

# COOLABI PLC

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## Company Information

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<b>Directors</b>	William Harris (Chairman) Jeremy Banks Tim Ricketts Linda James Stuart Lindsay Nicholas James	<b>Auditors</b>	Grant Thornton UK LLP Grant Thornton House Melton Street London NW1 2EP
<b>Secretary</b>	David Glennon	<b>Bankers</b>	Coutts & Co. 440 Strand London WC2R 0QS
<b>Registered and Principal Office</b>	1 <sup>st</sup> Floor Watergate House 13-15 York Buildings London WC2N 6JU	<b>Registrars</b>	Capita Registrars Ltd Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0GA
<b>Nominated Adviser &amp; Broker</b>	Evolution Securities Ltd 100 Wood Street London EC2V 7AN	<b>Company Number</b>	3735898

## Chairman's Statement

### Overview

2010 has been another year of good progress for Coolabi, driven by strong organic growth from our portfolio of intellectual properties. Importantly, the results include the first contribution from our new internally-developed animated pre-school series, Poppy Cat, which will be launched on TV in May 2011.

### Results

Whilst we are once again reporting a positive EBITDA for the period, this is the first time that we have reported a positive Profit after tax. EBITDA (Earnings before interest, tax, depreciation, amortisation, share based payment costs and exceptional items) for the year ended 31 December 2010 was £0.54m, a 164% increase over the EBITDA of £0.20m in the 18 month period ended 31 December 2009 ("2009"). Profit after tax was £0.28m, a very significant improvement over the loss after tax of £1.12m reported in 2009.

During 2009, the Directors changed the year end from 30 June to 31 December to improve the usefulness of the financial statements, giving rise to the comparative 18 month period. The Company has included, where appropriate, pro forma 2009 calendar year results to allow like for like comparison.

A full analysis of the financial results is provided in the Finance Director's Review.

### Share Placing & Additional Banking Facilities

On 13 October 2010, we announced that we had raised £434,484 through a placing of 7,241,406 new ordinary shares of one penny each at a price of 6 pence per share with certain existing institutional shareholders. As anticipated in our Interim Statement released in September 2010, the net proceeds are being used to continue and accelerate the development of our portfolio of intellectual properties.

On 22 October 2010, we announced that we had agreed additional bank facilities with Coutts & Co. amounting to £620,000 to be used largely for the purpose of improving and developing the company's portfolio of intellectual properties and to supplement the placing.

### 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 year.

### Outlook

I am pleased to report that the outlook for our properties remains a positive one, despite prevailing market conditions. Our established properties, such as Purple Ronnie, have held up well at retail and, most encouragingly, our new property, Poppy Cat, has created significant interest and commitment from both broadcasters and licensees, confirming the high quality of the intellectual property assets that the company holds. For these reasons, we remain confident that we can continue to grow our property portfolio in 2011 and thus continue our successful strategy of organic growth.

**William Harris**  
Chairman

## Chief Executive's Review

Coolabi has continued to make good progress in the period under review, with EBITDA (our key measure of financial performance) up 164%. I am particularly pleased that we are also today reporting the group's first Profit after tax.

### Strategy

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. Accordingly, our current portfolio of assets is diversified in terms of both genre and media of exploitation, and maturity – from established properties to those in their infancy and others in development.

This strategy is gradually building a stream of highly visible and consistent revenue, which is underwritten by financial guarantees from our licensees. We believe that this will make Coolabi increasingly attractive to investors.

### Review of the Period

The group has again concentrated on driving good organic growth from its assets, some of which we have acquired and enhanced and some of which we have developed internally.

It remains the case that retailers and consumers are often drawn to established, classic IP assets (like Bagpuss or Purple Ronnie) during difficult financial times. This was perfectly demonstrated by the success of Bagpuss over the Christmas period. Bagpuss soft toys were listed as the top-selling items at Past Times for Christmas and The Daily Mail reported that Bagpuss was the No. 1 selling retro toy for Christmas 2010. However, a growing proportion of Coolabi's growth is forecast to come from the development and exploitation of new IP assets.

I am, therefore, particularly pleased to be able to report that 2010 is the first year in which one of our internally developed assets, Poppy Cat, has made a material financial contribution to the group and that the early momentum shown by Poppy Cat has demonstrated our ability to launch successfully a new IP asset in this challenging trading environment. I am very excited by the potential of Poppy Cat and expect its financial contribution to continue to build into 2011 and beyond.

This again shows what this team can achieve, even in this most difficult of markets, by combining quality IP with the right strategy and execution.

The activity across our portfolio and the stage of development of our IP assets can be summarised as follows:

#### i) 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 owns the copyright in the TV series with its co-production partner and therefore will benefit directly from the ancillary exploitation derived from the series.*

Our 52 x 11 minute animated TV series for pre-school viewers has been co-produced with King Rollo Films, our established award-winning partner.

Poppy Cat was introduced to the licensing and merchandising community at a dedicated event in September 2010 and to a wider audience shortly afterwards at Brand Licensing Show. International TV sales activity commenced in October 2010. We have been delighted with the response to the series.

#### *Broadcast*

Commissioned by Nickelodeon Jr. in the UK and due to air first in May, the series has been sold to a further 16 territories internationally so far – all before its first episode has been broadcast.

With this in mind, I am thrilled to be able to add to that number today, in announcing that the series has secured a tier one broadcast partner in the US with Sprout. Sprout, a 24-hour pre-school channel available on air, on demand and online, is a partnership between NBC Universal and PBS, amongst others, and currently broadcasts to over 50 million homes in the US. This announcement represents a major coup for Coolabi and the platform that Sprout affords us opens up this all important territory for licensing and merchandising activity.

Negotiations are also ongoing in a number of other significant broadcast markets which I hope to be able to announce in due course.

## Chief Executive's Review - continued

### *Licensing & Merchandising*

We are making good progress with the initial phase of our licensing and merchandising sales programme, starting first with our home market, the UK. On 26 January, we announced that we had signed our first four licensing deals for Poppy Cat, with Macmillan for TV tie-in books, Aykroyd and TDP Licensing Ltd for character nightwear, Jumbo Games for games and puzzles and Redan Publishing for magazines. We have since appointed clothing licensee Silver-knit to produce Poppy Cat branded outerwear and I am hopeful that we will be able to announce a master toy deal with a leading toy company shortly.

In addition, as the series continues to be sold internationally, so our licensing and merchandising sales programme will now be expanded overseas. Poppy Cat has been presented to a number of potential agents in relevant territories and I look forward to making further announcements in this regard in due course.

### **ii) Purple Ronnie**

*100% owned and a British institution with a track-record of success dating back more than 20 years. Well established in its core categories in the UK (greetings cards and books) with the potential to expand into new categories and territories.*

The attractions of Purple Ronnie to us, when acquiring it in 2007, are just as prevalent today; an enduring track record of generating significant cashflow in the UK, a resilience to economic cycles and a minimal requirement for capital investment. As such, the brand continues to be an important source of cashflow for the group.

Purple Ronnie has had a strong year in its core categories in this difficult market and is well positioned for targeted development in 2011.

#### *Category progress – greeting cards*

Purple Ronnie greetings card sales in the UK have continued to perform well, despite the more general decline in the market for greetings cards. Notably, Mother's Day card sales were up 15% over 2009. This impressive performance culminated in December with the securing of a new four year minimum guarantee contract with the leading greetings card company, Hallmark. We are delighted that this new contract has been achieved with Hallmark, which has been Purple Ronnie's greetings card partner since 2004. Excitingly, this contract also covers Hallmark's new digital initiatives such as the online personalised card service which launched successfully last year and which featured Purple Ronnie strongly in its promotion.

#### *Category progress – publishing*

The multi-year product development partnership with Macmillan that we negotiated shortly after we acquired Purple Ronnie continues to perform well.

Macmillan's publishing strategy for the brand continues to be based around Purple Ronnie's particular strength in 'occasions' supported by a strong back list. Nearly 90,000 units were sold into market during the year. Highlights included a 20% year-on-year increase in sales for Valentine's Day 2010, with four titles making it into the top ten of the Sunday Times Best Seller list, and the publication of 'Purple Ronnie's Secret Santa' in Christmas 2010. Three new titles will be released by Macmillan in the first half of the year.

