Change 04/03 Rep**
Sales						
Funtastic Domestic	267.6	256.3	223.5			
Fun International	43.7	28.7	28.7	*		
	311.3	285.0	252.2		9.2%	23.4%
Gross Profit	108.7	97.90	87.6			
Gross Profit %	34.9%	34.4%	34.7%			
EBIT	25.6	25.7	22.4		-0.5%	14.4%
EBIT %	8.2%	9.0%	8.9%			
Net profit before Tax	23.1	23.5	20.8		-1.4%	11.1%
NPBT %	7.4%	8.2%	8.2%			
Reported NPAT	16.9	15.9	14.0		6.5%	20.7%
NPAT %	5.4%	5.6%	5.5%			
Less : Non recurring item #	1.3	-	-			
Underlying NPAT	15.61	15.85	13.99		-1.5%	11.5%

* Fun International started trading in October 2003. Prior to this sales were through an agent and were not reported
# Non recurring tax benefit. 0.8m for a prior year tax adjustment and 0.5m reduction in the effective tax rate due to change in the tax treatment of intangibles

Some key financial points

- 9.2% pro-forma sales growth in 2004
- A $15.0m sales increase via Fun International, our Hong Kong based company used to sell our domestic branded merchandise directly to our

Australian customers in China reducing logistics costs in these transactions and allowing for more competitive pricing of product for our customers. This has been an ongoing Funtastic initiative and is closely aligned with the strategy of our trading partners

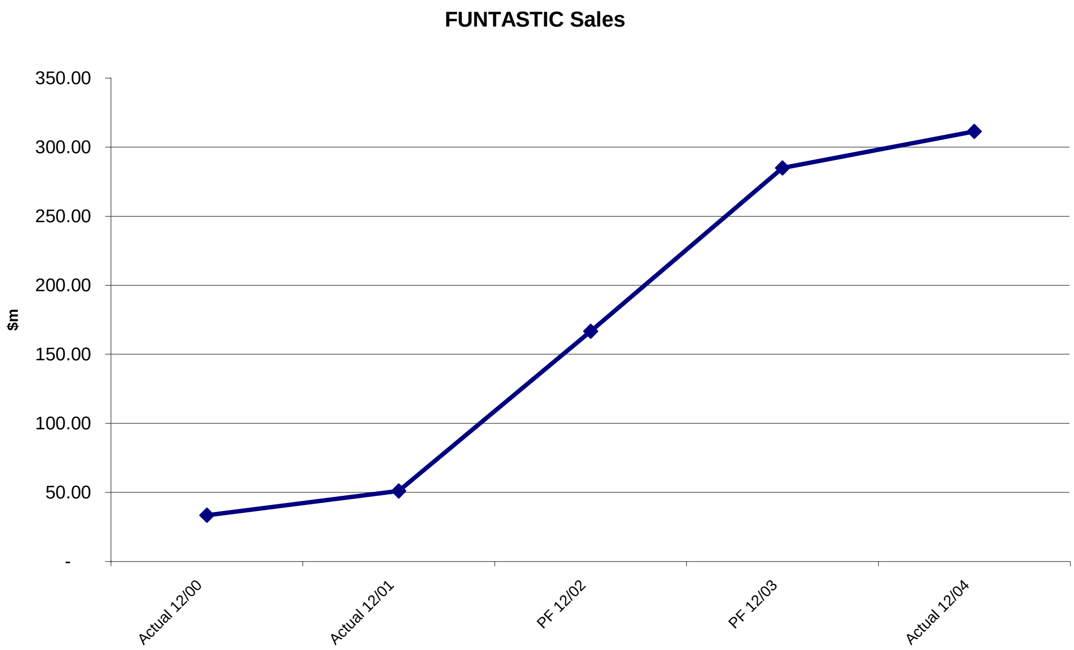
- Reported NPAT of $16.9m, up 6.5% on a pro-forma basis
- Underlying NPAT of $15.6m (after backing out $1.3m in non recurring tax benefit), which is $240,000 lower than the pro-forma 2003 NPAT
- Costs increased in 2004 in two volume driven areas;
    - Marketing expenses up $2.9m on 2003 with additional advertising on increased sales volume
    - Selling expenses for 2004 of $42.9m, against 2003 Pro-forma $33m (2003 Reported $27.6m). The increase of $9.9m on 2003 Pro-forma was made up of;
        - Increase in royalties on licensed product of $5.0m due to increased sales of product with royalties applicable
        - Commissions increased $0.8m
        - Other costs including agents commissions, quality assurance, courier costs, salaries etc of $4.9m
    - All other cost centres were relatively stable

