COOLABI PLC

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Company Information

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Jeremy Banks
Tim Ricketts
Linda James
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Nicholas James

Secretary
David Glennon

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Company Number
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Chairman's Statement

Overview

I am pleased to present the Group's results for the 18 months to 31 December 2009. This period has once again seen very good progress made across all our principal assets and, having previously enhanced the prospects of the group through strategic acquisitions, I am delighted that the management team has delivered such attractive organic growth and, in particular, delivered outstanding gross profit and EBITDA growth, despite the prevailing economic climate.

Results

We are today reporting a positive EBITDA (Earnings before interest, tax, depreciation, amortisation, share based payment costs and exceptional items) of £0.20m for the 18 months ended 31 December 2009 ("2009"), as opposed to a loss of £0.25m in the year ended 30 June 2008 ("2008"). The loss before tax rose to £1.38m (2008: £0.99m), largely due to a significant increase in the amortisation of intangible assets, a non-cash item, and also an exceptional charge principally relating to aborted acquisition costs. A full breakdown of this charge is provided in the Finance Director's Review.

During the year the Directors decided to change the period end from 30 June to 31 December in order to improve the usefulness of the financial statements and so comparative figures are for the 12 months ended 30 June 2008.

Share Placings & Acquisitions

On 23 October 2008, we announced the acquisition of 100% of Licensing By Design Limited (LBD). Enduring British children's classics Bagpuss, Clangers and Ivor The Engine were created by the renowned partnership of Oliver Postgate and Peter Firmin and are owned by them and their heirs. Through the acquisition of LBD, we act as licensing and merchandising agent on behalf of the owners. The cash consideration for the acquisition was £400,000. In order to finance this acquisition and to provide capacity for further small acquisitions and working capital for the Company, Coolabi raised £750,000 (gross) by way of a placing of 9,375,000 new Ordinary Shares of one penny each at a price of 8 pence per share.

This was followed on 3 March 2009, when it was announced that 51% of Eric Ambler Literary Management Limited, 100% of Michael Innes Literary Management Limited and 100% of John Creasey Literary Management Limited had been acquired for an initial consideration of £85,000. We believe these literary estates have good potential for growth and that there is scope to acquire other attractive literary estates and to build a significant presence in this lucrative market.

On 21 October 2009, we raised approximately £1.15 million (gross) by way of a placing of 14,375,000 new Ordinary Shares of one penny each at a price of 8 pence per share to invest in our properties, most notably Purple Ronnie, Scarlett & Crimson and Poppy Cat. Investment in these opportunities will help the Company to continue its EBITDA growth in the future.

Staff

We are fortunate to have such a dedicated and hard-working team at Coolabi and on behalf of the Board, I would like to thank them for their significant contribution to our progress over the last 18 months.

Outlook

This has been a transformational period for the Group. We have achieved the dual targets of delivering material organic growth and, as a consequence, a positive EBITDA, whilst at the same time enhancing the underlying value of each asset in our portfolio of intellectual properties.

We now have a portfolio of diversified assets at different stages of development, a number of which we expect to make a contribution for the first time in 2010, thereby further enhancing our EBITDA growth profile.

Trading in the first quarter of 2010 has been in line with our expectations. The timing of a number of projects is such that we expect the second half of the year to be considerably stronger than the first and we remain confident of our ability to deliver strong EBITDA growth in the future.

William Harris
Chairman

Chief Executive's Review

Coolabi has continued to make good progress in the 18 months to 31 December 2009, driving value and revenue growth across both our own and our licensed properties. The results we are announcing today confirm we have once again delivered on market expectations and that we have achieved the key deliverable of gross profit and EBITDA growth (up 120% and 181% respectively), against the background of very tough economic conditions.

Our strategy is to build a diversified portfolio of cash-generative intellectual property ("IP") assets that have international appeal across a broad range of media platforms. We have focussed our attention on building long-term, sustainable value by acquiring or developing low-risk IP assets and the period under review has seen the group concentrate on driving good organic growth from those assets.

I am excited about our current slate of IP assets that is diversified in terms of both genre and media of exploitation. There is also a good mix of established properties, those in their infancy and others in development. Importantly, our IP assets are also diversified between those that do not require TV exposure in order to deliver attractive long-term returns and those that do embrace TV, but only when the cost of production is substantially covered by third parties and a tier 1 broadcaster is attached.

Our focus, therefore, is to enhance the underlying value of each property whilst at the same time delivering improved revenues from them. The activity across our portfolio and the stage of development of our IP assets can be summarised as follows:

i) Purple Ronnie

100% owned and a British institution with a track-record of success dating back more than 20 years. Well established and growing in its core categories in the UK (greetings cards and books) with the potential to expand into new categories and territories. Purple Ronnie is our key wholly-owned asset and we are delighted to report further significant progress in the period under review.

The attractions of Purple Ronnie to us, when acquiring it in 2007, were its enduring track record of generating significant cashflow in the UK, its resilience to economic cycles and its minimal requirement for capital investment. It is typical of this industry that investment in TV production is often required to maintain the affections of a property with the public and hence its returns from licensing – that is not the case with Purple Ronnie. Additionally, it had established itself, over its life, in a range of key categories, diversifying its exposure to and therefore its reliance upon any particular one.

Brand development
Our strategy has been firstly, to review the key aspects of the brand, 'what makes it tick', and then build the brand plan around maximising its long-term sustainable earnings in its key categories of greetings cards, books and general gifts firstly in the UK but with a view to opening new international opportunities.

In developing the brand we have looked to build on its legacy with the public as a pre-eminent vehicle for social expression but also developing it for new audiences. One particular initiative in 2009 was Purple Ronnie's Stand-Up Poetry Club, which launched at the Edinburgh Festival with Phil Jupitus headlining, followed by a series of gigs in London. This positioned the brand with a younger adult target and had the dual appeal of raising the profile of the brand around one of its key strengths, poetry.

We have also focussed on creating Purple Ronnie's digital presence:

- Purple Ronnie's Express Yourself, the new online home of Purple Ronnie (www.purpleronnie.com), has just been launched where users are able to design their own interactive Ronnie scenes or can use 'The Love Guru' to send more personal messages of affection! The next stage of development will include a further range of personalised Purple Ronnie products.
- Purple Ronnie also has his first iPhone app, Purple Ronnie's Create-A-Card, which was launched for Valentine's Day 2010. For 59 pence users can create their own customised greetings card for every occasion to send to friends and family.
- All of this activity is supported by dedicated pages on Facebook, MySpace, Bebo and Twitter.

We are also pleased to report significant commercial progress with Purple Ronnie during the period.

Category progress – greeting cards
Purple Ronnie has increased its share in its most popular category of greeting cards. Hallmark reported an increase in royalties of nearly a third in calendar 2009 compared to calendar 2007 (the year in which the asset was bought) despite the backdrop of difficult market conditions. In addition, the reach of the brand has once again been extended with all major supermarkets now stocking cards.

Print on Demand (POD), where consumers can create their own physical card online, is a growing greeting card market trend. Hallmark has invested in this area with Purple Ronnie as a key component. Early indications are that POD revenues could show good growth next year. Off the back of this success, the recently developed POD Humour range is now also going to be launched at retail from 2010.

Category progress – publishing
The three year product development partnership with Macmillan is now half way through its cycle. Macmillan has produced new books that focus on the brand's strength during annual occasions – The World's Best Boyfriend, The World's Best Girlfriend (Valentine's), The World's Best Mum (Mother's Day) and The World's Best Dad (Father's Day) were released during 2009. In addition, a new male targeted title, The Ultimate Toilet Book, was released in time for the Christmas humour market alongside a new doodle book format, Totally Doodle, with publisher Michael O'Mara.

This raft of new titles adds to an already substantial back catalogue of successful titles that goes from strength to strength:

- Most recently, for Valentine's Day 2010, Macmillan has reported a 20% year-on-year increase in sales and four titles made it into the top ten of the Sunday Times Best Seller list.
- Macmillan has also reported a strong sell-in for the new Mother's Day title ("Reasons Why You're a Super Mum") and is further expanding the reach of the books by launching Purple Ronnie's Secret Santa for Christmas 2010.

Category progress – gifts
The success of our strategy in greetings cards and publishing and the momentum being seen in those categories is now being utilised to create wider opportunities at retail, with a number of new licensees having been signed. Each licensee has a preferred partner status with specific retailers. For example, a dedicated Valentine's novelty gifting range was presented in over 650 Clinton's stores representing a value at retail of over £0.5 million and the new book being launched for Father's Day ("Reasons Why You're a Super Dad") has created a wider themed opportunity at retail - Clinton's will be featuring mugs and tankards (from licensee Only4U) and promoting The Prostate Cancer Charity with a set of four themed badges (from licensee Big Badge).

North America
As announced in May 2009, Big Tent Entertainment was appointed to look after Purple Ronnie in North and South America. Big Tent's strategy for Purple Ronnie is to launch the brand digitally in order to raise awareness among consumers and this commenced early in 2010 with the launch of a self-funded iPhone application. Purple Ronnie's Pix Poetry allows consumers to customise poems and illustrations with their own photos and send an animated card to friends and family, all for one download price of 99 cents.

ii) Scarlett & Crimson

Tween/teen girl property with recent book launches in the US & UK. Successful cosmetics range, in association with Ruby Hammer and Millie Kendall, to be available in Superdrug in 2010.

Scarlett & Crimson is in its infancy as a property compared with the more established Purple Ronnie brand. Jointly owned with its creator, Ged Backland, and with exploitation controlled internationally by Coolabi, this tween/teen girl property has been developed from the start to be design-led and to fill a gap in the market which exists internationally. With its first range of products launching only recently in the UK and the US, it is rapidly gaining momentum and we are very pleased with the progress made during the period and are excited about its potential for the future.

Brand development
Scarlett & Crimson has been developed so as to create a successful international licensing property that is not dependent on having a TV presence for its success. In so doing, we once again avoid the need to invest significant amounts of money in the property in advance of its launch. The property has been developed to have a platform of credibility in its key sector of fashion, with its own make-up and fashion range, and to have a developing on-line community.

Scarlett & Crimson's association with Ruby Hammer and Millie Kendall, established icons in the cosmetics industry through their company, Ruby & Millie, has significantly raised the profile of the property. It is estimated that the association with Ruby & Millie helped generate an eleven million plus press circulation campaign during the course of 2009.

Category progress – publishing & online
The first three books in our 16 book output deal with Simon & Schuster were launched in the US in Autumn 2009, primarily through Barnes and Noble and independent retailers. Simon & Schuster launched the first two titles in the UK via Waterstone's during the same period. The followers of Scarlett & Crimson now have an online home with the launch of www.scarlettandcrimson.com, where there is a focus on music creation and the band from the books, Darqstarz. The girls also have their own Facebook, Bebo and MySpace pages.

Category progress – cosmetics
Our first Scarlett & Crimson cosmetics range, in association with Ruby & Millie, went into over 300 Boots stores in the UK in Autumn 2009, positioned as a first teen cosmetics line and aimed at the Christmas gift market. The range achieved almost 100% sell through and over £400k value at retail.

Chief Executive's Review - continued

Following this success, as announced today, a brand new everyday cosmetics and accessories range will be launched in Superdrug in April 2010; over 400 stores will stock cosmetics self-select ranges and 180 stores will stock the accessories range. The combined first production run of stock represents potential retail value of well over £1 million. This activity provides us with a springboard for driving the whole brand in 2010.

North America
Importantly, the early success of Scarlett & Crimson has not been confined to its home market. Agents have been appointed in a number of territories and in the US our new licensing agent has negotiated a master apparel licence with Awake (Jem Sportswear), who are developing product ranges for presentation for Back to School Autumn 2010 and Spring 2011 and are co-ordinating product development presentations for a number of other categories.