#### *Category progress – gifts*

The 2010 highlights in Purple Ronnie gifts included a dedicated novelty gifting range in over 650 Clinton's stores during the run up to Valentine's Day 2010 and a welcome return to Debenhams for Christmas 2010 with a novelty men's gifting range.

#### *Brand development*

Having secured the strategically important renewal of the multi-year deal with Hallmark, we have continued to focus our brand development efforts on digital opportunities, seeking to enhance Purple Ronnie's pre-eminent position in the UK as the vehicle for social expression and bring him to the attention of new audiences.

A key part of this has been to make sure that Purple Ronnie is available to consumers to match their current 'digital lives'. Step one, in 2010, was the launch of two Purple Ronnie iPhone applications ('Apps'). Step two, in 2011, has been to launch a dedicated Facebook App, which gives users an instant 24/7 means to communicate with their friends using Purple Ronnie's poems and personalised imagery. The App uses the current 'freemium' model – it is free to download but charges are then levied to access and use enhanced content.

We are very pleased to report that in the space of just 5 weeks since its launch for Valentine's Day 2011, the App has attracted more than 25,000 active users, comfortably exceeding initial expectations and, perhaps more importantly, demonstrating the brand's ongoing resonance with all forms of social expression.

We look forward to developing further this strategic opportunity.

## Chief Executive's Review - continued

### iii) Scarlett & Crimson

*Scarlett & Crimson is in its infancy as a property. 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*

Our efforts have continued to be focussed on building the presence of the property in its target market of fashion/cosmetics. Here, our strategic decision to partner with beauty industry luminaries Ruby Hammer and Millie Kendall continues to bear fruit and Scarlett & Crimson branded product has again performed well.

The initial 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 first range was a sell-through success and, as announced in July, Boots reordered for 2010 with an all new expanded product range of nine items, from six previously, with the number of stores increased to over 370. This second cosmetics range saw significant year-on-year sales increases and I am pleased to report that Boots has ordered a refreshed range for 2011.

At Superdrug, a new everyday cosmetics and accessories range was launched in almost 400 stores and 180 stores respectively in May 2010. A number of these products have sold exceptionally well, with 'Punk Your Eyes' eyeliner being award nominated. The range also won Best New Design Packaging Award at Pure Beauty 2010. Importantly, the PR secured as a result of this activity has been impressive, with coverage in Vogue, Cosmopolitan, Glamour and The Times Magazine, amongst many others.

These early successes have led to a number of other retailers beginning to stock Scarlett & Crimson product, including ASOS and Urban Outfitters. This is another encouraging early development and one I hope we will build on during the course of 2011.

In June 2010, we announced two important deals extending the brand's presence in North America, underlining the property's potential for rapid international expansion. The first agreement was with leading beauty company Japonesque, to manufacture and distribute Scarlett & Crimson cosmetics specifically designed for the US and Canadian markets. The range will be launched in spring 2011 and sold through North American beauty retail channels. The second was an extension of the existing UK agreement with Ruby Hammer and Millie Kendall to cover all global product development of Scarlett & Crimson beauty products.

### iv) Bagpuss, & Ivor The Engine

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

Over the past 12 months there has been a complete update of all the Bagpuss and Clangers materials, with new artwork and photographic imagery now available for exploitation. Several generations of the creators' families were involved in the process which saw Peter and Joan Firmin re-making a new Mother Clanger (since the original was stolen in the early 1970s). All photographic work was creatively directed by Peter Firmin himself, with sets and props being newly created by Peter's granddaughter. In addition, Daniel Postgate, himself a successful children's author and illustrator and Oliver Postgate's son, has created a series of new Bagpuss images which have already been launched as greetings cards in the UK.

The production of these images was the necessary pre-cursor to a new licensing and merchandising initiative and early progress has been most encouraging. For example, The Daily Mail reported that Bagpuss was the No. 1 selling retro toy for Christmas 2010, with Clangers at No. 9, and the Bagpuss Posh Paws soft toys were reported as the top-selling items by Past Times for Christmas.

Also during the year, the original series of Bagpuss, Clangers & Ivor The Engine were launched on iTunes, immediately becoming three of the top five kids shows available for download. Since launch, their popularity has remained strong, with all three still featuring on the iTunes kids chart.

### v) Literary Estates

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

We are very satisfied with the performance of these three small literary estates that we purchased in 2009, with net earnings comfortably exceeding pre-acquisition levels. Literary estates remain an important area of interest and opportunity for us.

## Chief Executive's Review - continued

### vi) Television Production

The Company's production strategy is to develop high-quality, low-risk television series utilising our 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.

As covered in more detail above, our focus during 2010 has been on the production of our new pre-school animated series of *Poppy Cat*. However, we have a number of exciting production assets in development and I look forward to announcing progress in this regard during the course of the year.

It is also worth mentioning that our BBC/ABC Australia children's live-action co-production, *Dead Gorgeous* proved a ratings success both in the UK and Australia. In addition, Series 1 was nominated for two Australian television awards and was BAFTA nominated in the UK.

Our back catalogue of programming assets, which includes *The Large Family*, *King Arthur's Disasters*, *The Worst Witch*, *Fungus The Bogeyman*, *Bagpuss* and *Famous 5*, continues to be exploited internationally and delivers good earnings to the group.

### Outlook

We remain focussed on the pursuit of attractive organic growth. However, whilst Coolabi remains the size it is, the group will remain susceptible to the vagaries of the macro-economic environment. Only with scale, in the form of a broad range of diversified, performing IP assets and brands, can this susceptibility be effectively managed.

I am particularly pleased, therefore, that the progress to date with *Poppy Cat* has demonstrated that it is possible to develop and launch successfully a new IP asset in this challenging trading environment. This again shows what the team at Coolabi is capable of when combining quality IP with the right strategy and execution.

**Jeremy Banks**  
Chief Executive

## Finance Director's Review

### Highlights

Financial Key Performance Indicators for the 12 months ended 31 December 2010 ("12ME 2010")

- EBITDA (Earnings before interest, tax, depreciation, amortisation, share based payment costs and exceptional items); £535k, an increase of £333k (164%) from £202k in the 18 months ended 31 December 2009 ("18ME 2009") and an increase of £155k (41%) from £380k in the pro forma 12 months ended 31 December 2009 ("12ME 2009").
- Gross profit; £1,996k, a decrease of £41k (2%) from £2,037k in 18ME 2009 and an increase of £360k (22%) from £1,636k in 12ME 2010.
- Normalised operating cash absorbed by the Company (Net cash absorbed by operating activities adjusting for the cashflow effect of exceptional items) has improved by £309k to an absorption of £140k in 12M 2010 from an absorption of £449k in 18ME 2009.

The increase in EBITDA from 18ME 2009 of £333k has largely been achieved because of the increase in gross margin generated from production of £313k and reduction in Operating expenses of £374k due to the 12 month rather than 18 month period, offset by a reduction in gross margin generated from licensing of £354k due again to the shorter 12 month period.

Critically, Operating expenses have continued to be tightly controlled, the ratio of Operating expenses to Gross profit improving to 0.7 times this period from 0.9 in the comparative period.

During 2009 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 comparative 18 month period. Further analysis of the pro-forma 2009 calendar year results is set out below.

As previously reported, in October 2010, the Company entered into further new banking facilities with Coutts & Co. for an aggregate value of up to £620k.

### Consolidated Statement of Comprehensive Income

Revenue in the period decreased 15% to £2,856k (18ME 2009: £3,357k). Licensing & merchandising revenue decreased by £534k to £1,383k (18ME 2009: £1,917k). This decrease of 28% is due to the 50% longer comparative trading period. Film & television revenue, which this year included the delivery of Poppy Cat as opposed to the delivery of Dead Gorgeous and The Large Family Series 2, is up by £32k to £1,473k in 12ME 2010 from £1,441k in 18ME 2009. Operating expenses were £1,461k (18ME 2009: £1,835k), the decrease being due to the shorter comparative trading period. The ratio of Operating expenses to Gross profit has improved from 0.9 times in 18ME 2009 to 0.7 times in the current year. EBITDA has improved by 164% to £535k (18ME 2009: £202k).