In 2005, we have changed our Foreign Exchange hedging policy as follows:

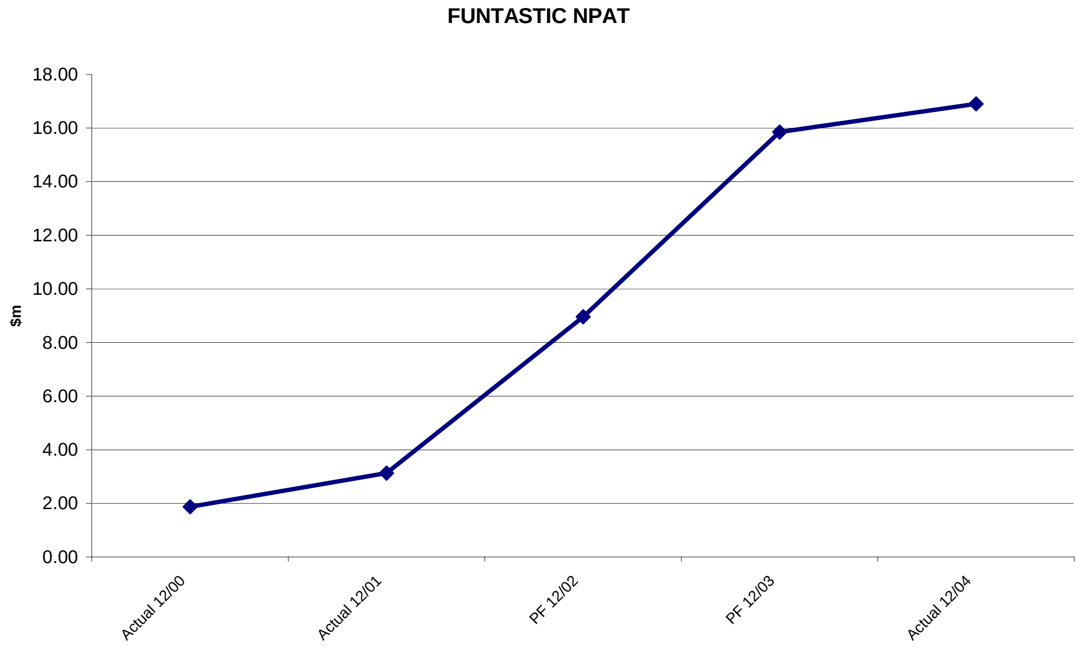
- Hedging is undertaken over a shorter period, 4 months at 70% to 80% of purchases which has the effect of:
    - Reducing the chance of operating significantly below market rates
    - Reducing the dollars taken in any one hedge
    - still accommodating pricing period for products
- 50% of hedges are taken in currency protection contracts which allow participation in upside movements and thus-
    - protects against 2004 type pricing pressure impacts when there is an improving Australian dollar market
    - protects a set currency rate as the worst case
    - allows for upside participation
- Based on changes undertaken, Funtastic is confident that the impact on 2004 NPBT of approximately $4.0m (NPAT of $3.0m) is a one off

Based on recognising the Foreign Exchange impact as non recurring, we have indicated to the market that a bench mark for NPAT for the 2004 year is $18.6m and this should be used as a basis for guidance going forward.