This positive progress has continued into 2010 and I look forward to announcing a number of new initiatives in accordance with our KPIs as the year progresses.

iii) Poppy Cat

Internationally successful pre-school favourite based on the hugely popular book series (over 2.5 million books sold to date) by Lara Jones. Coolabi will own the copyright in the series with its co-production partner and therefore will benefit directly from substantially all of the ancillary exploitation derived from the series, with normal payaways to other founder partners.

Development for the new animated television series of Poppy Cat is now well underway and the broadcaster in the UK and Australia will be Nickelodeon Jr. In addition to the international Nickelodeon sales, five additional pre-sales have also been concluded. Animation is being produced by our established award-winning co-production partner, King Rollo Films. To ensure the best possible chance of success for the US market, our development team also includes two established US 'showrunners', who have previously worked on Rugrats, Olivia and Mr Men, and a prominent US educational advisor.

The series capitalises on a core brand value of Poppy Cat, that of adventure. This will serve to strengthen the product proposition with potential licensing partners. Pitches to prospective toy partners will begin as soon as the creative materials for the series become available.

iv) Bagpuss, Clangers & Ivor The Engine

Enduring British children's classics created by Oliver Postgate and Peter Firmin. Coolabi is the international licensing agent and distributor of the existing TV series.

Bagpuss, Clangers and Ivor The Engine were created by the renowned partnership of Oliver Postgate and Peter Firmin and are owned by them and their heirs. Through the acquisition of Licensing By Design (LBD) during the period under review, we act as licensing and merchandising agent on behalf of the owners.

These properties hold an unrivalled affection in the hearts of the British public, as most recently evidenced by an onepoll.com survey earlier this month that placed Bagpuss at number 5 in the Top 10 list of kids TV shows that adults most wanted to return to our screens.

Coolabi has the ability to develop new audio-visual materials and concepts with the owners' approval and we are exploring a number of exciting opportunities with them.

The Coolabi team contains a number of individuals with a track record of success in reinvigorating classic, much loved properties such as those represented by LBD. Early efforts have been focused on both the renewal of existing and the negotiation of new licensing agreements. This has delivered some early successes; for example, 2009 saw sales of over 60,000 Bagpuss soft toys.

We were also pleased to secure a four year extension to our licence to distribute the existing series of Bagpuss, Clangers and, for the first time, Ivor The Engine and a new contract was signed for series distribution of all three properties on iTunes. Bagpuss (13 X 11 minute pre-school animation) and Clangers (26 X 5 minute pre-school animation) continued to air daily on Nick Jr.

v) Literary Estates

Eric Ambler (51% owned), Michael Innes (100% owned) and John Creasey (100% owned).

The Eric Ambler, Michael Innes and John Creasey literary estates were acquired in 2009 and we believe there is scope to acquire other attractive literary estates and to build a significant presence in this lucrative market.

Ambler, Innes and Creasey wrote over 600 titles between them, selling millions of books worldwide; Creasey alone is said to have sold more than 80 million books in 26 languages. Many of their titles have been adapted for film, television and radio, including Ambler's Journey Into Fear starring Orson Welles and The Light of Day, filmed as Topkapi and starring Peter Ustinov.

Good early progress has been made and five of Ambler's titles were re-launched by Penguin Classics to celebrate the author's centenary and have sold well. As previously reported, we are encouraged by some of the interest shown by third parties in re-introducing certain works derived from these literary estates to new TV and film audiences.

vi) Television Production

The Company's production strategy is to develop high-quality, low-risk television series utilising its existing development portfolio and rights library. Initially kick-started through the acquisitions of the children's assets of Zenith Entertainment and Indie Kids, this strategy is now supplemented by ongoing in-house development. We have a particular focus on projects that are capable of being significantly financed before production commences and that have potential for exploitation into other areas, especially licensing.

We own the following IP assets where the principal source of revenue is TV production and distribution:

(a) The Large Family

A co-production for BBC/TF1 about a family of elephants based on the successful series of books by Jill Murphy. Coolabi owns the copyright in the production with its co-production partner.

Following the significant ratings success of series 1, BBC and TFI commissioned a second series of The Large Family, with BBC Worldwide again handling international distribution as well as licensing and merchandising on our behalf. This was delivered from Autumn 2009 and commenced airing from Christmas 2009. Early indications are that series 2 is enjoying similar levels of audience viewership. Series 1 continued to be aired daily on CBeebies throughout most of 2009 and has been sold to over 35 territories.

(b) Dead Gorgeous

BBC/ABC Australia children's live-action co-production. Coolabi owns the copyright in the production with its co-production partner.

Production of the live action comedy drama series for tweens with partners CBBC, ABC (Australia), Burberry Productions, Screen Australia, Film Victoria and Cake distribution has been completed. The production was fully funded and the development of commercially attractive live action series will continue to be a core part of our TV production strategy. The series is a wholly-owned Coolabi Productions concept and has recently launched on both BBC2 and CBBC in the UK and will launch on ABC in April 2010.

(c) Other Television Assets

Our other television assets include The Worst Witch, Fungus The Bogeyman, King Arthur's Disasters and The Famous 5.

The Worst Witch (79 X 30 minute live action comedy) was screened on CiTV during 2009 and is distributed on our behalf by ITV Studios Global Entertainment, which has over 80 deals on the books including broadcast, home video and in-flight outlets.

King Arthur's Disasters (26 X 11 minute animation) continued to air twice daily on Nickelodeon and Nicktoons in the UK. Distributed by Cake, it has been sold to over 25 territories and Cartoon Network (Europe) and ABC (Australia) have recently renewed their respective licences.

Sir Gadabout (26 X 26 minute 6-9 live action comedy) aired again on CiTV in 2009.

Achievement of Key Performance Indicators

The achievement of the 8 key objectives for the year to 30 June 2009 was confirmed in the Interim Statement for that 12 month period.

Chief Executive's Review - continued

Key Performance Indicators for Year Ending 31 December 2010

At the start of this year, we set ourselves five key objectives for the year ending 31 December 2010 which focus on the continuing development of our portfolio of IP assets. These are:

- Put Poppy Cat into production
- Contract a Poppy Cat master toy partner
- Sign up at least two more major retailers in the UK in addition to Boots (in announcing our partnership with Superdrug today, we are pleased to have partly achieved this key objective)
- Sign two additional categories for licensing Scarlett & Crimson in the US
- Put at least 2 TV series into development for delivery from 2011

I look forward to updating you on our progress in achieving these during the course of the year.

Jeremy Banks
Chief Executive

Finance Director's Review

Highlights

Financial Key Performance Indicators:

- EBITDA (Earnings before interest, tax, depreciation, amortisation, share based payment costs and exceptional items) improved 181% to a profit of £202k in 18 months ended 31 December 2009 ("2009") from a loss of £250k in the 12 months ended 30 June 2008 ("2008").
- Gross profit increased by 120% to £2,037k in 2009 from £926k in 2008.
- Normalised operating cash absorbed by the business (net cash absorbed by operating activities adjusting for the cashflow effect of exceptional items) has increased by £43k to an absorption of £449k in 2009 from an absorption of £406k in 2008 due to working capital movements particularly with regard to production activity.

The move into positive EBITDA, has been achieved because of the increases in gross margin generated from licensing, £715k, and production, £397k. Licensing benefits from the growth in Purple Ronnie, the acquisition of Licensing by Design and it being an 18 month period, and production had two series being delivered in the period as opposed to the comparative period's one.

Critically, Operating expenses have continued to be tightly controlled, the ratio of Operating expenses to Gross profit improving to 0.9 times this period from 1.3 last year.

During the year the directors decided to change the year-end from 30 June to 31 December to improve the usefulness of the financial statements giving rise to the current 18 month period. On a pro forma calendar year basis EBITDA has increased to £380k for the year ending 31 December 2009 as opposed to a loss of £239k for the year ended 31 December 2008. Further analysis of the 2009 calendar year results is set out below.

As previously reported, in October 2008, the Company entered into new banking facilities with Coutts & Co. for an aggregate value of up to £2m.

Consolidated Income Statement

Revenue in the period increased 111% to £3,357k (2009: £1,590k). Gross income, which includes the value of film & television licence fees on productions delivered during the year that were contracted directly through co-production companies, has increased from £1,589k to £6,690k, an increase of 321%.

Licensing & merchandising revenue accounts for £1,086k of that increase due to growth in Purple Ronnie and the acquisition of Licensing by Design Ltd. Film & television revenue, which this year included the delivery of Dead Gorgeous and The Large Family Series 2, is up 90% to £1,441k in 2009 from £759k in 2008. Film & television Gross Income, is up 529% to £4,773k in 2009 from £759k in 2008. Gross margin increased from 58% to 61%. Operating expenses were £1,835k (2008: £1,175k), the increase being due to the 18 month period. The ratio of Operating expenses to Gross profit has improved (from 1.3 times in 2008 to 0.9 times in the current year). EBITDA has improved by 181% to £202k (2008: loss of £250k).

Operating loss has increased to £1,258k from £912k in 2008 due to an increase in amortisation charged on intangible assets. This charge has increased by £471k as a result of the 18 month period, recent acquisitions of Licensing by Design Ltd and the Literary Estates businesses with the intangible assets recognised from these transactions being amortised in accordance with our accounting policies. Operating profit before amortisation of intangible assets and exceptional items was £109k an improvement of £415k from the loss in 2008 of £306k.

As the group is in a net loss position, no tax is payable. IFRS accounting requires a provision for deferred tax to be created upon the recognition of intangible assets, which is then released to the income statement in line with the amortisation charge on these assets.

Earnings per share

Basic and diluted losses per share for the year are 3.5p (2008 – 3.5p).

Net Debt

Net Debt was £734k as at 31 December 2009 an increase of £1,198k from 30 June 2008. This is due to the Company entering into banking facilities with Coutts & Co primarily to finance the remaining deferred consideration payments arising from the acquisition of Purple Enterprises Limited, its smaller acquisitions during the period, its investment in brand development, in particular digital, and its working capital requirements.

Gross borrowings under these facilities were £1,355k as at 31 December 2009, with £309k falling due for repayment in the next 12 months.

Consolidated Balance Sheet

Goodwill and other intangible assets have a net book value of £6,532k as at 31 December 2009, an increase of £140k from 30 June 2008. This increase is due to the effect of the intangible assets arising on acquisitions and development during the period net of the amortisation provided in the year of £1,002k .

The deferred taxation provision of £1,320k arises as a result of the requirement under IFRS to provide for deferred taxation on intangible assets arising on acquisition. In accordance with its accounting policy the Group has not recognised a deferred tax asset on its accumulated trading losses which are £3,469k.

Pro-forma results for the year ending 31 December 2009

Key figures on a calendar year basis are as follows:-

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Gross Income	6,160	1,241
Revenue	2,828	1,241
Gross profit	1,636	929
EBITDA	380	(239)

Tim Ricketts
Finance Director

Report of the Directors

The directors present their report together with the financial statements of the Group for the 18 months ended 31 December 2009.

Principal activity

The principal activity of the Company and its subsidiaries is the development of a portfolio of intellectual properties and their exploitation throughout the world.

Review of business

The results for the period and financial position of the Group and the Company are as shown in the annexed financial statements. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The directors have elected to prepare the parent company accounts in accordance with UK Generally Accepted Accounting Principles.

The review and analysis of the performance of the business is referred to within the Chairman's Statement, the Chief Executive's Review and the Finance Director's Review.

Dividends

No dividends will be distributed for the period ended 31 December 2009 during the period or subsequently.