Operating loss has decreased by £1,126k to £132k from £1,258k in 18ME 2009 due to the improved EBITDA, a decrease in amortisation charged on intangible assets because of the shorter comparative period and that there are no exceptional items in the current period, as opposed to the exceptional charge of £364k in 18ME 2009. Operating profit before amortisation of intangible assets and exceptional items was £508k an improvement of £399k against 18ME 2009 of £109k.

As the group is in a net loss position, no tax is payable. The Income tax credit relates to deferred tax movements arising from the intangible asset amortisation charge in the period and the creation of a deferred tax asset relating to the utilisation of historic losses as future profits are now considered probable under IFRS.

### Earnings per share

Basic and diluted earnings per share for the year are 0.4p (18ME 2009 loss of 3.5p).

### Net Debt

Net Debt was £1,129k as at 31 December 2010 an increase of £395k from 31 December 2009. This is due to the Company continuing to invest in brand development across its portfolio, including Poppy Cat, and its overall working capital requirements.

Overall facilities available to the Company were increased in the year by £620k with the provision of a new development loan facility and increased overdraft to further support the development of the Company's intellectual properties. Gross borrowings under these facilities were £1,178k as at 31 December 2010, with £341k falling due for repayment in the next 12 months.

In addition to these facilities the Company entered into a production financing facility with Coutts & Co. in order to assist with the cashflow funding of the Poppy Cat television series. This facility is secured by the assignment of the production's contracts to the bank, with the bank advancing the value of the underlying contracts prior to receipt of the contracted payments. The amount outstanding under this facility as at 31 December 2010 was £1,353k.

**Finance Director's Review - continued**

**Consolidated Statement of Financial Position**

As at 31 December 2010 the carrying value of television productions increased by £1,937k to £2,263k, mainly due to the delivery of Poppy Cat during the year, net of the amortisation provided of £477k.

Goodwill and Other intangible assets mainly comprise assets created on the acquisition of other businesses. Amortisation of these assets amounted to £640k during the period.

The deferred taxation provision of £1,124k arises as a result of the requirement under IFRS to provide for deferred taxation on intangible assets arising on acquisition. The Group has recognised a deferred tax asset of £277k. Accumulated trading tax losses are £3,446k.

**Comparison with pro-forma results for the year ending 31 December 2009**

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

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Revenue	2,856	2,828
Gross profit	1,996	1,636
EBITDA	535	380

**Tim Ricketts**  
Finance Director

## Report of the Directors

The directors present their report together with the financial statements of the Group for the year ended 31 December 2010.

### 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 year 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 were distributed for the year ended 31 December 2010 during the year or will be subsequently.

### Directors

The directors during the financial year were:

W Harris  
J Banks  
T Ricketts  
S Lindsay  
L James  
N James

Directors' Indemnity Insurance was taken out during the year.

### 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 2011 as follows:

Ordinary 1p shares	Number	%
Edge Performance VCT plc	9,290,196	16.7%
MD Barnard & Co	7,208,833	13.0%
Williams de Broe	5,994,619	10.8%
CriSeren Investments Ltd	5,523,505	9.9%
BlackRock Investment Management (UK)	4,127,876	7.4%
Herald Investment Management	2,990,000	5.4%
Leonard Licht	2,675,000	4.8%
Amati Global Investors	2,585,883	4.7%
Beringea	2,402,379	4.3%
Antony Roger Jordan	2,000,000	3.6%

### Financial risk management

Information relating to the Group's financial risk management is set out in note 19 of the financial statements.

## Report of the Directors - continued

### 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 2010 were 29 days (31 December 2009: 30 days).

### Political and charitable donations

No charitable or political donations were made in either 2010 or 2009.

### 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

as shown in the Chief Executives' and Finance Directors' reports.

### 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 6. 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 17 for further discussion of the bank facilities

## Report of the Directors - continued

available to the Group and note 19 in relation to the Group's financial instruments. After reviewing these processes together with the Group's budget for the year to 31 December 2011 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.

### Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and 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 accounting 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company 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 company 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 company'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 company'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  
28 March 2011

**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 year attendance at formal meetings of the Board and the Board committees was as follows:

<b>Directors</b>	<b>Number of years on Board</b>	<b>Full Board meetings attended</b>	<b>Remuneration Committee</b>	<b>Audit Committee</b>
W Harris	7	8	-	3
J Banks	4	8	-	-
T Ricketts	4	8	-	-
S Lindsay	3	8	4	3
L James	12	8	4	-
N James	2	8	4	3

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:

<b>Audit Committee</b>	<b>Remuneration Committee</b>
S Lindsay Chairman	S Lindsay Chairman
W Harris	L James
N James	N James

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](http://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 2010 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 year ended 31 December 2010 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 year are as follows:

	2010 Aggregate 12 months £	2010 Highest paid 12 months £	2009 Aggregate 18 months £	2009 Highest paid 18 months £
Salaries and fees	329,982	180,000	454,988	262,500
Other benefits	3,755	3,755	4,646	4,646
Share based payment costs	5,814	3,901	93,707	61,703
Total emoluments	339,551	187,656	553,341	328,849
Social security costs	25,481	23,589	34,678	33,810
<b>Total cost to group</b>	<b>365,032</b>	<b>211,245</b>	<b>588,019</b>	<b>362,659</b>

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

	Options held at 31 December 2009	Movements during the period			Options held at 31 December 2010	Exercise price
		Cancelled	Replaced	Granted		
J Banks	981,042	(981,042)	981,042	950,000	1,931,042	8.25p
W Harris	367,891	(367,891)	367,891	-	367,891	8.25p
T Ricketts	100,000	(100,000)	100,000	479,313	579,313	8.25p

The options for W Harris and T Ricketts are held in the name of Avonglen Limited, a Company in which they each hold a 33% shareholding and are both directors.

No directors exercised any share options during the year.

## Independent Auditor's Report to the Members of Coolabi plc

We have audited the financial statements of Coolabi Plc for the year ended 31 December 2010 which comprise the statement of financial position, the statement of comprehensive income, the statement of cash flow, the statement of changes in equity, the 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the 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/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2010 and of its profit for the year 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 financial statements are prepared is consistent with the 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 financial statements of Coolabi Plc for the year ended 31 December 2010.

### Nicholas Page

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

Date: 28 March 2011

# COOLABI PLC

## Consolidated Statement of Comprehensive Income

	Note	12 months to 31 December 2010 £	18 months to 31 December 2009 £
<b>Revenue</b>		2,855,595	3,357,326
Cost of sales		<u>(859,784)</u>	<u>(1,319,874)</u>
<b>Gross profit</b>		1,995,811	2,037,452
Operating expenses		(1,460,701)	(1,834,996)
<b>Earnings before interest, tax, depreciation, amortisation, share-based payment costs and exceptional items</b>		535,110	202,456
Depreciation		(23,703)	(24,386)
Share-based payment costs	22	(3,574)	(69,150)
Exceptional items	2	-	(364,141)
Amortisation of intangible assets	3	(639,919)	(1,002,377)
<b>Total administrative costs</b>		<u>(2,127,897)</u>	<u>(3,295,050)</u>
Operating loss	3	(132,086)	(1,257,598)
Interest charged	6	(64,587)	(125,707)
Interest received	6	<u>153</u>	<u>1,125</u>
<b>Loss before income tax</b>		(196,520)	(1,382,180)
Income tax credit	7	<u>473,575</u>	<u>261,346</u>
Profit/(loss) after tax		277,055	(1,120,834)
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive profit/(loss) for the year</b>		<u><b>277,055</b></u>	<u><b>(1,120,834)</b></u>
<b>Profit attributable to minority interests</b>		<b>56,360</b>	<b>16,186</b>
<b>Profit/(loss) attributable to parent's equity holders</b>		<b>220,695</b>	<b>(1,137,020)</b>
Basic profit/(loss) per share total and continuing	9	0.4p	(3.5p)
Diluted profit/(loss) per share total and continuing	9	0.4p	(3.5p)