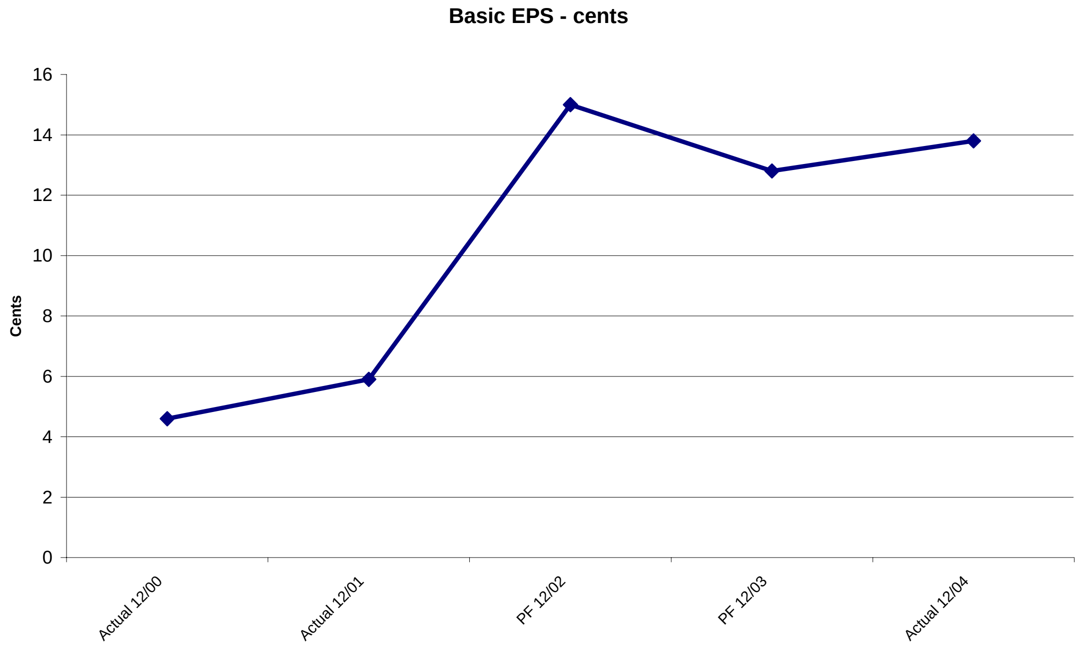
Outlined in the following graphs is a 5 year history of financial indicators for Funtastic highlighting growth in shareholder returns year on year.



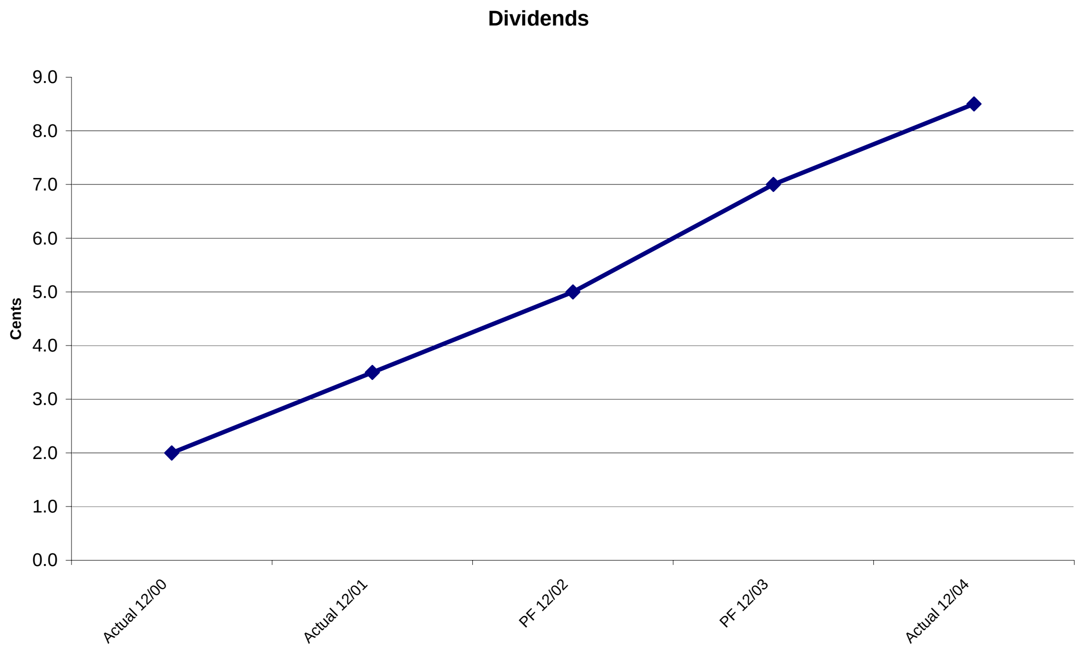
As illustrated in the chart above, Funtastic's net sales of $311.3 million increased 9.2% on the 2003 pro-forma level of $285.0 million. Over the four year period in the chart sales have grown at a Compound Annual Growth Rate (CAGR) of 74.5%.