Directors

The directors during the financial period were:

W Harris
J Banks
T Ricketts
S Lindsay
L James
N James (*appointed 3 March 2009*)

Directors' Indemnity Insurance was taken out during the period.

Substantial shareholdings

Shareholdings of 3% and more of the issued share capital of the Company were extracted from the shareholders' register at close of business on 28 February 2010 as follows:

Ordinary 1p shares	Number	%
Williams de Broe	9,519,925	19.7%
M D Barnard & Co	7,523,833	15.6%
David Roger Llewellyn Trust	4,482,499	9.3%
Edge Investment Management Limited	3,125,000	6.5%
BlackRock Investment Management	3,041,666	6.3%
Herald Investment Management	2,990,000	6.2%
Global Asset Management	2,916,665	6.0%
Leonard Licht	2,675,000	5.5%
Beringea	2,402,379	5.0%

Financial risk management

Information relating to the Group's financial risk management is set out in note 20 of the financial statements.

Group's policy on payment of creditors

The Group's payment policy is to obtain the best possible terms for all business and hence there is no standard policy as to the terms used. The Group seeks to abide by the payment terms agreed with suppliers when it is satisfied that the supplier has provided goods and services in accordance with the contractual arrangements. Total creditor days of the Group as at 31 December 2009 were 30 days (30 June 2008: 51 days).

Political and charitable donations

No charitable or political donations were made in either 2009 or 2008.

Employment policies

It is the Group's policy to give disabled people full and fair consideration for jobs for which they offer themselves as suitable applicants, having regard to their particular aptitudes and abilities. Training and development opportunities are available to all employees.

The Group actively promotes equal opportunities for all existing and potential employees and does not discriminate on grounds of colour, ethnic origin, gender, age, religion, disability, political or sexual orientation. All of its employees have a responsibility to treat colleagues with fairness and dignity in the workplace.

The Group's policy is to keep all of its employees informed on matters which affect their occupations and future prospects, whilst at the same time increasing their involvement in the Group's overall activities and performance.

Key performance indicators

The Group uses a number of financial and non-financial indicators in order to measure strategic and operational progress. These key performance indicators are:

- EBITDA (Earnings before interest, tax, depreciation, amortisation, share-based payment costs and exceptional items).
- gross profit.
- normalised operating cash absorbed by the business.

Risk management

Sound risk management is an essential discipline for running the business efficiently and pursuing the Group's strategy successfully. Some of the principal risks that the directors believe could materially affect its business are discussed here.

The Group operates in a highly competitive environment that is subject to constant changes. In order to remain competitive it must continue to invest and adapt.

Risk is reduced by creating and maintaining a balanced portfolio of intellectual property. Investing internally in people and infrastructure whilst maintaining the highest quality in the Group's properties will further mitigate risk.

One of the Group's major strategies is acquiring new business for its divisions which inevitably exposes it to the risks associated with acquisitions. To mitigate these risks the Group applies strict financial criteria to any potential acquisitions, performs legal and financial due diligence on potential targets, constantly monitors and reviews the acquisition, and follows a tried and tested procedure for integrating acquisitions.

A substantial element of the Group's business relies on the use of intellectual property. Whilst the Group relies on trademark, copyright and other intellectual property laws to establish and protect its proprietary rights, it cannot be certain that its proprietary rights will not be challenged, limited, invalidated or circumvented. The risk is mitigated through rigorous due diligence and trademark registration and protection.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's and Chief Executive's statements on pages 2 to 7. The Group's objectives, policies and processes for managing its capital and risk are detailed above and in the notes to the financial statements. See in particular note 18 for further discussion of the bank facilities available to the Group. After reviewing these processes together with the Group's budget for the year to 31 December 2010 and its medium term plans, the directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. Therefore they have adopted the going concern basis in preparing the financial statements, in accordance with FRC guidance.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each reporting period. Under that law the directors have prepared financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). The financial statements of the parent company are prepared under UK GAAP. The financial statements are required by law to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the directors is aware:

- there is no relevant audit information of which the Group's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Relationships with shareholders

The Chief Executive and the Finance Director are the Group's principal contacts with investors, fund managers, the press and other interested parties.

The Annual General Meeting is attended by all of the directors wherever possible who are available to discuss matters with shareholders. Voting on specific resolutions is dealt with by a show of hands, but the Chairman also indicates the balance of proxies received for and against each resolution. Separate resolutions are presented for each substantially separate issue including the Annual Report and financial statements.

Auditors

A resolution to re-appoint Grant Thornton UK LLP as auditors for the ensuing year will be proposed at the Annual General Meeting.

ON BEHALF OF THE BOARD:

D Glennon
Company Secretary
22 March 2010

Corporate Governance Statement

As an AIM listed company, Coolabi plc is not required to comply with the provisions of the Combined Code or Corporate Governance published by the Financial Reporting Council that applies to companies with a full London Stock Exchange listing. However, the directors acknowledge the importance and value of good corporate governance procedures and accordingly have selected those elements of the Combined Code that they consider relevant and appropriate to the Group, given its size and structure. An overview of the Group's corporate governance procedures is given below.

The working of the Board and its Committees

The Board of the Group consists of two executive directors, three non-executive directors and is chaired by William Harris. The Board meets formally at least 6 times a year, and on other occasions to deal with specific business such as acquisitions.

During the 18 month period attendance at formal meetings of the Board and the Board committees was as follows:

Directors	Number of years on Board	Full Board meetings attended	Remuneration Committee	Audit Committee
W Harris	6	16	-	3
J Banks	3	16	-	-
T Ricketts	3	16	-	-
S Lindsay	2	16	4	3
L James	11	13	4	2
N James *(appointed 3 March 2009)*	1	9	2	1

The Board has a formal schedule or agenda of matters reserved to it for decision. At each Board meeting, the Board has available the quarterly performance of the Group and monitors these results against budgets. There is a formal budgetary process in place.

Major developments are communicated to all Board members, if they occur between regular meetings, and if in the judgment of the executive directors, this is warranted. The Directors may take independent professional advice, if appropriate, at the Group's expense.

All directors are re-elected in accordance with AIM Market recommendation, which is every three years by rotation.

The Board also has an Audit Committee and a Remuneration Committee and the serving committee members are:

Audit Committee		Remuneration Committee	
S Lindsay	Chairman	S Lindsay	Chairman
W Harris		L James	
L James	until March 2009	N James	from May 2009
N James	from March 2009		

The terms of reference of the Audit Committee include keeping under review the scope and results of the actual audit. The Audit Committee reviews the independence and objectivity of the external auditors - this includes reviewing the nature and extent of the non-audit services supplied by the external auditors to the Group, seeking to balance objectivity and value for money.

During the year the Group has not appointed a Nominations Committee for the purpose of Board Appointments, nor a Risk Assessment Committee as appointments and risk management matters are dealt with by the Board as a whole.

Corporate risk management

The Board recognises its obligations on behalf of shareholders to manage business risk and is supported by senior management and external specialists as appropriate to advise on the management of significant business risk.

The Board is responsible for the identification, analysis and prioritisation of significant business risk and for agreeing control strategies, standards and guidelines at both the Group and subsidiary level.

Risk significance is determined by the potential financial impact on the trading activities of the business and represents the aggregation of each operating subsidiary's individual risk tolerance considered in the context of the overall Group objectives.

Corporate Governance Statement - continued

The Board has identified a number of key risk areas including strategic, financial and operational risks. The Board regularly reviews these risks and how they can be mitigated and managed for the benefit of the Group. Included in the Finance Director's Review is a summary of performance against certain key performance indicators, and the Directors Report identifies principal Group risk areas and how they are managed.

The Board has considered the need for an internal audit function, but has decided that because of the size of the Group it cannot be justified at present. The Board will review this decision annually.

Investor relations

The Board considers it important to communicate a balanced and understandable assessment of the Company's performance and prospects to all investors. The Chief Executive Officer and Finance Director give presentations for analysts and institutional shareholders on a regular basis, in particular following the announcement of the Company's annual and interim results. The Chairman maintains contact with shareholders to understand their issues and concerns, and communicates them to the Board. Additional briefings are given when appropriate, consistent with the Company's obligation to advise shareholders generally of significant events. The Annual General Meeting is regarded by the Board as an important opportunity to meet and communicate with individual shareholders, who have an opportunity in that forum to question the Board on any matter affecting or relevant to the performance of the Company.

In addition to the financial information and other information the Company is under a legal or statutory requirement to publish, the Company regularly announces business developments through appropriate media, including the information published on the Company's website at www.coolabi.com.

Internal control

The Board has overall responsibility for the Group's internal financial and operational controls and its ongoing effectiveness.

The Group has established an on-going process for identifying, evaluating and managing the key risks as set out above. However, any system of internal controls can only manage rather than eliminate risks and consequentially such controls do not provide absolute assurance against misrepresentation.

The main features of the Group's internal controls systems are:

- Established control environment with an organisational structure which has clear lines of responsibility and supervision
- Regular meetings with operational management
- Formal accounting policies and procedures and standard financial control procedures in place which are applicable to all areas of the Group
- Comprehensive budgeting and financial reporting system involving review and approval of budgets by the Board and quarterly monitoring of performance against these budgets. Both operating and financial reports are prepared for the Group Board and actions arising from these reports are attributed as appropriate.
- Established procedures for authorisation of capital expenditure
- The acquisition of any business is subject to appropriate due diligence being undertaken
- Health and Safety procedures in place

The Board believes its systems of internal controls are appropriate for the size and nature of its operations, and will continue to review potential improvements to the systems on a regular basis.

Remuneration Report

The Remuneration Committee at 31 December 2009 comprised three non-executive directors, Stuart Lindsay, Linda James and Nicholas James.

The constitution and operation of the Committee is in compliance with the principles and best practice provisions as set out in the Combined Code. This is not a remuneration report as defined by Company Law.

Policy on remuneration of Executive Directors

The Remuneration Committee reviews the performance of Executive Directors and the Chairman, and sets the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of shareholders. In determining that remuneration the Remuneration Committee seeks to offer a competitive reward structure to maintain the high calibre of its executive board.

The main components of the Executive Directors' remuneration in the period ended 31 December 2009 are:

- Basic Salary: Basic salary for each Director is determined by the Committee taking into account the performance of the individual and external market data. The Committee's policy is to review salaries annually.
- Share Options: The Committee believes that share ownership by executive directors strengthens the link between their personal interest and those of the shareholders in respect of shareholder value.

Policy on remuneration of Non-Executive Directors

The remuneration of the non-executive directors is set by the board as a whole.

Directors' emoluments

Directors' emoluments in aggregate and in respect of the highest paid director for the 18 month period are as follows:

	2009 Aggregate 18 months £	2009 Highest paid 18 months £	2008 Aggregate 12 months £	2008 Highest paid 12 months £
Salaries and fees	454,988	262,500	279,744	182,500
Other benefits	4,646	4,646	2,697	2,697
Share based payment costs	93,707	61,703	55,060	37,280
Total emoluments	553,341	328,849	337,501	222,477
Social security costs	34,678	33,810	21,630	21,405
Total cost to group	588,019	362,659	359,131	243,882

Details of the share options in the Group granted to or held by the directors are as follows:

	Options held at 30 June 2008	Movements during the period: Lapsed or replaced	Movements during the period: Granted	Options held at 31 December 2009	Exercise price
J Banks	981,042	-	-	981,042	35p
L James	7,500	(7,500)	-	-	
Avonglen Limited	467,891	-	-	467,891	35p

The options for W Harris and T Ricketts are held in the name of Avonglen Limited, a Company in which they each hold a 25 per cent shareholding and are both directors.

No directors exercised any share options during the period.