# COOLABI PLC

## Consolidated Statement of Financial Position

Company number: 3735898

	Note	as at 31 December 2010 £	as at 31 December 2009 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	124,400	43,404
Intangible assets			
Television productions	11	2,263,223	324,862
Goodwill	11	1,331,528	1,300,425
Other intangible assets	11	4,327,791	4,906,596
		<u>8,046,942</u>	<u>6,575,287</u>
<b>Current assets</b>			
Inventories	12	188,161	243,126
Trade and other receivables	13	2,013,313	935,593
Cash and cash equivalents		48,605	620,735
		<u>2,250,079</u>	<u>1,799,454</u>
<b>Total assets</b>		<u><b>10,297,021</b></u>	<u><b>8,374,741</b></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	(1,022,848)	(751,287)
Production finance borrowings	17	(1,353,310)	-
Current portion of long term borrowings	17	(341,442)	(309,260)
		<u>(2,717,600)</u>	<u>(1,060,547)</u>
<b>Non-current liabilities</b>			
Deferred consideration	15	(34,000)	(51,000)
Deferred tax liabilities	16	(1,123,911)	(1,320,468)
Long term borrowings	17	(836,176)	(1,045,505)
		<u>(1,994,087)</u>	<u>(2,416,973)</u>
<b>Total liabilities</b>		<u><b>(4,711,687)</b></u>	<u><b>(3,477,520)</b></u>
<b>Net assets</b>		<u><b>5,585,334</b></u>	<u><b>4,897,221</b></u>
<b>EQUITY</b>			
<b>Attributable to the equity holders of the Company</b>			
Share capital	21	5,215,122	5,142,708
Share premium account		5,854,116	5,519,046
Profit and loss account		(5,514,751)	(5,739,020)
<b>Total shareholders equity</b>		<u>5,554,487</u>	<u>4,922,734</u>
Minority interest in equity		30,847	(25,513)
<b>Total equity</b>		<u><b>5,585,334</b></u>	<u><b>4,897,221</b></u>

The notes on pages 20 to 37 are an integral part of these consolidated financial statements.

Approved by the board on 28 March 2011 and signed on its behalf by:

**J Banks**  
Director

**T Ricketts**  
Director

# COOLABI PLC

## Consolidated Statement of Changes in Equity

	Share capital	Share premium account	Minority interest	Profit & loss account	Total equity
	£	£	£	£	£
Balance as at 1 July 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)
	<u>237,500</u>	<u>1,549,635</u>	<u>(41,699)</u>	<u>69,150</u>	<u>1,814,586</u>
Loss and total comprehensive loss for the year	-	-	16,186	(1,137,020)	(1,120,834)
Balance at 31 December 2009	<u>5,142,708</u>	<u>5,519,046</u>	<u>(25,513)</u>	<u>(5,739,020)</u>	<u>4,897,221</u>
Transactions with owners					
Issue of share capital	72,414	362,070	-	-	434,484
Share issue costs	-	(27,000)	-	-	(27,000)
Share-based payment costs	-	-	-	3,574	3,574
	<u>72,414</u>	<u>335,070</u>	<u>-</u>	<u>3,574</u>	<u>411,058</u>
Profit and total comprehensive profit for the year	-	-	56,360	220,695	277,055
<b>Balance as at 31 December 2010</b>	<u><u>5,215,122</u></u>	<u><u>5,854,116</u></u>	<u><u>30,847</u></u>	<u><u>(5,514,751)</u></u>	<u><u>5,585,334</u></u>

## Consolidated Statement of Cash Flows

	Note	12 months to 31 December 2010 £	18 months to 31 December 2009 £
<b>Cash flows from operating activities</b>			
Loss before taxation		(196,520)	(1,382,180)
Adjustments for:			
Depreciation	10	23,703	24,386
Amortisation of intangible assets	11	1,116,999	1,002,377
Share-based payment costs	22	3,574	69,150
Interest expense		64,434	124,582
Increase in inventories	12	(83,202)	(71,385)
Increase in trade and other receivables	13	(800,700)	(516,791)
Decrease in trade payables	14	(258,976)	(10,487)
Cash absorbed by operations		(130,688)	(760,348)
Interest paid		(9,092)	(46,536)
Income taxes paid		-	(6,609)
<b>Net cash absorbed by operating activities</b>		<b>(139,780)</b>	<b>(813,493)</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries, net of cash acquired		(17,000)	(1,600,452)
Purchase of property, plant and equipment		(105,139)	(6,169)
Purchase of other intangible assets		(61,109)	(221,236)
Television productions		(1,832,902)	(324,862)
Interest received		153	1,125
<b>Net cash absorbed by investing activities</b>		<b>(2,015,997)</b>	<b>(2,151,594)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital	21	434,484	1,900,000
Share issue costs		(27,000)	(112,865)
Preference shares redeemed		-	(20,000)
Production facility utilisation	17	1,353,310	-
Trading facility utilisation	17	(177,147)	1,354,765
<b>Net cash generated by financing activities</b>		<b>1,583,647</b>	<b>3,121,900</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(572,130)</b>	<b>156,813</b>
Cash and cash equivalents at beginning of year		620,735	463,922
<b>Cash and cash equivalents at end of year</b>		<b>48,605</b>	<b>620,735</b>

## 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 prior year encompasses 18 months and the current year 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 as adopted by the European Union.

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:

- IFRS 9 Financial Instruments (effective 1 January 2013)
- IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011)
- Amendment to IAS 32 Classification of Rights Issues (effective 1 February 2010)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)
- Prepayments of a Minimum Funding Requirement – Amendments to IFRIC 14 (effective 1 January 2011)
- Improvements to IFRS issued May 2010 (some changes effective 1 July 2010, others effective 1 January 2011)
- Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (effective 1 July 2011)
- Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12 Income Taxes (effective 1 January 2012)

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 Company has elected to prepare its parent company financial statements in accordance with UK GAAP. They are presented separately on page 38 onwards.

### Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 December 2010. 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.

## Principal Accounting Policies - continued

### 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 recognition and valuation of intangible assets requires management to assess the probability of expected future economic benefits, based on their best estimates of the specific economic conditions that will prevail over the estimated useful economic life of the assets. This includes making assumptions on the timing and amount of future incremental cash flows generated by the assets and the selection of an appropriate cost of capital.

Judgement is required in assessing the degree of certainty to attach to the flow of economic benefits, based on evidence available at the date of recognition. Furthermore, management must estimate the expected useful life of an asset, and for those with a finite life they must determine an appropriate amortisation policy.

#### *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 11).

### Revenue

#### *Licensing and merchandising*

Non-refundable advances are recognised upon contract signature in accordance with the substance of the contract, providing the company has performed all its contractual obligations. 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 or relevant contracting party has occurred.

### Intangible assets

Intangible assets are recognised if they satisfy the qualifying criteria set under IAS 38. They are stated at cost less accumulated amortisation and accumulated impairment losses, if any. The methods of amortisation chosen reflect the patterns in which the assets' future economic benefits are expected to be consumed. Impairment reviews are undertaken if there are indications of impairment, as assessed at the reporting date.

The following are the main categories of intangible assets:

#### *Intangible assets with an indefinite useful life:*

##### *Goodwill*

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.

#### *Intangible assets with a finite useful life:*

Intangible assets with a finite useful life are recognised initially at fair value. They are amortised to the income statement over their useful lives, which are reviewed on an annual basis. The residual values of intangible assets are assumed to be zero. Impairment reviews are undertaken if there are indications of impairment, as assessed at the reporting date.

Directors use the following indicators to determine an assets' useful life:

- Expected usage of the asset by the group
- Typical product life cycles, and those of similar assets
- Levels of maintenance required to maintain an asset

**Principal Accounting Policies - continued**

*Intangible assets acquired through business combinations*

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

*Internally generated assets*

Internally generated assets are capitalised at cost and amortised in line with future expected earnings over the directors’ best estimate of the useful economic lives of the projects of 10 years.

*Television productions*

Production costs are capitalised if estimates of future income from all sources exceed the capitalised amount. Per production, the costs capitalised are relative to the proportion of total revenues expected to arise from further exploitation. These intangible assets are amortised against the revenues associated with future anticipated exploitation.

Production costs are capitalised only when:

- The future economic benefit of the project is probable
- An intangible asset is created that can be separately identified
- It is probable that the intangible asset created will generate future economic benefits and
- The cost of the intangible asset can be measured reliably.

**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.

## Principal Accounting Policies - continued

### 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 initially at fair value and subsequently at amortised cost less any provision for impairment, based on the receivable ageing, the Group's previous experience with the debtor and known market intelligence. Any impairment 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 amortised cost. 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", determined under the effective interest method.

### 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 not recognised as an asset or liability on the balance sheet. They 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 year.

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.
- 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 year.

### 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 the Black-Scholes 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.