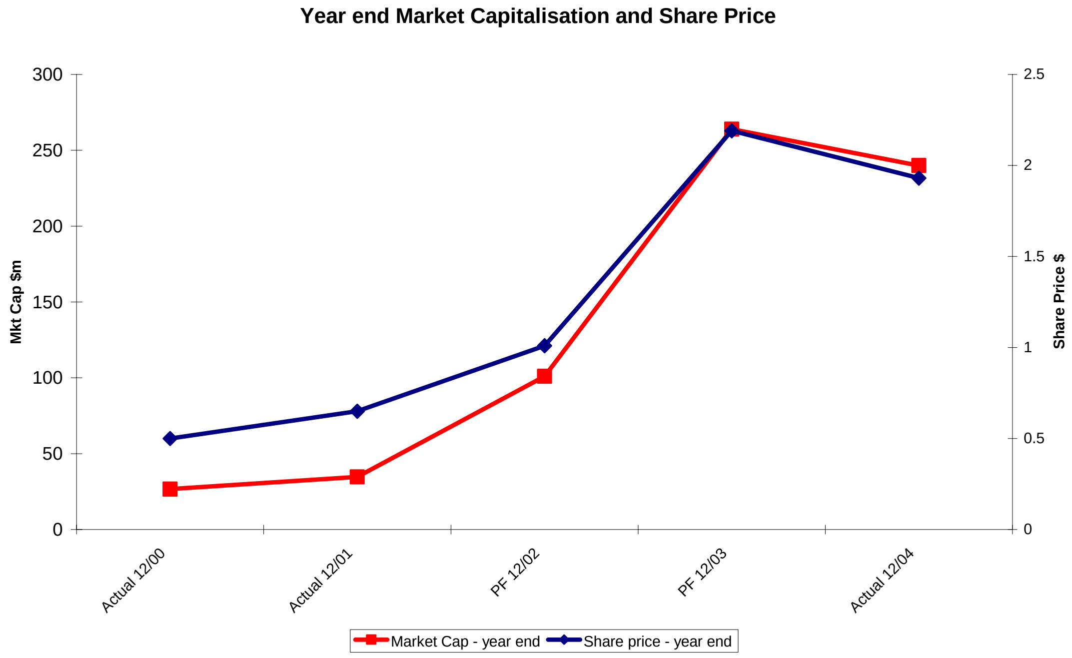
In 2004 Funtastic's reported Net Profit After Tax (NPAT) of $16.9 million represented a 6.5% increase on the 2003 pro-forma level of $15.9 million. Over the past four years your company has achieved a reported NPAT CAGR of 73.4%.



The basic reported Earnings Per Share (EPS) for 2004 of 13.8 cents represents a 7.8% increase on the 2003 reported basic EPS of 12.8%. Over the past four years basic EPS CAGR has been 31.6%.



The full year 2004 dividend per share of 8.5 cents represents a 21.4% increase on the 2003 dividend per share of 7.0 cents. Over the past four years your company's dividend growth has been at CAGR of 43.6%.



The chart above shows the year end market capitalisation for Funtastic on the left hand axis and the year end share price on the right hand axis. At 2004 year end Funtastic's market capitalisation was $239.9 million and the corresponding share price was $1.93. Although the 2004 year end share price was lower than the 2003 level, it still represents a CAGR of 40.2%.

During the 2004 year, our cash flow from operating activities was $11.9m compared to $21.9m for 2004, noting that 2004 incurred a one off benefit of $5.0m with a shortening in customer payment terms. Our cash flow for 2004 fell short of expectations due to the softening of sales in October and November and is reflected in an increase in our stock holdings at year end. We are confident in the quality of this stock and comfortable that it will be sold in the first half of 2005.