Independent Auditor's Report to the Members of Coolabi plc

We have audited the group financial statements of Coolabi plc for the period ended 31 December 2009 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flow, principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 12, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2009 and of its loss for the period then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matters

We have reported separately on the parent company financial statements of Coolabi plc for the period ended 31 December 2009.

Nicholas Page
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

Date: 26 March 2010

Consolidated Statement of Comprehensive Income

	Note	18 months to 31 December 2009 £	12 months to 30 June 2008 £
Gross income		6,689,557	1,589,585
Revenue		3,357,326	1,589,585
Cost of sales		(1,319,874)	(664,050)
Gross profit		2,037,452	925,535
Operating expenses		(1,834,996)	(1,175,459)
Earnings before interest, tax, depreciation, amortisation, share-based payment costs and exceptional items		202,456	(249,924)
Depreciation		(24,386)	(9,201)
Share-based payment costs	23	(69,150)	(46,867)
Exceptional items	2	(364,141)	(74,569)
Amortisation of intangible assets		(1,002,377)	(531,549)
Total administrative costs		(3,295,050)	(1,837,645)
Operating loss	3	(1,257,598)	(912,110)
Interest charged	6	(125,707)	(104,749)
Interest received	6	1,125	22,439
Loss before income tax		(1,382,180)	(994,420)
Income tax credit	7	261,346	146,279
Loss after tax		(1,120,834)	(848,141)
Other comprehensive income		-	-
Total comprehensive loss for the period		**(1,120,834)**	**(848,141)**
Profit attributable to minority interests		**16,186**	**-**
Loss attributable to parent's equity holders		**(1,137,020)**	**(848,141)**
Basic loss per share total and continuing	9	(3.5)	(3.5)
Diluted loss per share total and continuing	9	(3.5)	(3.5)

Consolidated Statement of Financial Position

Company number: 3735898

	Note	as at 31 December 2009 £	as at 30 June 2008 £
ASSETS			
Non-current assets			
Property, plant and equipment	10	43,404	61,621
Goodwill	12	1,300,425	1,174,493
Other intangible assets	12	5,231,458	5,217,091
		6,575,287	6,453,205
Current assets			
Inventories	13	243,126	171,741
Trade and other receivables	14	935,593	418,802
Cash and cash equivalents		620,735	463,922
		1,799,454	1,054,465
Total assets		**8,374,741**	**7,507,670**
LIABILITIES			
Current liabilities			
Trade and other payables	15	(751,287)	(1,498,044)
Current portion of long term borrowings	18	(309,260)	-
		(1,060,547)	(1,498,044)
Non-current liabilities			
Deferred consideration	16	(51,000)	(356,126)
Deferred tax liabilities	17	(1,320,468)	(1,450,031)
Long term borrowings	18	(1,045,505)	-
		(2,416,973)	(1,806,157)
Total liabilities		**(3,477,520)**	**(3,304,201)**
Net assets		**4,897,221**	**4,203,469**
EQUITY			
Attributable to the equity holders of the Company			
Share capital	22	5,142,708	4,905,208
Share premium account		5,519,046	3,969,411
Profit and loss account		(5,739,020)	(4,671,150)
Total shareholders equity		4,922,734	4,203,469
Minority interest in equity		(25,513)	-
Total equity		**4,897,221**	**4,203,469**

The notes on pages 21 to 39 are an integral part of these consolidated financial statements.

Approved by the board on 22 March 2010 and signed on its behalf by:

J Banks
Director

T Ricketts
Director

Consolidated Statement of Changes in Equity

	Share capital £	Share premium account £	Minority interest £	Profit & loss account £	Total equity £
Balance as at 1 July 2007	4,905,208	3,979,411	-	(3,908,733)	4,975,886
Transactions with owners					
Cost of consolidation of share capital	-	(10,000)	-	-	(10,000)
Share-based payment costs	-	-	-	85,724	85,724
	-	(10,000)	-	85,724	75,724
Loss and total comprehensive loss for the period	-	-	-	(848,141)	(848,141)
Balance at 30 June 2008	4,905,208	3,969,411	-	(4,671,150)	4,203,469
Transactions with owners					
Issue of share capital	237,500	1,549,635	-	-	1,787,135
Share-based payment costs	-	-	-	69,150	69,150
Minority interest acquired	-	-	(41,699)	-	(41,699)
	237,500	1,549,635	(41,699)	69,150	1,814,586
Loss and total comprehensive loss for the period	-	-	16,186	(1,137,020)	(1,120,834)
Balance as at 31 December 2009	**5,142,708**	**5,519,046**	**(25,513)**	**(5,739,020)**	**4,897,221**

Consolidated Statement of Cash Flows

	Note	18 months to 31 December 2009 £	12 months to 30 June 2008 £
Cash flows from operating activities			
Loss before taxation		(1,382,180)	(994,420)
Adjustments for:			
Depreciation	10	24,386	9,201
Amortisation of intangible assets	12	1,002,377	531,549
Share-based payment costs	23	69,150	46,867
Interest expense		124,582	82,310
(Increase)/Decrease in inventories	13	(71,385)	254,218
(Increase)/Decrease in trade and other receivables	14	(516,791)	29,124
(Decrease)/Increase in trade payables	15	(10,487)	(438,948)
Cash absorbed by operations		(760,348)	(480,099)
Interest paid		(46,536)	(200)
Income taxes paid		(6,609)	-
Net cash absorbed by operating activities		**(813,493)**	**(480,299)**
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		(1,600,452)	(381,833)
Purchase of property, plant and equipment		(6,169)	(56,551)
Purchase of other intangible assets		(221,236)	-
Television production		(324,862)	-
Interest received		1,125	22,439
Net cash absorbed by investing activities		**(2,151,594)**	**(415,945)**
Cash flows from financing activities			
Proceeds from issue of share capital	22	1,900,000	-
Share issue costs		(112,865)	(10,000)
Preference shares redeemed		(20,000)	-
Bank facility utilisation	18	1,354,765	-
Net cash generated by/(used in) financing activities		**3,121,900**	**(10,000)**
Net increase/(decrease) in cash and cash equivalents		**156,813**	**(906,244)**
Cash and cash equivalents at beginning of period		463,922	1,370,166
Cash and cash equivalents at end of period		**620,735**	**463,922**

Principal Accounting Policies

Nature of operations and general information

Coolabi plc is the Group's ultimate parent company. It is incorporated and domiciled in England. Coolabi plc's shares are listed on the Alternative Investment Market of the London Stock Exchange.

In September 2009 the group elected to change its accounting reference date from 30 June to 31 December with immediate effect, in order to improve the usefulness of the Group's financial statements. The current period encompasses 18 months and the previous period 12 months – the figures presented in these statements are therefore not directly comparable.

Coolabi plc's consolidated financial statements are presented in Pounds Sterling (£), which is also the functional currency of the parent company.

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below and are in accordance with the Companies Act 2006 and applicable International Financial Reporting Standards.

The Group has elected to adopt IAS1 Presentation of Financial Statements (revised 2007). This impacts only the presentation of the Group's financial statements – consequently the board has elected not to show a restatement of the prior year position. There are no changes to the balance sheet as a result of new accounting policies or otherwise.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- IASB Improvements Project (effective for financial years commencing 1 July 2009 or 1 January 2010)
- IFRS 2 (Amendment): Group Cash-settled Share-based Payment Transactions (effective for financial years commencing 1 January 2010)
- IAS 39 (Amendment): Financial Instruments: Recognition and Measurement: Eligible Hedged Items (effective for financial years commencing 1 July 2009)
- IFRS 3 (Revised): Business Combinations (effective for financial years commencing 1 July 2009)
- IFRS 8: Operating Segments (effective for financial years commencing 1 January 2009)
- IAS 27 (Amendment): Consolidated and Separate Financial Statements (effective for financial years commencing 1 July 2009)
- IFRIC 17: Distribution of Non-cash Assets to Owners (effective for financial years commencing 1 November 2009)
- IFRIC 18: Transfers of Assets from Customers (effective for financial years commencing 1 November 2009)

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the consolidated financial statements of the Group as reported except for additional disclosures. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these consolidated financial statements.

The Group has elected not to adopt IFRS8 early, although to do so would have no material impact upon the disclosures presented in these statements.

The Company has elected to prepare its parent company financial statements in accordance with UK GAAP. They are presented separately on page 41 onwards.

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 December 2009. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Business combinations completed prior to date of transition to IFRS

The Group has elected not to apply IFRS 3 Business Combinations retrospectively to business combinations prior to 1 July 2006.

Accordingly, the classification of the combination (acquisition, reverse acquisition or merger) remains unchanged from that used under UK GAAP. Assets and liabilities are recognised at date of transition if they would be recognised under IFRS, and are measured using their UK GAAP carrying amount immediately post-acquisition as deemed cost under IFRS, unless IFRS requires fair value measurement. Deferred tax and minority interest are adjusted for the impact of any consequential adjustments after taking advantage of the transitional provisions.

The transitional provisions used for past business combinations apply equally to past acquisitions of interests in associates and joint ventures.

Accounting estimates and judgements

The preparation of consolidated financial statements under IFRS requires the Group to make estimates and assumptions that effect the application of policies and reported amounts. Estimates and judgements are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

Intangible assets
The Group recognises intangible assets acquired as part of business combinations at fair value at the date of acquisition. The determination of these fair values is based upon management's judgement and includes assumptions on the timing and amount of future incremental cash flows generated by the assets and selection of an appropriate cost of capital. Furthermore, management must estimate the expected useful lives of intangible assets and charge amortisation on these assets accordingly (see note 12).

Impairment of goodwill
The Group is required to test, at least annually, whether goodwill has suffered any impairment. The recoverable amount is determined according to its estimated value in use. The use of this method may require the estimation of future cash flows and the choice of a suitable discount rate in order to calculate the present value of these cash flows (see note 12).

Deferred and contingent consideration
Where deferred consideration is payable in cash and discounting would have a material effect the liability is discounted to its present value. Where the deferred consideration is contingent and dependent upon future trading performance, an estimate of the present value of the likely consideration payable is made.

Principal Accounting Policies - continued

Revenue

Licensing and merchandising
Non-refundable advances are recognised upon contract signature. Royalties earned in excess of such advances are recognised in the period to which they relate.

Film and television
Licence fees are recognised when a licence agreement has been signed by both parties, and delivery to the broadcaster has occurred.

Gross income

Gross income comprises Revenue together with those licence fees earned by the Group's contracted co-production partners in respect of programmes originated by the Group. This is included to provide a better understanding of the activities of the Group.

Programme investments

Programme investments represent costs of production and are included as intangible fixed assets. The amount held on the balance sheet is the lower of the amount of anticipated future ancillary revenues and the amortised cost of the investment.

Intangible assets

Goodwill and intangible assets acquired through business combinations
Goodwill representing the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is capitalised and reviewed annually for impairment in accordance with IAS 36. The fair value of intangible assets acquired as a result of business combinations are capitalised and amortised on a straight line basis through the income statement. The rates applied, which represent the directors' best estimate of the useful economic lives, are:

Contracts	Life of the contract
Brand and relationships	10 years

Digital assets
Digital assets, including websites and digital applications, are capitalised at cost and amortised on a straight line basis through the income statement. The rates applied, which represent the directors' best estimate of the useful economic lives, are:

Digital assets	3 years
Websites	3 years

Material residual value estimates are updated as required, but at least annually, whether or not the asset is revalued.

Television Production
Production costs included in intangible assets are amortised against ancillary income associated with the production.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment.