Any decrease in the fair value of options modified during the year is ignored.

## Notes to the Consolidated Financial Statements

## 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 management is as follows:

	2010				2009			
	Licensing & merch- andising £	Film & television £	Unallocated £	Group £	Licensing & merch- andising £	Film & television £	Unallocated £	Group £
Revenue	1,382,931	1,472,664	-	2,855,595	1,916,621	1,440,705	-	3,357,326
Cost of sales	(376,292)	(483,492)	-	(859,784)	(555,713)	(764,161)	-	(1,319,874)
Gross profit	<b>1,006,639</b>	<b>989,172</b>	-	<b>1,995,811</b>	<b>1,360,908</b>	<b>676,544</b>	-	<b>2,037,452</b>
Non-current assets	5,259,222	2,732,163	55,557	8,046,942	5,738,265	825,883	11,139	6,575,287
Current Assets	722,893	1,462,809	64,377	2,250,079	610,858	596,554	592,042	1,799,454
Current liabilities	(262,440)	(1,887,859)	(567,301)	(2,717,600)	(414,537)	(143,670)	(502,340)	(1,060,547)
Non-current liabilities	(1,103,995)	(53,916)	(836,176)	(1,994,087)	(1,306,951)	(64,517)	(1,045,505)	(2,416,973)
Net Assets	<b>4,615,680</b>	<b>2,253,197</b>	<b>(1,283,543)</b>	<b>5,585,334</b>	<b>4,627,635</b>	<b>1,214,250</b>	<b>(944,664)</b>	<b>4,897,221</b>
Original cost to acquire								
intangible assets	7,486,713	736,106	-	8,222,819	7,394,501	736,106	-	8,130,607
Amortisation of intangible assets	(603,724)	(36,195)	-	(639,919)	(877,837)	(124,540)	-	(1,002,377)

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 largely derived from the delivery of one production in the year – Poppy Cat (2009: two productions, The Large Family series 2 and Dead Gorgeous). The group has one individually material customer in the year – 23% of group revenue was generated from Nickelodeon UK.

## 2. Exceptional Items

No exceptional costs were incurred in the year ended 31 December 2010. Of the cost of £364,141 incurred during the 18 months ended 31 December 2009, £331,940 related to expenses incurred in pursuing an acquisition which did not complete, and £32,201 to settlement payments and fees related to employment termination.

## 3. Operating loss

The operating loss is stated after charging the following:

	31 December 2010 £	31 December 2009 £
Amortisation of intangible assets:		
charged to cost of sales	477,086	787,819
charged to administrative costs (see note 11)	639,919	1,002,377
Depreciation	23,703	24,386
Differences on exchange	14,937	(10,669)
Operating Lease Rentals	40,537	39,725
Fees payable to the Group's auditor for the audit of the consolidated annual accounts	12,500	12,500
Fees payable to the Group's auditor for the audit of the subsidiary companies accounts	25,500	25,500
Fees payable to the Group's auditor for taxation services	17,500	17,500
Fees payable to the Group's auditor for other services	74,572	25,565

## Notes to the Consolidated Financial Statements - continued

## 4. Directors' remuneration and transactions

Directors' fees for the year were payable as follows:

	12 months to	12 months to 31 December 2010			Total
	31 Dec 2010	Salary/ Fees	Benefits	Share based payments	
	Salary/ Fees	£	£	£	£
J Banks	180,000	180,000	3,755	3,901	187,656
W Harris	36,000	36,000	-	743	36,743
L James	18,750	18,750	-	-	18,750
S Lindsay	24,740	24,740	-	-	24,740
T Ricketts	49,992	49,992	-	1,170	51,162
N James	20,500	20,500	-	-	20,500
	<b>329,982</b>	<b>329,982</b>	<b>3,755</b>	<b>5,814</b>	<b>339,551</b>

  

	12 months to	18 months to 31 December 2009			Total
	31 Dec 2009	Salary/ Fees	Benefits	Share based payments	
	Salary/ Fees	£	£	£	£
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
	<b>313,492</b>	<b>454,988</b>	<b>4,646</b>	<b>93,707</b>	<b>553,341</b>

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

	Options held at 31 December 2009	Movements during the year			Options held at 31 December 2010
		Cancelled	Replaced	Granted	
J Banks	981,042	(981,042)	981,042	950,000	1,931,042
W Harris	367,891	(367,891)	367,891	-	367,891
T Ricketts	100,000	(100,000)	100,000	479,313	579,313

The options for W Harris and T Ricketts are held in the name of Avonglen Limited, a Company in which they each hold a 33 $\frac{1}{3}$ % shareholding and are both directors. In addition to the amounts included above, the Group paid fees of £93,750 (2009: £120,750) to Avonglen Limited, in respect of consultancy services. These transactions are disclosed within note 23 to the financial statements.

The directors do not receive any post-retirement benefits.

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

## Notes to the Consolidated Financial Statements - continued

## 5. Staff costs

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

	31 December 2010 number	31 December 2009 number
Operations	10	11

The aggregate remuneration comprises:

	31 December 2010 £	31 December 2009 £
Wages and Salaries	738,769	990,613
Social Security	65,626	95,888
	<u>804,395</u>	<u>1,086,501</u>

## 6. Interest payable and receivable

	31 December 2010 £	31 December 2009 £
<i>Interest payable</i>		
Interest payable on bank and similar borrowings	51,610	64,501
Charges payable for bank facility	12,977	17,332
Finance charge on deferred consideration	-	43,874
	<u>64,587</u>	<u>125,707</u>
<i>Interest receivable</i>		
Interest received on bank deposits	<u>153</u>	<u>1,125</u>

## 7. Taxation

	31 December 2010 £	31 December 2009 £
<b>Deferred tax</b>		
Credit for year	(473,575)	(261,346)
<b>Taxation</b>	<u>(473,575)</u>	<u>(261,346)</u>
<b>Loss for the year before tax</b>	<b>(196,520)</b>	<b>(1,382,180)</b>
Multiplied by the standard rate of UK corporation tax 28%	(55,026)	(387,010)
Effects of:		
Losses not (utilised)/recognised	(123,887)	11,029
Expenses not deductible for tax purposes	1,322	114,000
Adjustments to taxation in respect of prior years	(600)	-
Movement in other unprovided deferred tax	(9,208)	1,144
Deferred tax movement due to change in tax rate	(47,160)	-
Profits charged at a lower rate of tax	38,004	(509)
<b>Taxation relating to the origination and reversal of temporary differences associated with the recognition of intangible assets</b>	<b>(196,555)</b>	<b>(261,346)</b>
Deferred tax previously unrecognised	<u>(277,020)</u>	<u>-</u>
<b>Total current year tax</b>	<b><u>(473,575)</u></b>	<b><u>(261,346)</u></b>

## Notes to the Consolidated Financial Statements - continued

**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 year.

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. Details of the dilutive options can be found in note 22.

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

	<b>31 December 2010</b>	<b>31 December 2009</b>
Profit/(loss) for the year attributable to the parent's equity holders	220,695	(1,137,020)
Weighted average number of ordinary shares in issue during the year	49,784,670	32,842,034
Basic EPS (pence)	0.4	(3.5)
Weighted average number of ordinary shares in issue or under option during the year	51,512,811	32,842,034
Fully diluted EPS (pence)	0.4	(3.5)

Reconciliation of weighted average number of ordinary shares in issue during the year to weighted average number of ordinary shares in issue or under option during the year:

Weighted average number of ordinary shares in issue during the period	49,784,670	32,842,034
Weighted average number of ordinary shares under option during the period	1,728,141	-
Weighted average number of ordinary shares in issue or under option during the period	<u>51,512,811</u>	<u>32,842,034</u>

## Notes to the Consolidated Financial Statements - continued

## 10. Property, plant &amp; equipment

The following table shows the significant additions and disposals of property, plant and equipment.