Our working capital position and balance sheet position are strong and provide us with a platform to undertake acquisitions going forward utilising debt and improving the potential Earnings Per Share impact of acquisitions. With our existing funding facilities, we have scope at our peak borrowings to take on an additional $40m to fund growth. We continue to identify potential acquisitions in the market place and as our track record illustrates, we are disciplined in ensuring that acquisitions are EPS accretive, that the products fit with our branded strategy, and the culture of the organisation is aligned to Funtastic's.

While it is early days, our trading in 2005 is experiencing both growth on 2004 and exceeding our 2005 budget and the outlook for our business in 2005 is positive. Our fundamental strength in selling exclusive and branded merchandise partially protects us from direct import competition that is an emerging threat in the marketing and distribution of consumer products.

In 2004 and 2005, we have undertaken reviews of the key drivers in our business including working capital management, overhead structure and operational processes to improve overall efficiency. David Hendy will outline these further in his address.

I will now turn my attention to some Board matters.

Nir Pizmony, an executive director, resigned from your company effective from 31st November 2004. He remains as a consultant to Funtastic.

Harry Boon joined our Board as an independent non executive director with effect from 1st September 2004. Harry has a legal background and finished his distinguished executive career as the Managing Director of Ansell Ltd. Harry is standing for election later on in the meeting at which stage he will elaborate on his background and experience.

Also, with effect from 1st September 2004, we appointed Tony Oates as Deputy Managing Director and invited him to join the Board.

On the assumption that you support the election/re-election of directors at this meeting, we will have a Board of six, comprising of 3 executive directors, 2 independent non executive directors and 1 non executive director being David Berry who also acts as the Company Secretary.

At our last Annual General Meeting, I also spoke of the composition of the Board and the need to “balance” the benefit of independent non executive directors with the knowledge and industry expertise brought to the table by the executive directors.

At last years Annual General Meeting, I signalled the likelihood of us having a Board of seven by the time we convened the 2005 Annual General Meeting; four of whom would have been non executive directors. We have not quite got there; but I am happy with the “balance”. In the event that we appoint another independent non executive director in 2005/2006, we will be closer to meeting the ASX Corporate Governance guidelines dealing with the composition of the Board.

The ASX corporate governance best practice guidelines set out ten (10) Principles and 28 Recommendations to be considered for adoption by listed companies.

The recommendations are not prescriptive.
They provide a framework or reference for governance practices.
Whilst the ASX have not made such practices mandatory, companies are required to disclose which principles or recommendations have not been followed and explain why.
Such disclosure is referred to in the corporate governance section of the 2004 Annual Report and is summarised on page 27.

Funtastic complies with all recommendations except two which are:

- It does not have a majority of the Board as independent directors and
- The chairman of the Audit Committee, although a non executive director, is not independent because he fulfils the role of company secretary.

Whilst the Board is cognisant of the recommendations, it nevertheless considers there is currently sufficient independence of thought under the present structure. Similarly, whilst the chairman of the Audit committee is not deemed independent, he is the best qualified director to fill the role because of his career as a chartered accountant and registered company auditor. There are a majority of independent directors on the committee.

The ASX also recommends that companies should have a nomination committee as well as a Audit Committee and such committees should have formal charters. Funtastic has three committees and three formal charters-

- A Nomination Committee
- Audit, Risk & Compliance Committee and
- Remuneration and Evaluation committee

The charters are published on the company's website.

In addition to the ASX, there is the Federal government's Corporate Law Reform Program (CLERP 9) which inter alia requires listed companies to have an Audit Committee. Funtastic meets all the requirements of Clerp 9.

I would now like to touch on a remuneration issue which impacts on executive directors.

You would have noticed that the last item on today's agenda seeks your approval for the issue of some options to the three executive directors. In the explanatory notes sent to shareholders, you will see that the exercise price for these options is $2.0417 per share and the performance hurdles are tough; based upon increases in Diluted Earnings Per Share over a 3 year period ending 31st December 2006.

One shareholder has recently written to me expressing strong opposition to the issue of options to the executive directors due to the size of their current shareholdings in Funtastic (see page 19 of annual report) and their current level of remuneration.

While I recognise that David Hendy and Moshe Meydan are significant shareholders in Funtastic and as such, already have plenty of motivation to strive for further financial success on behalf of all shareholders, I do need to point out the vast majority of David Hendy's shares result from the float of his privately held company in 2000. In the same way, Moshe Meydan's shareholding mainly results from Funtastic shares being used as an acquisition currency when we bought his business in 2003.