Depreciation is calculated to write down the cost less estimated residual value of plant and equipment by equal annual instalments over their estimated useful economic lives. The rates generally applicable are:

Computer Equipment	33%
Furniture, Fittings & Equipment	20%
Brand Style Guides	20%

Material residual value estimates are updated as required, but at least annually, whether or not the asset is revalued.

Operating lease agreements

Leases where substantially all of the risks and rewards of ownership are not transferred to the Group are treated as operating leases. Rentals under operating leases are charged against profits on a straight line basis over the period of the lease.

Inventories

These costs represent expenditure on projects in development, valued at the lower of cost and net realisable value. Licensed product held for resale is valued at the lower of cost or net realisable value, after making allowance for obsolete and slow moving items.

Financial instruments

Financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets
The Group's financial assets comprise trade and other receivables. Trade and other receivables are recorded at their nominal value less any provision for impairment, based on the receivable ageing, the Group's previous experience with the debtor and known market intelligence. Any change in their value is recognised in the income statement.

Financial liabilities
The Group's financial liabilities comprise borrowings, trade and other payables. They are classified and accounted for according to the substance of the contractual arrangement entered into, and stated at their nominal value. All interest-related charges and, if applicable, changes in the instrument's nominal value are included in the income statement line items "interest charged" or "interest received".

Exceptional items

Items of significant income or expenditure which are one-off transactions are classed as exceptional on the face of the income statement, to show more accurately the underlying performance of the Group.

Impairment testing of goodwill, other intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows.

Goodwill, other individual assets or cash-generating units that include goodwill, other intangible assets with an indefinite useful life, and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the assets' or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged *pro rata* to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Sale and leaseback transactions

Where film and television assets have been partly financed via sale and leaseback arrangements, the proceeds of the sale of the master negative, and the corresponding loan obligation in respect of the lease rental commitment over the period of the lease, are shown by way of a note to the accounts as it is considered that this properly reflects the nature of the transaction as a refinancing of the original production costs, as the risks and rewards of ownership have been retained by the Company. Under IAS 39 "Financial Instruments: Recognition & Measurement", each sale and leaseback transaction entered into by the Group has, from inception, failed to meet the definition of an asset and liability and has therefore not been recognised in these financial statements. The Group has applied guidance from SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

Principal Accounting Policies - continued

Taxation

Current tax is the tax currently payable based on taxable profit for the period.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity (such as the revaluation of land) in which case the related deferred tax is also charged or credited directly to equity.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand.

Equity

Equity comprises the following:

- Share capital: the nominal value of equity shares.
- Share premium account: the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- Shares to be issued: shares that have not yet been issued.
- Profit and loss account: retained profits.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are taken to the profit and loss account in arriving at the operating result for the period.

Share-based payments

Equity settled share-based payments are measured at fair value (excluding the impact of any non-market vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, restrictions on exercise and behavioural considerations.

Upon exercise of share options, the proceeds received net of attributable transactions costs are credited to share capital and, where appropriate, share premium.

The assumptions in respect of all options granted are based on:

- Volatility: determined by calculating the historical volatility of the Company's share price over the previous year.
- Expected life: based on the average contractual life adjusted for management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.
- Risk-free rate of return: yield of a UK government gilt over the expected life at the date of grant.

1. Segment analysis

The Group's internal reporting is by business segment for revenues and cost of sales. No other costs are allocated to segments, as the operating structure of the Group means it is not possible to allocate them on any other than an arbitrary basis. The Group's performance by its primary (and sole) segmental split as regularly reviewed by the chief operating decision maker is as follows:

	2009				2008			
	Licensing & merch-andising £	Film & television £	Unallocated £	Group £	Licensing & merch-andising £	Film & television £	Unallocated £	Group £
Gross income	1,916,621	4,772,936	-	6,689,557	830,336	759,249	-	1,589,585
Revenue	1,916,621	1,440,705	-	3,357,326	830,336	759,249	-	1,589,585
Cost of sales	(555,713)	(764,161)	-	(1,319,874)	(184,563)	(479,487)	-	(664,050)
Gross profit	**1,360,908**	**676,544**	**-**	**2,037,452**	**645,773**	**279,762**	**-**	**925,535**
Non-current assets	5,738,265	825,883	11,139	6,575,287	5,766,024	625,560	61,621	6,453,205
Current Assets	610,858	596,554	592,042	1,799,454	269,313	498,622	286,530	1,054,465
Current liabilities	(414,537)	(143,670)	(502,340)	(1,060,547)	(781,243)	(389,955)	(326,846)	(1,498,044)
Non-current liabilities	(1,306,951)	(64,517)	(1,045,505)	(2,416,973)	(1,709,066)	(97,091)	-	(1,806,157)
Net Assets	**4,627,635**	**1,214,250**	**(944,664)**	**4,897,221**	**3,545,028**	**637,136**	**21,305**	**4,203,469**
Original cost to acquire intangible assets	7,394,501	736,106	-	8,130,607	7,128,788	706,445	-	7,835,233
Amortisation of intangible assets	(877,837)	(124,540)	-	(1,002,377)	(425,086)	(106,463)	-	(531,549)

Due to the size and nature of the Group the directors do not consider there to be a meaningful alternative segmental split. There are no inter-segment sales.

Television revenue was derived from the delivery of two productions in the period – The Large Family series 2 and Dead Gorgeous (2008: one production, The Large Family series 1). Individual broadcasting commissions for these shows contribute over 11% of group revenue.

2. Exceptional Items

Costs incurred for the period ended 31 December 2009 total £364,141. £331,940 relates to expenses incurred in pursuing an acquisition which did not complete, and £32,201 to settlement payments and fees related to employment termination. Costs incurred for the year ended 30 June 2008 of £74,569 relate to expenses incurred in pursuing an acquisition which did not complete.

3. Operating loss

The operating loss is stated after charging the following:

	31 December 2009 £	30 June 2008 £
Amortisation of intangible assets	1,002,377	531,549
Depreciation	24,386	9,201
Differences on exchange	(10,669)	(299)
Operating Lease Rentals	39,725	26,289
Fees payable to the Group's auditor for the audit of the consolidated annual accounts	12,500	6,000
Fees payable to the Group's auditor for the audit of the subsidiary companies accounts	25,500	17,000
Fees payable to the Group's auditor for taxation services	17,500	12,000
Fees payable to the Group's auditor for other services	25,565	18,816

In addition to the above the auditors received fees for non audit related work of £17,500 in the period (2008: £7,000). £15,000 has been capitalised as financing costs and £2,500 as share issue costs.

4. **Directors' remuneration and transactions**

Directors' fees for the 18 month period were payable as follows:

	12 months to 31 Dec 2009 Salary/ Fees	18 months to 31 December 2009 Salary/ Fees	Benefits	Share based payments	Total
	£	£	£	£	£
J Banks	183,750	262,500	4,646	61,703	328,849
W Harris	36,000	54,000	-	-	54,000
L James	11,250	21,000	-	-	21,000
S Lindsay	20,000	30,000	-	-	30,000
T Ricketts	49,992	74,988	-	32,004	106,992
N James	12,500	12,500	-	-	12,500
	313,492	454,988	4,646	93,707	553,341

	12 months to 30 June 2008 Salary/ Fees	Benefits	Share based payments	Total
	£	£	£	£
J Banks	182,500	2,697	37,280	222,477
Lord Brabourne	4,000	-	-	4,000
L Chrisfield	8,489	-	-	8,489
W Harris	36,000	-	-	36,000
L James	15,000	-	-	15,000
S Lindsay	8,763	-	-	8,763
T Ricketts	49,992	-	17,780	67,772
	304,744	2,697	55,060	362,501

Details of the share options in the Group granted to or held by the directors are as follows:

	Options held at 30 June 2008	Movements during the period Lapsed or replaced	Granted	Options held at 31 December 2009
J Banks	981,042	-	-	981,042
L James	7,500	(7,500)	-	-
Avonglen Limited	467,891	-	-	467,891

The options for W Harris and T Ricketts are held in the name of Avonglen Limited, a Company in which they each hold a 25 per cent shareholding and are both directors.

The directors do not receive any post-retirement benefits.

There are no other key management personnel as defined by IAS 24 in the Group.

5. Staff costs

The average monthly number of employees of the Group, including executive directors, in the period was:

	31 December 2009 number	30 June 2008 number
Operations	11	10

The aggregate remuneration comprises:

	31 December 2009 £	30 June 2008 £
Wages and Salaries	990,613	638,290
Social Security	95,888	62,665
	1,086,501	**700,955**

6. Interest payable and receivable

	31 December 2009 £	30 June 2008 £
Interest payable		
Interest payable on bank and similar borrowings	64,501	200
Charges payable for bank facility	17,332	-
Interest payable on preference shares	-	(24,733)
Finance charge on deferred consideration	43,874	129,282
	125,707	**104,749**
Interest receivable		
Interest received on bank deposits	**1,125**	**22,439**

In addition to the charges payable for bank facility above, costs of £39,859 have been capitalised to be amortised over the terms of the loans.

7. Taxation

	31 December 2009 £	30 June 2008 £
Deferred tax		
Charge/(credit) for period	(261,346)	(146,279)
Taxation	**(261,346)**	**(146,279)**
Loss for the period before tax	**(1,382,180)**	**(994,420)**
Multiplied by the standard rate of UK corporation tax 28% (2008: 30%)	(387,010)	(278,438)
Effects of:		
Losses not recognised/utilised	11,029	57,112
Expenses not deductible for tax purposes	114,000	75,047
Movement in other unprovided deferred tax	1,144	-
Profits charged at a lower rate of tax	(509)	-
Total current period tax	**(261,346)**	**(146,279)**

The credit charged to the income statement of £261,346 relates to the origination and reversal of temporary differences associated with the recognition of intangible assets acquired as part of post transition date business combinations (see note 11 and note 17).

8. **Dividends**
No dividends were paid during this or any other periods shown.

9. **Earnings per share**
The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares and the post tax effect of dividends and/or interest, on the assumed conversion of all dilutive options and other dilutive potential ordinary shares. In view of the pricing of share options currently in issue, these options are considered to have no dilutive effect.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

	31 December 2009 £	30 June 2008 £
Loss for the period attributable to the parent's equity holders	(1,137,020)	(848,141)
Weighted average number of ordinary shares in issue during the period	32,842,034	24,526,043
Basic EPS (pence)	(3.5)	(3.5)
Weighted average number of ordinary shares in issue or under option during the period	32,842,034	24,526,043
Fully diluted EPS (pence)	(3.5)	(3.5)

10. **Property, plant & equipment**
The following table shows the significant additions and disposals of property, plant and equipment.

	Brand style guides £	Fixtures & fittings £	Computer equipment £	Total £
Cost				
At 1 July 2007	-	17,745	33,943	51,688
Additions	42,359	1,143	13,049	56,551
Disposals	-	-	-	-
At 30 June 2008	42,359	18,888	46,992	108,239
At 1 July 2008	42,359	18,888	46,992	108,239
Additions	-	-	8,144	8,144
Disposals	-	-	(2,450)	(2,450)
At 31 December 2009	**42,359**	**18,888**	**52,686**	**113,933**
Depreciation				
At 1 July 2007	-	7,305	30,112	37,417
Charge for the year	1,723	3,297	4,181	9,201
Disposals	-	-	-	-
At 30 June 2008	1,723	10,602	34,293	46,618
At 1 July 2008	1,723	10,602	34,293	46,618
Charge for the period	8,370	4,897	11,119	24,386
Disposals	-	-	(475)	(475)
At 31 December 2009	**10,093**	**15,499**	**44,937**	**70,529**
Net book value				
as at 31 December 2009	**32,266**	**3,389**	**7,749**	**43,404**
as at 30 June 2008	40,636	8,286	12,699	61,621

No items were acquired through business combinations.