	Brand style guides £	Fixtures & fittings £	Computer equipment £	Total £
<b>Cost</b>				
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
At 1 January 2010	42,359	18,888	52,686	113,933
Additions	45,048	57,227	2,864	105,139
Disposals	-	(17,102)	(33,053)	(50,155)
<b>At 31 December 2010</b>	<b>87,407</b>	<b>59,013</b>	<b>22,497</b>	<b>168,917</b>
<b>Depreciation</b>				
At 1 July 2008	1,723	10,602	34,293	46,618
Charge for the year	8,370	4,897	11,119	24,386
Disposals	-	-	(475)	(475)
At 31 December 2009	10,093	15,499	44,937	70,529
At 1 January 2010	10,093	15,499	44,937	70,529
Charge for the year	8,472	8,787	6,444	23,703
Disposals	-	(17,102)	(32,613)	(49,715)
<b>At 31 December 2010</b>	<b>18,565</b>	<b>7,184</b>	<b>18,768</b>	<b>44,517</b>
<b>Net book value</b>				
<b>as at 31 December 2010</b>	<b>68,842</b>	<b>51,829</b>	<b>3,729</b>	<b>124,400</b>
as at 31 December 2009	32,266	3,389	7,749	43,404

No items were acquired through business combinations.

## Notes to the Consolidated Financial Statements - continued

## 11. Intangible assets

	Acquired through business combinations				Internally generated		Total	
	IPR, brands and relationships	Contracts	Goodwill	Television productions	IPR, brands and relationships	Digital assets		Television productions
	£	£	£	£	£	£	£	
<b>Cost</b>								
At 1 July 2008	4,752,802	1,068,466	1,481,931	1,962,866	9,592	-	-	9,275,657
Additions – Licensing								
By Design	222,047	238,100	243,456	-	-	-	-	703,603
Additions – Literary Estates	-	10,500	165,202	-	-	-	-	175,702
Additions – Other	-	-	32,221	-	30,070	191,166	1,082,681	1,336,138
Amendment to deferred consideration	-	-	(314,947)	-	-	-	-	(314,947)
At 31 December 2009	4,974,849	1,317,066	1,607,863	1,962,866	39,662	191,166	1,082,681	11,176,153
At 1 January 2010	4,974,849	1,317,066	1,607,863	1,962,866	39,662	191,166	1,082,681	11,176,153
Additions – Literary Estates	-	-	31,103	-	-	-	-	31,103
Additions – Other	-	-	-	-	41,614	19,500	2,415,447	2,476,561
<b>At 31 December 2010</b>	<b>4,974,849</b>	<b>1,317,066</b>	<b>1,638,966</b>	<b>1,962,866</b>	<b>81,276</b>	<b>210,666</b>	<b>3,498,128</b>	<b>13,683,817</b>
<b>Amortisation</b>								
At 1 July 2008	272,864	340,906	307,438	1,932,866	-	-	-	2,854,074
Charge for the period	367,624	579,042	-	11,766	12,399	43,312	776,053	1,790,196
At 31 December 2009	640,488	919,948	307,438	1,944,632	12,399	43,312	776,053	4,644,270
At 1 January 2010	640,488	919,948	307,438	1,944,632	12,399	43,312	776,053	4,644,270
Charge for the year	251,258	310,919	-	4,032	11,085	66,657	473,054	1,117,005
<b>At 31 December 2010</b>	<b>891,746</b>	<b>1,230,867</b>	<b>307,438</b>	<b>1,948,664</b>	<b>23,484</b>	<b>109,969</b>	<b>1,249,107</b>	<b>5,761,275</b>
<b>Net book value</b>								
as at 31 December 2010	4,083,103	86,199	1,331,528	14,202	57,792	100,697	2,249,021	7,922,542
as at 31 December 2009	4,334,356	397,118	1,300,425	18,234	27,268	147,854	306,628	6,531,883

The combined total of television productions acquired through business combinations and that internally generated has a carrying value of £2,263,223, being a total cost of £5,460,994 less amortisation of £3,197,771.

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. A deferred consideration payment has been made during the year in respect of the previous acquisition of the literary estates of Michael Innes, John Creasey and Eric Ambler.

The Group has four individually material intangible assets classified as cash generating units:

*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 9 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 7 years.

*Licensing By Design Limited* (purchased in 2008) is a licensing and merchandising company which represents a number of intellectual property assets, its intangible assets have a remaining amortisation period of 8 years.

*Poppy Cat* is an internally generated pre-school property comprising an animated television series and brand investment. Its intangible assets have a remaining amortisation period of 9 years.

## Notes to the Consolidated Financial Statements - continued

## 11. Intangible assets - continued

The carrying values of these intangible assets, together with their post annual impairment test goodwill values are:

	IPR, brands and relationships £	Contracts £	Goodwill £	Television productions £	Total £
<b>Carrying value as at 31 December 2010</b>					
Purple Enterprises Ltd	3,700,973	77,330	630,743	-	4,409,046
Indie Kids	199,697	-	261,024	-	460,721
Licensing By Design Limited	175,786	-	243,456	-	419,242
Poppy Cat	13,864	-	-	1,757,191	1,771,055
<b>Carrying value as at 31 December 2009</b>					
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

*Impairment of cash generating units with goodwill or intangible fixed assets with indefinite useful lives:*

*Purple Enterprises Limited:* The recoverable amount for the cash generating unit 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 3% 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.

*Indie Kids:* The recoverable amount for the cash generating unit was derived from value-in-use calculations, covering a detailed two year forecast followed by the extrapolation of expected cash flows with a nil growth rate for the next eight years. 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.

*Licensing By Design Limited:* The recoverable amount for the cash generating unit was derived from value-in-use calculations, covering a detailed two year forecast followed by the extrapolation of expected cash flows with a nil growth rate for the next eight years. 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 all the cash generating units.

## 12. Inventories

Inventories comprise development costs of £186,687 (2009: £241,118) and £1,474 of product for resale (2009: £2,008). £477,086 of production, development and distribution expenses were recognised as an expense in the year (2009: £759,816).

## 13. Trade and other receivables

	31 December 2010 £	31 December 2009 £
Trade receivables	57,331	244,937
Prepayments and accrued income	1,664,661	671,089
Deferred taxation	277,020	-
Other taxation	6,536	1,942
Other receivables	7,765	17,625
	<b>2,013,313</b>	<b>935,593</b>

## Notes to the Consolidated Financial Statements - continued

**13. Trade and other receivables - continued**

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 2010	402	30,045	2,938	2,611	21,335
31 December 2009	61,208	66,426	937	-	116,366

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.

**14. Trade and other payables**

	31 December 2010 £	31 December 2009 £
Trade payables	144,885	199,712
Other payables	2,000	-
Accruals and deferred income	835,685	506,980
Other taxation and social security costs	22,811	27,128
Corporation tax payable	467	467
Deferred consideration	17,000	17,000
	<u>1,022,848</u>	<u>751,287</u>

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

**15. Deferred consideration**

Upon the acquisition of Eric Ambler Literary Estates Limited, Coolabi assumed the deferred consideration payment obligations due as a result of the original purchase of the rights to the Eric Ambler estate. At 31 December 2010 this amounted to £34,000 (2009: £51,000). Equal instalments of £17,000 are due annually until March 2013. The instalment due in March 2011 is classified as a current liability (see note 14 above).

**16. Deferred taxation**

	Intangible assets £	Tax losses £
At 31 December 2009	(1,320,468)	-
Credited to the income statement	149,397	277,020
Due to rate change	47,160	-
<b>At 31 December 2010</b>	<u>(1,123,911)</u>	<u>277,020</u>

The asset for tax losses is shown in note 13, trade and other receivables. The liability for intangible assets is shown as Deferred tax liabilities on the Consolidated Statement of Financial Position.

At 31 December 2010 the Group has cumulative trading tax losses amounting to £3,455,561 (2009: £3,468,564).

## Notes to the Consolidated Financial Statements - continued

## 17. Bank facilities

A facility package of £2.4m with Coutts & 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 2010 the Group was utilising £1.1m of this facility.

	Facility utilised	Standard quarterly capital repayment	Scheduled for repayment by
	£	£	
Facility A	700,000	35,000	Sep 2013
Facility C	168,551	8,428	Sep 2013
Facility D	337,000	16,850	Sep 2013
Facility E	302,787	15,139	Sep 2014
Facility F	73,423	3,671	Sep 2015
Overdraft	102,969	-	Oct 2011, with review for extension by mutual agreement

The Production finance borrowings represent an additional facility secured through Coutts & Co. to cashflow the production of the Poppy Cat television series, in advance of the receipt of contracted payments. As at 31 December 2010 the Group was utilising £1.4m of this facility.