In other words, their shareholding in the main did not come about as part of their executive remuneration packages.

If shareholders approve the issue of 721,000 options to the three executive directors, it will bring the total allocation of options over the 4.5 years since listing to:

David Hendy ___________ options ___1,140,000___________
Moshe Meydan _________ options _____182,000___________
Tony Oates ____________ options _____499,000_________

The non executive directors believe the recent issue to be an appropriate component of long term incentive for our most senior executive group.

With the implementation of IFRS taking effect for Funtastic from 1st January 2005, we will experience the following changes to our financial reporting.

- Funtastic Limited hedges in order to protect itself from currency volatility. Hedges are largely specific to the purchase of goods and exchange differences are currently included in the measurement of purchases. The Australian IFRS equivalent requires all hedges to be strictly designated against specific transactions and the effectiveness of the hedge to be tested. These financial instruments must be recognised on the statement of financial position and all derivatives and most financial assets will be carried at fair value.
- Accounting for Intangible Assets – Funtastic Limited has significant intangible assets which predominately reflect goodwill acquired through acquisition. Goodwill is currently amortised over 20 years. The relevant Australian IFRS equivalents require an assessment of goodwill for impairment and do not

require goodwill to be amortised. In the 2004 year there was no accounting standard in Australia for intangible assets; however, non-current assets were required to be amortised over their useful lives. The Australian IFRS equivalent requires identifiable intangible assets with an indefinite useful life not to be amortised but subject to impairment testing. The primary difference in respect of current policy will therefore be in relation to the non-amortisation of goodwill.

- Share based payments. In the 2004 year there was no accounting standard in Australia for share based payments, however, there are various disclosure requirements for such payments. The Australian IFRS equivalent requires such payments to be expensed on a fair value measurement basis as from 1st January, 2005.
- Share options issued pursuant to supplier distribution agreements will be recognised as expenses in the period during which the supplier provides the related services.
- Account for Taxation. In the 2004 year, Funtastic accounted for income tax in accordance with AASB1020 Income Taxes which is based on differences between the accounting and taxation treatment of transactions in the Statement of Financial Performance. The Australian IFRS equivalent is based on differences between the accounting and taxation treatment of transactions in the Statement of Financial Position.
- Changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

Our expectations are that this will have a positive impact on our 2005 after tax result of approximately $0.9m. This figure has been determined as follows:

- There is unlikely to be any impairment in goodwill during the year and therefore pre tax goodwill amortisation of $2.1 million will not apply.
- Share based payments expense - relating to options granted post 7th November 2002 (assuming shareholders approve the issue of 721,000 options to executive directors at this meeting), will be approximately $1.2 million.

The Funtastic board declared a fully franked final dividend for 2004 of 5.0 cents per share which was paid to shareholders on 6th April 2005.This is a total of 8.5 cents for the 2004 year which is a 21.4% increase on the previous years 7 cents.

In our 2004 Annual Report we have shown some highlights of the extensive product ranges we manage. We are focused on using our market leading position within Toys and Children’s products to remain the destination of choice for leading brands that wish to enter our markets.

After I complete my address, David Hendy, our Managing Director, will speak in some detail about the operational performance of the company over the year ended 31st December 2004, and the prospects for 2005 and beyond.

Funtastic undertook to put in place in 2004 a management structure that was capable of taking us forward to achieve our planned growth. The executive team we have in place are focused on the continued profitable growth of your company and I am confident we have the team in place to deliver profitable growth in 2005 and beyond.

I will now hand over to David Hendy.

Managing Director's Address
2005 AGM

Thank you Geoff and welcome to all of the shareholders and interested parties here today. I am very excited to have so many attend, because I think that it is very important that all of you have a clear understanding of exactly where your company is going in the short term and also in the long term.

As Geoff has already pointed out we had a set back last December with the announcement of the downgrade in our 2004 profit. It is my belief that the market over reacted to that news. However, in my position as Managing Director, all I can do is to ensure that this situation never happens again and that we, as a business, are working to our strategic plans and not deviating from our fundamental strengths.