11. Acquisitions

Licensing By Design

On 21 November 2008 the Group acquired 100% of the issued share capital of Licensing By Design Limited, a licensing and merchandising company which represents a number of intellectual property assets.

Intangible assets arising on the acquisition are subject to an annual impairment review in accordance with IAS 36 and comprise:

	£
Initial purchase consideration	400,000
Fees	122,386
Total consideration	**522,386**

Represented by:	**Carrying amount in acquiree's own books immediately before acquisition £**	**Fair value recognised by the Group £**
Current assets	108,943	108,943
Cash	25,283	25,283
Current liabilities	(134,226)	(186,602)
	-	(52,376)
Intangible assets		460,147
Goodwill		243,456
Deferred taxation		(128,841)
		522,386

The acquisition has been accounted for by the purchase method of accounting. Goodwill arising on acquisition is attributable to operational synergies and earnings potential expected over the long term.

Licensing By Design has contributed a profit of £170,000 to the Group's results since acquisition. The Group's results for the period July 2008 to December 2009 would not have been materially different if Licensing By Design had been owned for the full eighteen month period.

11. **Acquisitions - continued**

Eric Ambler, John Creasey and Michael Innes literary estate management companies

On 2 March 2009 the Group acquired three companies that hold literary estates: 51% of the issued share capital of Eric Ambler Literary Management Limited; 100% of the issued share capital of Michael Innes Literary Management Limited; and 100% of the issued share capital of John Creasey Literary Management Limited. The initial consideration for the three companies was £85,000, with deferred consideration of a further £85,000 to follow over the next 5 years and a potential earn out of £40,000 subject to the achievement of certain criteria.

Intangible assets arising on the acquisition are subject to an annual impairment review in accordance with IAS 36 and comprise:

	£
Initial purchase consideration	85,000
Fees	41,916
Total consideration	**126,916**

Represented by:	Carrying amount in acquiree's own books immediately before acquisition £	Fair value recognised by the Group £
Intangible assets	134,930	-
Current assets	1,300	89
Cash	1,734	1,734
Current liabilities	(2,701)	(4,318)
Non-current liabilities	(43,350)	(43,350)
	91,913	(45,845)
Intangible assets		10,500
Goodwill		165,202
Deferred taxation		(2,941)
		126,916

The acquisition has been accounted for by the purchase method of accounting. Goodwill arising on acquisition is attributable to operational synergies and earnings potential expected over the long term.

The three literary estate management companies have together contributed a profit of £35,000 to the Group's results since acquisition. The Group's results for the period July 2008 to December 2009 would not have been materially different if the literary estates had been owned for the full eighteen month period.

12. Intangible assets

	IPR, brands and relationships	Contracts	Goodwill	Digital assets	Television productions	Total
	£	£	£	£	£	£
Cost						
At 1 July 2007	4,445,569	927,970	1,628,957	-	-	7,002,496
Additions - Indie Kids	307,228	140,496	261,024	-	-	708,748
Additions - other	9,598	-	4,809	-	-	14,407
Amendment to deferred consideration	-	-	(400,000)	-	-	(400,000)
Amendment to deferred consideration discount	-	-	92,209	-	-	92,209
Change in tax rate	-	-	(105,068)	-	-	(105,068)
At 30 June 2008	4,762,395	1,068,466	1,481,931	-	-	7,312,792
At 1 July 2008	4,762,395	1,068,466	1,481,931	-	-	7,312,792
Additions - Licensing By Design	222,047	238,100	243,456	-	-	703,603
Additions - Literary Estates	-	10,500	165,202	-	-	175,702
Additions - Other	30,070	-	32,221	191,166	324,861	578,318
Amendment to deferred consideration	-	-	(314,947)	-	-	(314,947)
At 31 December 2009	**5,014,512**	**1,317,066**	**1,607,863**	**191,166**	**324,861**	**8,455,468**
Amortisation						
At 1 July 2007	43,556	38,665	307,438	-	-	389,659
Charge for the year	229,308	302,241	-	-	-	531,549
At 30 June 2008	272,864	340,906	307,438	-	-	921,208
At 1 July 2008	272,864	340,906	307,438	-	-	921,208
Charge for the period	380,023	579,042	-	43,312	-	1,002,377
At 31 December 2009	**652,887**	**919,948**	**307,438**	**43,312**	**-**	**1,923,585**
Net book value						
as at 31 December 2009	**4,361,625**	**397,118**	**1,300,425**	**147,854**	**324,861**	**6,531,883**
as at 30 June 2008	4,489,531	727,560	1,174,493	-	-	6,391,584

Goodwill arising on acquisition after the date of transition to IFRS is attributable to operational synergies and earnings potential expected to be over the longer term. The main changes in the carrying amounts of goodwill are as a result of the acquisition of Licensing By Design Limited and the literary estates of Michael Innes, John Creasey and Eric Ambler. The deferred consideration payable in respect of the acquisition of Purple Enterprises Limited in 2007 has been amended following final settlement, and investment has been made in digital assets including brand websites.

12. Intangible assets - continued

The Group has three individually material intangible assets. Purple Enterprises Limited (purchased in 2007) is the owner of certain intellectual properties. The intangible assets associated with this cash generating unit have a remaining amortisation period of 10 years. Indie Kids (Indie Kids Limited and Indie Kids International Limited, both purchased in 2007) is a television production and development company. Its intangible assets have a remaining amortisation period of 8 years. Licensing By Design Limited is a licensing and merchandising company which represents a number of intellectual property assets. Its intangible assets have a remaining amortisation period of 9 years. The carrying values of these intangible assets, together with their post annual impairment test goodwill values are:

	IPR, brands and relationships	Contracts	Goodwill	Total
	£	£	£	£
Carrying value as at 31 December 2009				
Purple Enterprises Ltd	3,890,432	309,323	630,743	4,830,498
Indie Kids	230,421	-	261,024	491,445
Licensing By Design Limited	197,990	77,996	243,456	519,442
Carrying value as at 30 June 2008				
Purple Enterprises Ltd	4,174,621	657,312	913,469	5,745,402
Indie Kids	276,505	70,248	261,024	607,777
Licensing By Design Limited	-	-	-	-

The recoverable amount of the cash generating units was derived from value-in-use calculations, covering a detailed two year forecast followed by the extrapolation of expected cash flows at growth rates of between nil and 6% for the next eight years. The growth rate reflects the estimated long term average growth rates for the product lines of the cash generating units. A discount rate of 10% has been applied to these calculations, estimated by management using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the Group. Management consider a period of ten years a reasonable forecasting period given the nature of the operations of the cash generating units.

13. Inventories

Inventories comprise development costs of £241,118, and £2,008 of product for resale. £759,816 of production, development and distribution expenses were recognised as an expense in the period (2008: £465,830).

14. Trade and other receivables

	31 December 2009	30 June 2008
	£	£
Trade receivables	244,937	44,872
Prepayments and accrued income	671,089	326,601
Other taxation	1,942	8,168
Other receivables	17,625	39,161
	935,593	**418,802**

At 31 December the analysis of trade receivables that were past due but not impaired is as follows:

Days beyond due date:	not yet due	1-30 days	31-60 days	61-90 days	over 90 days
	£	£	£	£	£
31 December 2009	61,208	66,426	937	0	116,366
30 June 2008	11,100	2,357	8,225	37	23,153

The carrying amount of trade receivables is considered a reasonable approximation of their fair value. All of the Group's trade and other receivables have been reviewed for indicators of impairment. No receivables were found to be impaired. Debts over 90 days due at 31 December 2009 to the value of £56,324 were collected during January and February 2010.

15. Trade and other payables

	31 December 2009 £	30 June 2008 £
Preference share interest	-	20,000
Trade payables	199,712	191,550
Other payables	-	130,475
Accruals and deferred income	506,980	401,690
Other taxation and social security costs	27,128	22,079
Corporation tax payable	467	-
Deferred consideration	17,000	732,250
	751,287	**1,498,044**

The carrying values of trade and other payables are considered to be a reasonable approximation of their fair value.

16. Deferred consideration

Upon the acquisition of Eric Ambler Literary Estates Limited, Coolabi has assumed the deferred consideration payment obligations due as a result of the original purchase of the rights to the Eric Ambler estate. Equal instalments of £17,000 are due annually until March 2013. The instalment due in March 2010 is classified as a current liability (see note 15 above).

	2009 £	2008 £
Eric Ambler Literary Estates gross liability	51,000	-
Purple Enterprises Ltd		
Gross liability	-	400,000
Discount applied	-	(43,874)
	51,000	**356,126**

The 2008 deferred consideration was contingent on the net royalties received in respect of Purple Enterprises Ltd, after deduction of certain costs, in the 2 years following completion. The estimate included at 30 June 2008 of the present value of the likely consideration payable was calculated based on management's forecasts. The total amount estimated to be paid was £1,100,000 (2007: £1,500,000), payable in October 2008 and August 2009. The instalment due in October 2008 was classified as a current liability (see note 15 above). All deferred consideration payments in respect of the Purple Enterprises acquisition have been discharged as at 31 December 2009.

17. Deferred taxation

	Accelerated capital allowances £	Intangible assets £	Tax losses £	Other £	Total £
At 30 June 2008	-	1,450,031	-	-	1,450,031
(Charged)/credited to the income statement	-	(261,346)	-	-	(261,346)
Acquired on acquisition	-	131,783	-	-	131,783
At 31 December 2009	**-**	**1,320,468**	**-**	**-**	**1,320,468**

At 31 December 2009 the Group has cumulative trading tax losses amounting to £3,468,564 (2008: £3,329,392). No deferred tax asset has been recognised at year end.

18. Bank facilities

A facility package of £2m with Coutts and Co is secured by first legal charge over the Group's entire rights, title and interest in the intellectual property owned by the Group, and debenture and composite cross guarantee across Coolabi plc and its subsidiaries. As at 31 December 2009 the Group was utilising £1.4m of this facility.

	Facility utilised £	Standard quarterly capital repayment £	Scheduled for repayment by
Facility A	618,942	35,000	Sep 2013
Facility C	154,945	8,428	Sep 2013
Facility D	293,324	16,850	Sep 2013
Facility E	287,554	15,139	Sep 2014
Overdraft	nil		Aug 2010, with review for extention by mutual agreement

The interest charge on all facilities is 3.5% above bank base rate.

19. Sale and leaseback transactions

Certain film and television assets with a cost of £3,502,441 (2008: £5,099,752) have been partly financed via sale and leaseback arrangements as follows:

	2009 £	2008 £
Deposits held in escrow	1,841,677	3,119,902
Less loans outstanding	1,841,677	3,119,902
Balance	-	-

The maturity of the above amounts is as follows:

	2009 £	2008 £
Less than one year	830,676	275,109
Two to five years inclusive	764,051	1,490,934
Over five years	246,950	1,353,859
	1,841,677	3,119,902

The Company has entered into certain sale and leaseback transactions relating to film productions. One arrangement was accelerated and cancelled in December 2009, one has been accelerated and cancelled in January 2010, one ends in 2015. Accordingly the Company has a legal commitment to pay lease rentals, which are financed from the majority of the sales proceeds, which in turn are held on blocked deposit accounts. The Company has no access to or control over these deposits and all lease rental payments are made under irrevocable instructions and guaranteed by defeasance banks. No fees are received under these arrangements.

The banks with whom these sums are deposited have given guarantees to the lessors in respect of the future lease rentals, and a contingent liability would only crystallise upon the failure of the bank holding the deposit. The deposits are held at ABN Amro N.V (£1,154,422) and West LB AG (£687,255).