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

## 18. Sale and leaseback transactions

Certain film and television assets with a cost of £2,196,426 (2009: £3,502,441) have been partly financed via sale and leaseback arrangements as follows:

	2010 £	2009 £
Deposits held in escrow	1,011,001	1,841,677
Less loans outstanding	<u>1,011,001</u>	<u>1,841,677</u>
Balance	<u>-</u>	<u>-</u>

The maturity of the above amounts is as follows:

	2010 £	2009 £
Less than one year	160,638	830,676
Two to five years inclusive	850,363	764,051
Over five years	-	246,950
	<u>1,011,001</u>	<u>1,841,677</u>

The Company has entered into certain sale and leaseback transactions relating to film productions. One arrangement was 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 bank with whom this sum is deposited, has 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 deposit is held at ABN Amro.

## Notes to the Consolidated Financial Statements - continued

## 19. 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 2010 and 31 December 2009, 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 23 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:

	2010 £	2009 £
<i>Current assets</i>		
Trade and other receivables	1,729,757	933,651
Cash and cash equivalents	48,605	620,735

*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 23 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	
		2010 £	2009 £	2010 £	2009 £	2010 £	2009 £	2010 £	2009 £
<i>Current liabilities</i>									
Trade payables	-	1,005,381	733,820	-	-	-	-	-	-
<i>Non-current liabilities</i>									
Other long term liabilities	-	-	-	-	-	836,176	1,045,505	-	-

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	
		2010 £	2009 £	2010 £	2009 £	2010 £	2009 £	2010 £	2009 £
Borrowing principal repayments		164,751	150,834	164,751	150,834	802,792	1,020,928	-	-
Borrowing interest repayments	4.5%	19,508	19,843	19,508	19,843	83,429	120,342	-	-

Estimates of interest repayments are made based on the contractual repayment profile and a 4.0% 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.

## Notes to the Consolidated Financial Statements - continued

**19. Financial instruments - continued**

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.

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 £43,000 increase in repayments over the terms of the loans, of which £20,000 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 its 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 year. In line with these objectives, the board approved a share issue during the year which has impacted the Group's capital structure (see note 21 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.

**20. Commitments**

The Group had no capital commitments as at 31 December 2010 (2009: nil).

The Group leases its office premises under a 54 month lease expiring in 2014 with a break clause at December 2012, and has one lease for office equipment expiring in 2014. The total future minimum payment under these leases is £104,095 (2009: £26,662). Annual commitments under the leases are as follows:-

	31 December 2010 £	31 December 2009 £
Expiring not later than one year	-	15,000
Expiring later than one year and not later than five years	49,899	-
Expiring later than five years	-	2,455

**21. Share capital**

	31 December 2010 £	31 December 2009 £
<b>Authorised:</b>		
70,000,000 (2009: 70,000,000) ordinary shares of 1p each	700,000	700,000
700,000,000 (2009: 700,000,000) deferred ordinary shares of 0.95p each	6,650,000	6,650,000
	<u>7,350,000</u>	<u>7,350,000</u>
<b>Allotted, called up and fully paid:</b>		
55,517,449 (2009: 48,276,043) ordinary shares of 1p each	555,174	482,760
490,520,871 (2009: 490,520,871) deferred ordinary shares of 0.95p each	4,659,948	4,659,948
	<u>5,215,122</u>	<u>5,142,708</u>

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.

## Notes to the Consolidated Financial Statements - continued

## 21. Share capital - continued

In October 2010 the company issued 7,241,406 ordinary shares with a par value of 1p, at a price of 6p.

The movement in share capital is reconciled as follows:

**Allotted, called up and fully paid:**

Ordinary shares of 1p each	at 31 December 2009	48,276,043
	Share issue October 2010	<u>7,241,406</u>
	at 31 December 2010	<u>55,517,449</u>

## 22. 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 2010 are as follows:

Shares under option grant	Date at which exercisable	Exercise price	Date from date	Expiry
3,268,246	21 June 2010	8.25p	21 June 2010	1 year from date of announcing results for year ended 31 December 2013

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

	Number
Outstanding and exercisable at 30 June 2008	1,811,433
Granted during the period to 31 December 2009	-
Lapsed during the period to 31 December 2009	<u>(112,500)</u>
Outstanding at 31 December 2009	<u>1,698,933</u>
Exercisable at 31 December 2009	<u>1,698,933</u>
Cancelled during the year to 31 December 2010	(1,598,933)
Reissued at new terms during the year to 31 December 2010	1,598,933
Granted during the year to 31 December 2010	1,769,313
Lapsed during the year to 31 December 2010	<u>(200,000)</u>
Outstanding at 31 December 2010	<u>3,268,246</u>
Exercisable at 31 December 2010	<u>3,268,246</u>

In January 2010, 100,000 share options were forfeited. In April 2010, the remaining 1,598,933 options held under various historic grants were cancelled. Replacement options were issued, along with a new grant of 1,769,313 options, under revised terms bringing all outstanding options under the same terms. In July 2010 100,000 of the replacement options were forfeited. All options remain unexercised at 31 December 2010.

All outstanding options are subject to the following performance criteria:  $\frac{1}{4}$  are exercisable on a share price increase of 25% for a 30 day period; a further  $\frac{1}{4}$  on an increase of 50%; a further  $\frac{1}{4}$  on an increase of 75% and the final  $\frac{1}{4}$  on an increase of 100%. There is a lock in period of 2 years from the date of grant.

Management estimate that the fair value of these options is an average of 2p per option at the date of grant. The value of these options was determined using the Black-Scholes option-pricing model with assumptions of a risk free rate of 5%, an average term of 5 years and the current share price of 6.5p. The expected dividend is nil, and volatility is 20%.

## Notes to the Consolidated Financial Statements - continued

## 23. Related party disclosures

*Relationships between parent and subsidiaries*

Coolabi plc is the 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 Gads 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

Coolabi plc is the parent company of the companies marked \* above - see note 8 of the holding company financial statements.

*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 year fees of £197,600 were paid to Avonglen Limited for their services as directors and consultants - of which £93,750 related to consultancy work (2009: £120,750) - plus related expenses (2009: £263,922). The balance owing to Avonglen Limited at 31 December 2010 was £17,129 (2009: £3,737).

## Independent Auditor's Report to the Members of Coolabi plc

We have audited the parent company financial statements of Coolabi plc for the year ended 31 December 2010 which comprise the parent company balance sheet, the parent company 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 11, 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 and express an opinion on 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/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### 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 2010;
- 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 matter 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 the year ended 31 December 2010.

### Nicholas Page

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

Date: 28 March 2011

# COOLABI PLC

## Company Balance Sheet

	Note	as at 31 December 2010 £	as at 31 December 2009 £
<b>Fixed assets</b>			
Intangible assets	6	103,984	101,207
Tangible assets	7	70,740	30,657
Investments	8	5,170,973	5,170,973
		<u>5,345,697</u>	<u>5,302,837</u>
<b>Current assets</b>			
Debtors	9	167,303	86,725
Cash at bank & in hand		-	508,057
		<u>167,303</u>	<u>594,782</u>
<b>Creditors: Amounts falling due within one year</b>			
Overdraft facility		(102,969)	-
Loans and other borrowings	11	(341,442)	(309,260)
Other creditors	10	(1,666,152)	(1,008,983)
		<u>(2,110,563)</u>	<u>(1,318,243)</u>
<b>Net current assets</b>		(1,943,260)	(723,461)
<b>Creditors: Amounts falling due after one year</b>			
Loans and other borrowings	11	(836,176)	(1,045,505)
		<u>(836,176)</u>	<u>(1,045,505)</u>
<b>Net assets</b>		<u><u>2,566,261</u></u>	<u><u>3,533,871</u></u>
<b>Capital and reserves</b>			
Called up share capital	12	5,215,122	5,142,708
Share premium account	13	5,854,116	5,519,046
Profit and loss account		(8,502,977)	(7,127,883)
<b>Equity shareholders funds</b>		<u><u>2,566,261</u></u>	<u><u>3,533,871</u></u>

The notes on pages 40 to 46 are an integral part of these consolidated financial statements.

Approved by the board on 28 March 2011 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.

### 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 year.

### 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 22 of the consolidated financial statements.

Notes to the Company Financial Statements

1. **Loss for the financial year**

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 year dealt with in the accounts of the Company is £1,226,822 (2009: £1,867,085).