We have a unique position in the market where we manage some of the best brands in the world. Our product is exclusive and trademark protected. When retailers want to buy these products, they must buy these brands from Funtastic.
And, let me tell you, retailers do want these brands. Children's product is big business, and it is our branded products that retailers use to entice the customer to their stores. Brands like

- Bratz
- Spider-Man
- Fantastic 4
- LeapFrog

- Thomas the Tank Engine

which are household names that consumers know and trust.

As some of you may be aware, we have just finished the 2005 Toy Fair in Australia. The response to our product ranges has been the best I have seen. We picked up four major awards:

- Toy of the Year 2005 Girls with Large Bratz Babyz
- Nursery Product of the Year 2005 with LeapFrog Musical Walker
- Toy of the Year 2005 Games with Tamagotchi Version II
- 2005 Boys Category Highly Commended for Fly Wheels Launcher and Wheel

Already, the feedback from our customers has been that this years range is the strongest that we have ever presented.

One of the highlights for Funtastic in 2005 will be the release of our Zumbles product which we have designed and developed ourselves and own the Intellectual Property world wide. This is extremely important as it gives us an opportunity not only to have a great product range for Australia, but also to be able to sell internationally.

In November, 2004 we obtained the distribution rights for Zapf Creations including the well know Baby Born brand. This highlights one of Funtastic's strengths; being our ability to offer overseas suppliers a market leading distribution partner.

We have a management team in place that is considered the best in the industry, and a little bit later, I would like to introduce all of our Senior Managers to you. I think that it is good that our shareholders understand the commitment and the enthusiasm from not only myself, but also from our whole team.

As Geoff has already mentioned our results, I think that it is important to note that your company achieved:

- a 23.4% increase in sales
- a 14.4% increase in earnings before interest and tax from 2003,
- and on a pro-forma basis: a 9.2% increase in sales and a 6.5% increase in profit.

As I have mentioned before, the children's brands that we have are market leaders, and to illustrate this and to show you the strength of your company I want to give you an update on our true sell through data at retail which is compiled by an outside source called GFK data. As you can see from this, your company is growing market share in every segment. Funtastic currently holds 11 of the top 20 selling items (by value) in the Australian market. Funtastic is also the number on distributor of toys by value year to date, with a market share of 19.3% (4.7% higher than its nearest competitor Mattel).

I am pleased to be able to tell you today that in our Publishing business, we are now the second largest publisher of children's books in the country – what an achievement from a business only 3 years old. We have a great team in Publishing and we are now creating not only an extensive range of children's books, but we have also developed:

- a coffee table book for Fathers Day etc including Sir Donald Bradman
- Counter Meal – Recipes and Stories from Great Australian Pubs

- A Golfers View – A Professionals Look at Great Australian and New Zealand Golf Courses

Also, in October last year, Funtastic took over the licensing rights for all Disney properties, including current and back catalogue and future movies. This is having a significant effect on our business for 2005 and will provide growth into 2006, not only in Australia but also internationally, due to the fact that we sell a lot of the finished product to overseas distributors just like ourselves. We sell our products at the Bologna book fair, the London book fair and the Frankfurt book fair.

In the Nursery business, we have brought to market the new QuickSmart stroller. This product was totally designed in Australia, with the patents taken world wide by Funtastic. In 2004, we sold 10,000 pieces into the Australian market and already we have orders for 100,000 pieces going into 2005 for overseas distribution (I will touch on the overseas opportunity a little later). Under our QuickSmart range, we are now in the process of developing further products for which we will own the Intellectual Property.

Sporting goods is one of our new babies in the company and is already showing good results with the Razor brand, as you can see on display, into major retailers. The potential for our company to expand this area is very exciting as this is a new area which fits well with our customer strategy and branded product competencies. Also, I am excited to tell you today about our QuickSmart Trike which has been designed and developed in Australia and again, will be sold internationally.

In the Homewares area, we are developing many new and exciting products, such as Manchester, and Furniture etc. The strength of these areas comes back to the brand. As mentioned before, your company controls the best children's brands in the world leveraging off our toy and publishing categories. We have a team in place that is currently working on many new and exciting developments that again we will be selling internationally.