20. Financial instruments

The Group's financial instruments comprise borrowings and cash, trade debtors and trade creditors that arise directly from its operations – current circumstances and operations do not require the use of complex financial instruments. The Board has reviewed and agreed policies for managing the risks the group does face, and these are discussed below. At 31 December 2009 and 30 June 2008, there is no material difference between the book value and the fair value of the Group's financial assets and financial liabilities.

Financial assets by category

The accounting policies outlined on page 24 for financial assets have been applied to the line items below. IAS 39 categories of financial asset included in the balance sheet and the headings in which they are included are as follows:

	2009	2008
	£	£
Current assets		
Trade and other receivables	935,593	418,802
Cash and cash equivalents	620,735	463,922

Credit risk

The Company closely monitors its credit risk. New customers are credit checked to ensure they will be able to meet their contractual financial commitments. Credit reviews of existing customers are undertaken when renewing or extending contracts, with particular attention to significant individual customers such as broadcasters. Outstanding trade receivables are reviewed periodically, and appropriate steps taken to recover debts. Provision is made against debts considered irrecoverable.

Financial liabilities by category

The accounting policies outlined on page 24 for financial liabilities have been applied to the line items below. IAS 39 categories of financial liability included in the balance sheet and the headings in which they are included are as follows:

	Effective interest rate	Current				Non current			
		Within 6 months		6 to 12 months		1 to 5 years		Later than 5 years	
		2009	2008	2009	2008	2009	2008	2009	2008
	%	£	£	£	£	£	£	£	£
Current liabilities									
Trade payables	-	751,287	1,498,044	-	-	-	-	-	-
Non-current liabilities									
Other long term liabilities	-	-	-	-	-	1,371,468	1,806,157	-	-

The Groups total future payments against its borrowing facilities are estimated as follows:

	Effective interest rate	Current				Non current			
		Within 6 months		6 to 12 months		1 to 5 years		Later than 5 years	
		2009	2008	2009	2008	2009	2008	2009	2008
	%	£	£	£	£	£	£	£	£
Borrowing principal repayments	-	150,834	-	150,834	-	1,020,928	-	-	-
Borrowing interest repayments	4.5%	19,843	-	19,843	-	120,342	-	-	-

Estimates of interest repayments are made based on the contractual repayment profile and a 4.5% interest rate.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Groups results or the value of its holdings of financial instruments. The objective of market risk management is to mitigate the Groups exposure to any such changes.

The Group is exposed to currency risk on sales and purchases that are denominated in currencies other than sterling, primarily euro and US dollars. Transactions in foreign currencies currently make up a small part of the Group's operations, therefore the Group is not materially impacted by movements in foreign exchange rates. Management monitors the amount of foreign currency transactions generated by the Group to enable them to take action to minimise exposure to currency fluctuations when the size of foreign transactions makes it appropriate to do so.

20. Financial instruments - continued

The Group has an exposure to interest rate risk arising from its loan and overdraft facilities which are all denominated in sterling. Interest is chargeable on these loans at 3.5% above the banks base rate. Management monitors the impact of fluctuations in interest rates upon the Group to enable them to seek appropriate financial instrument cover if necessary. An increase of 2% in bank base rates results in a £60,000 increase in repayments over the terms of the loans, of which £11,000 falls into the following year.

Capital management

The Group's objectives when managing capital which include shareholder funds, debt and cash are:

- to safeguard its ability to continue as a going concern
- to meet its operational requirements
- to maintain a capital structure that is in the best interests of it shareholders.

The Board regularly reviews the Group's capital requirements to ensure they are meeting the above objectives and there have been no changes in those objectives during the period. In line with these objectives, the board approved two share issues during the period which have impacted the Group's capital structure (see note 22 below).

The Group is subject to certain conditions as a part of its bank facility agreements. The aggregate debt commitment is linked to the valuation of certain IPR owned by the company.

21. Commitments

The Group had no capital commitments as at 31 December 2009 (2008: nil)

The Group leases its office premises under a 5 year lease expiring in 2010, and has one lease for office equipment expiring in 2014. The total future minimum payment under these leases is £26,662 (2008: £53,387). Annual commitments under the leases are as follows:-

	31 December 2009 £	30 June 2008 £
Expiring not later than one year	15,000	-
Expiring later than one year and not later than five years	-	26,378
Expiring later than five years	2,455	-

22. Share capital

	31 December 2009 £	30 June 2008 £
Authorised:		
70,000,000 (2008: 35,000,000) ordinary shares of 1p each	700,000	350,000
700,000,000 (2008: 700,000,000) deferred ordinary shares of 0.95p each	6,650,000	6,650,000
	7,350,000	**7,000,000**
Allotted, called up and fully paid:		
48,276,043 (2008: 24,526,043) ordinary shares of 1p each	482,760	245,260
490,520,871 (2008: 490,520,871) deferred ordinary shares of 0.95p each	4,659,948	4,659,948
	5,142,708	**4,905,208**

The share capital for Coolabi plc consists of two classes of shares. The ordinary shares with a par value of 1p each are all equally eligible to receive dividends and the repayment of capital, and represent one vote at shareholders' meetings. The deferred ordinary shares with a par value of 0.95p each have no right to receive dividends or repayment of capital, have no voting rights attached, and are not listed.

In November 2008 the company issued 9,375,000 ordinary shares with a par value of 1p, at a price of 8p. In November 2009 the company issued 14,375,000 ordinary shares with a par value of 1p, at a price of 8p.

22. Share capital - continued

The movement in share capital is reconciled as follows:

Allotted, called up and fully paid:

Ordinary shares of 1p each	at 30 June 2008	24,526,043
	Share issue November 2008	9,375,000
	Share issue November 2009	14,375,000
	at 31 December 2009	48,276,043

23. Share options

Options to subscribe for ordinary shares of 1p each have been granted to present directors and employees of the Group. Outstanding options at 31 December 2009 are as follows:

Shares under option grant	Date at which exercisable	Exercise price	Date from date	Expiry
1,658,933	26 Jul 2007	35p	11 Jul 2007	10 Jul 2012
40,000	27 Sep 2007	35p	27 Sep 2007	26 Sep 2012

The movement in the total number of share options over the period is as follows:

	Number
Outstanding at 30 June 2007	5,690,000
Granted during the period to conversion	35,978,660
Forfeited during the period to conversion	(5,200,000)
Outstanding at share conversion date 15 November 2008	36,468,660
Conversion of 20 old shares to one new share	1,823,433
Lapsed during the period post conversion	(12,000)
Outstanding at 30 June 2008	**1,811,433**
Exercisable at 30 June 2008	**1,811,433**
Granted during the period to 31 December 2009	-
Lapsed during the period to 31 December 2009	(112,500)
Outstanding at 31 December 2009	**1,698,933**
Exercisable at 31 December 2009	**1,698,933**

The individual share option plans are disclosed below:

2001 share options granted

During the year ended 30 June 2001, the Company granted 360,000 share options to officers and employees that remained unexercised but had all vested as at 1 July 2005. During the year ended 30 June 2007, 120,000 share options were forfeited. The balance was consolidated into 12,000 share options, which lapsed on 13 May 2008.

2004 share options granted

During the year ended 30 June 2004, the Company granted 2,500,000 share options to employees and officers that remained unexercised but had all vested apart from 250,000 share options as at 1 July 2005. During the year ended 30 June 2007, 1,050,000 of the vested share options were forfeited and during the year ended 30 June 2008 a further 1,200,000 were forfeited. The balance of 250,000 share options were converted at 16 November 2007 to 12,500 new options, which lapsed on 19 February 2009.

2007 share options granted

During the year ended 30 June 2007, the Company granted 4,000,000 share options. These options were forfeited in the year.

23. Share options - continued

2008 share options granted

During the year ended 30 June 2008, the Company granted 35,798,660 share options to employees and officers in two tranches on 26 July 2007 and 26 September 2007. Tranche 1 of 33,178,660 share options remained unexercised and unvested at 30 June 2008, tranche 2 of 2,800,000 share options were vested but not yet exercised at 30 June 2008. The share options were converted at 16 November 2007 to 1,798,933 new options, with an average exercise price of 35p per converted share. 100,000 of the tranche 2 options (post conversion) lapsed in December 2008, leaving a balance in total of 1,698,933 options not yet exercised.

Management estimate that the fair value of these options, once vested, will be an average of 25p per converted option at the date of grant. The value of these options was determined using the binomial option-pricing model with assumptions of the risk free rate of 5.27%, the average term of 3 years, share price at time of granting of 1.75p and volatility of 106.35%.

The cost of options granted to employees within subsidiary companies are capitalised as a cost of the acquisition of those companies.

24. Related party disclosures

Relationships between parent and subsidiaries

Coolabi plc is the parent company and ultimate controlling party of:

Entity	Country of incorporation	Proportion of shares and voting rights held	Holding	Nature of business
Purple Enterprises Limited	England & Wales	100%	Ordinary shares	Publishing
PRNA Limited	England & Wales	51%	Ordinary shares	Publishing
Coolabi Licensing Limited	England & Wales	100%	Ordinary shares	Brand Licensing
Coolabi Productions Limited	England & Wales	100%	Ordinary shares	Television Production
Coolabi Original Rights Entertainment Limited	England & Wales	100%	Ordinary shares	Dormant
Coolabi Publishing Limited	England & Wales	100%	Ordinary shares	Literary Estate Management
Alibi Films International Limited	England & Wales	100%	Ordinary shares	Dormant
Alibi Communications Limited	England & Wales	100%	Ordinary shares	Dormant
Alibi Productions Limited	England & Wales	100%	Ordinary shares	Dormant
Alibi Productions (Dead) Limited	England & Wales	75%	Ordinary shares	Television Production
Alibi Productions (Safe House) Limited	England & Wales	100%	Ordinary shares	Television Production
Alibi Productions (Sir Gadabout) Limited	England & Wales	100%	Ordinary shares	Television Production
Alibi Productions (Sir Gad 2) Limited	England & Wales	100%	Ordinary shares	Television Production
Indie Kids Limited	England & Wales	100%	Ordinary shares	Television Production
Indie Kids International Limited	England & Wales	100%	Ordinary shares	Television Production
Licensing By Design Limited	England & Wales	100%	Ordinary shares	Brand Licensing
Michael Innes Literary Management Limited	England & Wales	100%	Ordinary shares	Literary Estate Management
Eric Ambler Literary Management Limited	England & Wales	51%	Ordinary shares	Literary Estate Management
John Creasey Literary Management Limited	England & Wales	100%	Ordinary shares	Literary Estate Management

Transactions between Group companies

All balances held between Group companies are eliminated upon consolidation.

Transactions with other related parties

William Harris, who is Chairman of the Company, and Tim Ricketts, who is Finance Director, are both directors of Avonglen Limited. During the period fees of £263,922 were paid to Avonglen Limited for their services as directors and consultants, plus related expenses (2008: £194,666). The balance owing to Avonglen Limited at 31 December 2009 was £3,737 (30 June 2008: £58,701).

Independent Auditor's Report to the Members of Coolabi plc

We have audited the parent company financial statements of Coolabi plc for the period ended 31 December 2009 which comprise the parent company balance sheet, the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 12, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matters

We have reported separately on the Group financial statements of Coolabi plc for the period ended 31 December 2009.