2. **Staff costs**

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

	31 December 2010 number	31 December 2009 number
Operations	10	10

The aggregate remuneration comprises:

	31 December 2010 £	31 December 2009 £
Wages and salaries	738,769	955,064
Social security	65,626	92,094
	<u>804,395</u>	<u>1,047,158</u>

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 £
<b>Cost</b>			
At 1 July 2008	26,558	-	26,558
Additions	30,065	78,972	109,037
Disposals	-	-	-
<b>At 31 December 2009</b>	<b>56,623</b>	<b>78,972</b>	<b>135,595</b>
At 1 January 2010	56,623	78,972	135,595
Additions	27,745	19,500	47,245
Disposals	-	-	-
<b>At 31 December 2010</b>	<b>84,368</b>	<b>98,472</b>	<b>182,840</b>
<b>Depreciation</b>			
At 1 July 2008	5,936	-	5,936
Charge for the year	17,484	10,968	28,452
Disposals	-	-	-
<b>At 31 December 2009</b>	<b>23,420</b>	<b>10,968</b>	<b>34,388</b>
At 1 January 2010	23,420	10,968	34,388
Charge for the year	14,477	29,991	44,468
Disposals	-	-	-
<b>At 31 December 2010</b>	<b>37,897</b>	<b>40,959</b>	<b>78,856</b>
<b>Net book value</b>			
<b>as at 31 December 2010</b>	<b>46,471</b>	<b>57,513</b>	<b>103,984</b>
as at 31 December 2009	33,203	68,004	101,207

## Notes to the Company Financial Statements - continued

## 7. Tangible fixed assets

	Brand style guides £	Fixtures & fittings £	Computer equipment £	Total £
<b>Cost</b>				
At 1 July 2008	21,688	18,888	47,156	87,732
Additions	-	-	8,144	8,144
Disposals	-	-	(2,450)	(2,450)
<b>At 31 December 2009</b>	<b>21,688</b>	<b>18,888</b>	<b>52,850</b>	<b>93,426</b>
At 1 January 2010	21,688	18,888	52,850	93,426
Additions	-	57,227	2,864	60,091
Disposals	-	(17,101)	(33,054)	(50,155)
<b>At 31 December 2010</b>	<b>21,688</b>	<b>59,014</b>	<b>22,660</b>	<b>103,362</b>
<b>Depreciation</b>				
At 1 July 2008	-	10,601	34,458	45,059
Charge for the year	2,169	4,898	11,119	18,186
Disposals	-	-	(476)	(476)
<b>At 31 December 2009</b>	<b>2,169</b>	<b>15,499</b>	<b>45,101</b>	<b>62,769</b>
At 1 January 2010	2,169	15,499	45,101	62,769
Charge for the year	4,337	8,787	6,444	19,568
Disposals	-	(17,101)	(32,614)	(49,715)
<b>At 31 December 2010</b>	<b>6,506</b>	<b>7,185</b>	<b>18,931</b>	<b>32,622</b>
<b>Net book value</b>				
<b>as at 31 December 2010</b>	<b>15,182</b>	<b>51,829</b>	<b>3,729</b>	<b>70,740</b>
as at 31 December 2009	19,519	3,389	7,749	30,657

## 8. Investments

	Subsidiary undertakings £
<b>Cost</b>	
At 1 July 2008	5,453,597
Additions	32,323
Amendment to deferred consideration	(314,947)
<b>At 31 December 2009</b>	<b>5,170,973</b>
At 1 January 2010	5,170,973
Additions	-
<b>At 31 December 2010</b>	<b>5,170,973</b>

All of the above investments are unlisted. See note 23 of the group financial statements for a full listing of the investments held by Coolabi plc.

## Notes to the Company Financial Statements - continued

## 9. Debtors

	31 December 2010 £	31 December 2009 £
Trade debtors	5,638	5,638
Prepayments and accrued income	151,818	60,721
Other taxation	5,540	2,783
Other debtors	4,307	17,583
	<u>167,303</u>	<u>86,725</u>

## 10. Creditors: Amounts falling due within one year

	31 December 2010 £	31 December 2009 £
Trade payables	100,822	44,815
Amounts owed to Group undertakings	1,440,292	787,052
Accruals and deferred income	100,227	156,621
Other taxation and social security costs	22,811	20,495
Other creditors	2,000	-
	<u>1,666,152</u>	<u>1,008,983</u>

## 11. Bank facilities

A facility package of £2.4m with Coutts & 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 2010 the Group was utilising £1.4m of this facility.

## 12. Share capital

	31 December 2010 £	31 December 2009 £
<b>Authorised:</b>		
70,000,000 (2009: 70,000,000) ordinary shares of 1p each	700,000	700,000
700,000,000 (2009: 700,000,000) deferred ordinary shares of 0.95p each	6,650,000	6,650,000
	<u>7,350,000</u>	<u>7,350,000</u>
<b>Allotted, called up and fully paid:</b>		
55,517,449 (2009: 48,276,043) ordinary shares of 1p each	555,174	482,760
490,520,871 (2009: 490,520,871) deferred ordinary shares of 0.95p each	4,659,948	4,659,948
	<u>5,215,122</u>	<u>5,142,708</u>

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 October 2010 the company issued 7,241,406 ordinary shares with a par value of 1p, at a price of 6p.

## Notes to the Company Financial Statements - continued

## 13. Share premium account

	Number of shares		Share Capital		Premium on shares issued £
	Ordinary shares of 1p each	Ordinary shares of 0.95p each	Ordinary shares of 1p each £	Ordinary shares of 0.95p each £	
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
At 1 January 2010	48,276,043	490,520,871	482,760	4,659,948	5,519,046
Issue of share capital	7,241,406	-	72,414	-	362,070
Share issue costs	-	-	-	-	(27,000)
<b>At 31 December 2010</b>	<b>55,517,449</b>	<b>490,520,871</b>	<b>555,174</b>	<b>4,659,948</b>	<b>5,854,116</b>

## 14. Reserves

	Profit and loss account £	Share premium account £	Total £
At 31 December 2009	(7,127,883)	5,519,046	(1,608,837)
Loss for the financial year	(1,226,822)	-	(1,226,822)
Share-based payment costs	(148,272)	-	(148,272)
Issue of share capital	-	362,070	362,070
Share issue costs	-	(27,000)	(27,000)
<b>At 31 December 2010</b>	<b>(8,502,977)</b>	<b>5,854,116</b>	<b>(2,648,861)</b>

## 15. Reconciliation in movement of shareholders' funds

	Total £
At 1 January 2010	3,533,871
Loss for the financial year	(1,226,822)
Share-based payment costs	(148,272)
Issue of share capital	434,484
Share issue costs	(27,000)
<b>At 31 December 2010</b>	<b>2,566,261</b>

## Notes to the Company Financial Statements - continued

**16. Financial commitments and contingent liabilities**

The Company had no capital commitments at 31 December 2010 (31 December 2009: £nil).

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

	31 December 2010 £	31 December 2009 £
Expiring not later than one year	-	15,000
Expiring later than one year and not later than five years	49,899	-
Expiring later than five years	-	2,455

The Company has no contingent liabilities.

**17. 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 year fees of £197,600 were paid to Avonglen Limited for their services as directors and consultants, plus related expenses (2009: £263,922). The balance owing to Avonglen Limited at 31 December 2010 was £17,129 (31 December 2009: £3,737).

Eric Ambler Literary Management Limited is 51% owned by the Group. Transactions between this company and Coolabi plc during the year included payments of £4,419 (2009: £17,810) made by Coolabi plc on behalf of Eric Ambler Literary Management Limited and £66,000 (2009: £26,000) of cash transfers from Eric Ambler Literary Management Limited to Coolabi plc. The creditor balance held with this company at 31 December 2010 is £79,771 (2009: £18,190).

Alibi Productions (Dead) Limited is 75% owned by the Group. Transactions between this company and Coolabi plc during the year included revenue received by Coolabi plc on behalf of Alibi Productions (Dead) Limited of £3,142 (2009: £1,583) and expenses incurred by Coolabi plc on behalf of Alibi Productions (Dead) Limited of £3,142 (2009: £1,583). The creditor balance held with this company at 31 December 2010 is £3 (2009: £3).