Our Confectionery area ties in very strongly with the rest of our company, and we are very well placed in the licensed confectionery/novelty area in the market. We are also working very hard on developing new and exciting innovative licensed product that will be sold for next Easter, and in 2005 we released a beautiful range of Belgian chocolates under the Isis brand. While the confectionery area is a smaller category within our business, it generates solid income every year and we look forward to growing this business with our expanded opportunities in the licensed area.

Our electrical business is still very exciting, as it is predominantly sold through our Hong Kong operation on an FOB basis directly to the retailer. It is a great opportunistic business where we can offer our retail partners product directly out of China using such great brands as Piranha vacuum cleaners and Dome products which are a strong range of Water Coolers, appliances etc.

It should be pointed out that our electrical business represents less than 8% of our business.

I am pleased to be able to inform you that the Apparel business has become a very strong foundation of your company. It has great relationships with the major retailers, because it is known as a reliable and responsive contract supplier with great design capabilities. In addition, we are expanding licensed apparel product ranges that we are now selling to all major retailers.

Other than our character brands sold in the Apparel business, it might surprise a lot of you to know of some of the great brands that we make for retailers or that we own. To name a few:

- Piping Hot
- Boomdoggers
- STE
- in children's licenses:
  - Bratz
  - Spider-Man

We are also pleased to inform you that your company makes an extensive range of apparel product for Nike stores in Australia. I am proud to be able to mention this as I think that it highlights the ability of your company to be able to produce and source high quality product across a number of segments.

Operationally we have undertaken internal reviews to ensure that we drive costs out of our business and improve the efficiency of our operations. In doing this, we have introduced a new computerised TM1 reporting module system that will assist not only in the Finance department, but also in the very important area of stock management. With improved stock management and improved payment terms with some overseas suppliers we are reducing the working capital invested in our business. We are also introducing into our distribution centres the implementation of radio frequency scanning of product which will give us labor efficiencies and better control of stock movements. These initiatives will drive efficiencies and savings in the later part of 2005 going into 2006.

I am pleased to be able to tell you that our New Zealand acquisition undertaken from 1st January 2005 is performing well and already the integration is already complete. I think I should explain to all of you that the New Zealand operation is very similar to our toy business in Australia. This is a great advantage for us as the fit between our two companies has been very easy. This acquisition is going to provide us with revenue synergies going forward by us overlaying our other product categories into the New Zealand market. This process will commence in the later half of 2005 and building into 2006 and 2007.

Strategically, it is important that shareholders understand exactly what we are trying to do to expand our business towards our goal of $500m turnover in the next two years. To do this, we are going to continue our policy of organic growth and strategic acquisitions. As a company, we are disciplined with our approach to acquisitions and will continue to ensure realistic prices are paid for acquisitions, and that they fit well with our stated goals and objectives. I would be disappointed if we have not completed at least one acquisition before the end of 2005. Organically, with our great knowledge of brands, we are working very hard to grow and leverage these great brands across all areas of the business.

I would like to spend a little bit of time on our International strategy. As a matter of strategic direction, your company is developing more and more products to be sold internationally. It is important for us to be able to have an operation in Hong Kong in order to sell to the rest of the world. This works in a two fold manner as it also gives us a better opportunity to offer our domestic partners more products directly from China. Examples of this are the QuickSmart Stroller, the QuickSmart Trike, Zumbles and our Publishing products.

We have employed a new Senior Executive, Tim Kremer. Tim used to head up Zapf Creation, a major European company in South East Asia and he is now going to oversee our total Asian operation, which is our Hong Kong office and our Shanghai office. This also is extremely important to us in developing our international business.

So where are we going for 2005? In calendar year 2005, based on what we know as of April, we believe that your company will achieve net sales of $345m to $350m and have a net profit after tax of between $20.5m and $21m, noting that these figures are based on pre IFRS accounting policies. Hopefully, you can see from what I have explained today, the reason why we feel that the market has over reacted. We have a very strong business, our fundamentals have not changed and it is our number one priority to maximize shareholder returns and that is what we are going to do.

It should also be mentioned that Funtastic recently announced our partnership with the Starlight Foundation. We believe that the Starlight Foundation is the perfect alignment for Funtastic

I would like to introduce our management team to you that is here today:

Thank you.