Nicholas Page
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

Date: 26 March 2010

Company Balance Sheet

	Note	as at 31 December 2009 £	as at 30 June 2008 £
Fixed assets			
Intangible assets	6	101,207	20,622
Tangible assets	7	30,657	42,673
Investments	8	5,170,973	5,453,597
		5,302,837	5,516,892
Current assets			
Stocks	9	-	73,778
Debtors	10	86,725	93,105
Cash at bank & in hand		508,057	120,393
		594,782	287,276
Creditors: Amounts falling due within one year			
Loans and other borrowings	13	(309,260)	-
Other creditors	11	(1,008,983)	(1,903,371)
		(1,318,243)	(1,903,371)
Net current assets		(723,461)	(1,616,095)
Creditors: Amounts falling due after one year			
Loans and other borrowings	13	(1,045,505)	-
Other creditors	12	-	(356,126)
		(1,045,505)	(356,126)
Net assets		**3,533,871**	**3,544,671**
Capital and reserves			
Called up share capital	14	5,142,708	4,905,208
Share premium account	15	5,519,046	3,969,411
Profit and loss account		(7,127,883)	(5,329,948)
Equity shareholders funds		**3,533,871**	**3,544,671**

The notes on pages 42 to 48 are an integral part of these consolidated financial statements.

Approved by the board on 22 March 2010 and signed on its behalf by:

J Banks
Director

T Ricketts
Director

Company Principal Accounting Policies

Accounting basis and standards

These financial statements have been prepared in accordance with the historical cost convention and with applicable accounting standards and UK GAAP.

Intangible fixed assets

For intellectual property rights, amortisation is provided at rates calculated to write off the cost of the assets less estimated residual value over their estimated useful lives.

Digital assets are stated at cost less amortisation over their useful economic lives, estimated at 3 years.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at purchase cost.

Depreciation is provided at rates calculated to write off the cost of the assets less estimated residual value over their estimated useful lives as follows:

Computer Equipment	33%
Furniture, Fittings & Equipment	20%
Brand Style Guides	20%

Investments

Investments are shown at cost, inclusive of incidental costs of acquisition, less provision for impairment where applicable.

Stocks

These costs represent expenditure on projects in development, production and distribution and are valued at the lower of cost and net realisable value. These costs are carried forward only when, in the opinion of the directors, there is a clearly defined project, and the recovery of these costs can reasonably be expected.

Foreign currency

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Assets and liabilities in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Exchange differences are taken to the profit and loss account in arriving at the operating result for the period.

Deferred taxation

Deferred tax arises as a result of including items of income and expenditure in taxation computations in periods different from those in which they are included in the Company's accounts. Deferred tax is provided in full on timing differences, which result in an obligation to pay more tax at a future date, at the current tax rates and laws. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Operating leases

Rentals under operating leases are charged on a straight line basis over the term of the lease.

Share-based payments and share options

All Group share-based payments and option transactions are made by the Company. See note 23 of the consolidated financial statements.

Notes to the Company Financial Statements

1. Loss for the financial period

The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006. The amount of the consolidated loss after taxation for the financial period dealt with in the accounts of the Company is £1,867,085 (2008: £1,206,539).

2. Staff costs

The average monthly number of employees of the Company, including executive directors, in the period was:

	31 December 2009 number	30 June 2008 number
Operations	10	8

The aggregate remuneration comprises:

	31 December 2009 £	30 June 2008 £
Wages and salaries	955,064	562,783
Social security	92,094	54,781
	1,047,158	**617,564**

3. Directors emoluments

Directors emoluments are all made via Coolabi plc – see note 4 of the consolidated accounts.

4. Taxation

No taxes were paid during this or any other periods shown.

5. Dividends

No dividends were paid during this or any other periods shown.

6. Intangible fixed assets

	Intellectual property rights £	Digital assets £	Total £
Cost			
At 1 July 2007	16,521	-	16,521
Additions	10,037	-	10,037
Disposals	-	-	-
At 30 June 2008	26,558	-	26,558
At 1 July 2008	26,558	-	26,558
Additions	30,065	78,972	109,037
Disposals	-	-	-
At 31 December 2009	**56,623**	**78,972**	**135,595**
Depreciation			
At 1 July 2007	2,544	-	2,544
Charge for the year	3,392	-	3,392
Disposals	-	-	-
At 30 June 2008	5,936	-	5,936
At 1 July 2008	5,936	-	5,936
Charge for the period	17,484	10,968	28,452
Disposals	-	-	-
At 31 December 2009	**23,420**	**10,968**	**34,388**
Net book value			
At 31 December 2009	**33,203**	**68,004**	**101,207**
At 30 June 2008	20,622	-	20,622

7. Tangible fixed assets

	Brand style guides £	Fixtures & fittings £	Computer equipment £	Total £
Cost				
At 1 July 2007	-	17,645	34,108	51,753
Additions	21,688	1,243	13,048	35,979
Disposals	-	-	-	-
At 30 June 2008	21,688	18,888	47,156	87,732
At 1 July 2008	21,688	18,888	47,156	87,732
Additions	-	-	8,144	8,144
Disposals	-	-	(2,450)	(2,450)
At 31 December 2009	**21,688**	**18,888**	**52,850**	**93,426**
Depreciation				
At 1 July 2007	-	7,205	30,277	37,482
Charge for the year	-	3,396	4,181	7,577
Disposals	-	-	-	-
At 30 June 2008	-	10,601	34,458	45,059
At 1 July 2008	-	10,601	34,458	45,059
Charge for the period	2,169	4,898	11,119	18,186
Disposals	-	-	(476)	(476)
At 31 December 2009	**2,169**	**15,499**	**45,101**	**62,769**
Net book value				
At 31 December 2009	**19,519**	**3,389**	**7,749**	**30,657**
At 30 June 2008	21,688	8,287	12,698	42,673

8. Investments

	Subsidiary undertakings £
Cost	
At 1 July 2007	5,756,578
Additions	4,810
Amendment to deferred consideration	(400,000)
Change in discount on deferred consideration	92,209
At 30 June 2008	5,453,597
At 1 July 2008	5,453,597
Additions	32,323
Amendment to deferred consideration	(314,947)
At 31 December 2009	**5,170,973**

All of the above investments are unlisted.

Notes to the Company Financial Statements - continued

9. Stock

	31 December 2009 £	30 June 2008 £
Development costs and recoverable distribution expenses		
Opening balance	73,778	29,079
Additions in the period	1,975	56,124
Recognised as an expense in the period	(75,753)	(11,425)
	-	**73,778**

10. Debtors

	31 December 2009 £	30 June 2008 £
Trade debtors	5,638	-
Prepayments and accrued income	60,721	45,749
Other taxation	2,783	8,815
Other debtors	17,583	38,541
	86,725	**93,105**

11. Creditors: Amounts falling due within one year

	31 December 2009 £	30 June 2008 £
Preference share interest	-	20,000
Trade payables	44,815	138,563
Amounts owed to Group undertakings	787,052	843,627
Accruals and deferred income	156,621	179,102
Other taxation and social security costs	20,495	22,079
Deferred consideration	-	700,000
	1,008,983	**1,903,371**

12. Creditors: Amounts falling due after one year

	31 December 2009 £	30 June 2008 £
Deferred consideration	-	356,126
	-	**356,126**

13. Bank facilities

A facility package of £2m with Coutts and Co is secured by first legal charge over the Group's entire rights, title and interest in the intellectual property owned by the Group, and debenture and composite cross guarantee across Coolabi plc and its subsidiaries. As at 31 December 2009 the Group was utilising £1.4m of this facility.

14. Share capital

	31 December 2009 £	30 June 2008 £
Authorised:		
70,000,000 (2008: 35,000,000) ordinary shares of 1p each	700,000	350,000
700,000,000 (2008: 700,000,000) deferred ordinary shares of 0.95p each	6,650,000	6,650,000
	7,350,000	**7,000,000**
Allotted, called up and fully paid:		
48,276,043 (2008: 24,526,043) ordinary shares of 1p each	482,760	245,260
490,520,871 (2008: 490,520,871) deferred ordinary shares of 0.95p each	4,659,948	4,659,948
	5,142,708	**4,905,208**

The share capital for Coolabi plc consists of two classes of shares. The ordinary shares with a par value of 1p each are all equally eligible to receive dividends and the repayment of capital, and represent one vote at shareholders' meetings. The deferred ordinary shares with a par value of 0.95p each have no right to receive dividends or repayment of capital, and have no voting rights attached.

In November 2008 the company issued 9,375,000 ordinary shares with a par value of 1p, at a price of 8p. In November 2009 the company issued 14,375,000 ordinary shares with a par value of 1p, at a price of 8p.

15. Share premium account

	Number of shares		Share Capital		Premium on
	Ordinary shares of 1p each	Ordinary shares of 0.95p each	Ordinary shares of 1p each	Ordinary shares of 0.95p each	shares issued
			£	£	£
At 1 July 2007	490,520,871	-	4,905,208	-	3,979,411
Share consolidation	(465,994,828)	490,520,871	(4,659,948)	4,659,948	-
Consolidation costs	-	-	-	-	(10,000)
At 30 June 2008	24,526,043	490,520,871	245,260	4,659,948	3,969,411
At 1 July 2008	24,526,043	490,520,871	245,260	4,659,948	3,969,411
Issue of share capital	23,750,000	-	237,500	-	1,662,500
Share issue costs	-	-	-	-	(112,865)
At 31 December 2009	**48,276,043**	**490,520,871**	**482,760**	**4,659,948**	**5,519,046**

16. Reserves

	Profit and loss account £	Share premium account £	Total £
At 30 June 2008	(5,329,948)	3,969,411	(1,360,537)
Loss for the financial period	(1,867,085)	-	(1,867,085)
Share-based payment costs	69,150	-	69,150
Issue of share capital	-	1,662,500	1,662,500
Share issue costs	-	(112,865)	(112,865)
At 31 December 2009	**(7,127,883)**	**5,519,046**	**(1,608,837)**

17. Reconciliation in movement of shareholders' funds

	Total £
At 1 July 2008	3,544,671
Loss for the financial period	(1,867,085)
Share-based payment costs	69,150
Issue of share capital	1,900,000
Share issue costs	(112,865)
At 31 December 2009	**3,533,871**

18. Financial commitments and contingent liabilities

The Company had no capital commitments at 31 December 2009 (30 June 2008: £nil).

The Company had annual commitments under non-cancellable operating leases as follows:-

	31 December 2009 £	30 June 2008 £
Expiring not later than one year	15,000	-
Expiring later than one year and not later than five years	-	26,378
Expiring later than five years	2,455	-

The Company has no contingent liabilities.

19. Transactions with Directors and related party disclosures

The Company has taken advantage of the exemption conferred by Financial Reporting Standard Number 8 not to disclose related party transactions with subsidiary undertakings whose voting rights are 100% or more controlled within the Group.

William Harris, who is Chairman of the Company, and Tim Ricketts, who is Finance Director, are both directors of Avonglen Limited. During the period fees of £263,922 were paid to Avonglen Limited for their services as directors and consultants, plus related expenses (2008: £194,666). The balance owing to Avonglen Limited at 31 December 2009 was £3,737 (30 June 2008: £58,701).

Eric Ambler Literary Management Limited is 51% owned by the Group. Transactions between this company and Coolabi plc during the period included payments of £17,810 (2008: nil) made by Coolabi plc on behalf of Eric Ambler Literary Management Limited and £26,000 (2008: nil) of cash transfers from Eric Ambler Literary Management Limited to Coolabi plc. The creditor balance held with this company at 31 December 2009 is £18,190 (2008: nil).

Alibi Productions (Dead) Limited is 75% owned by the Group. Transactions between this company and Coolabi plc during the period included revenue received by Coolabi plc on behalf of Alibi Productions (Dead) Limited of £1,583 (2008: £3,073) and expenses incurred by Coolabi plc on behalf of Alibi Productions (Dead) Limited of £1,583 (2008: £3,073). The creditor balance held with this company at 31 December 2009 is £3 (2008: £3).