

Coolabi plc
("Coolabi" or "the Company")

Final unaudited results for the year ended 31 December 2010

Coolabi plc (AIM: COO), the media company focused on the ownership and creative management of high quality intellectual property assets, announces final unaudited results for the year ended 31 December 2010.

Financial Highlights

- EBITDA up 164% to £0.54m (18 months to 31 December 2009: £0.20m)
- Profit After Tax of £0.28m (18 months to 31 December 2009: loss of £1.12m), an improvement of £1.40m
- Basic EPS of 0.4p (18 months to 31 December 2009: loss of 3.5p)

Financial Highlights (12 months to 31 December 2009 comparative review)

- EBITDA up 41% to £0.54m (12 months to 31 December 2009: £0.38m)
- Profit After Tax of £0.28m (12 months to 31 December 2009: loss of £0.66m), an improvement of £0.94m

Operational Highlights

- *Poppy Cat* – series to air in UK in May and already pre-sold to 16 TV territories; key US broadcast deal secured
- *Purple Ronnie* – contract renewed with Hallmark for 4 years; increased digital presence, with iPhone and Facebook Apps launched
- *Scarlett & Crimson* – UK retail success with Boots and Superdrug; expansion set with US launch in 2011
- *Bagpuss, Clangers & Ivor the Engine* – update of materials and artwork ahead of new licensing and merchandising initiative; *Bagpuss* No. 1 selling retro toy for Christmas 2010 (source: Daily Mail)
- *TV Production* – ratings success and award nominations for *Dead Gorgeous*, back catalogue exploited internationally

Corporate Highlights

- Successful share placing and agreement on additional banking facilities

Commenting, William Harris, Chairman of Coolabi, said:

"I am pleased to report that the outlook for Coolabi remains a positive one, despite prevailing market conditions. Our established brands, 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 portfolio of intellectual property assets in 2011 and thus continue our successful strategy of organic growth."

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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 Coolabi remains a positive one, despite prevailing market conditions. Our established brands, 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 portfolio of intellectual property assets in 2011 and thus continue our successful strategy of organic growth.

William Harris
Chairman

22 March 2011

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.

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.

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, Clangers & Ivor The Engine

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

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.

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

Tim Ricketts
Finance Director

Consolidated Statement of Comprehensive Income

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

Consolidated Statement of Financial Position
Company number: 3735898

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

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)
	237,500	1,549,635	(41,699)	69,150	1,814,586
Loss and total comprehensive loss for the year	-	-	16,186	(1,137,020)	(1,120,834)
Balance at 31 December 2009	5,142,708	5,519,046	(25,513)	(5,739,020)	4,897,221
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
	72,414	335,070	-	3,574	411,058
Profit and total comprehensive profit for the year	-	-	56,360	220,695	277,055
Balance as at 31 December 2010	5,215,122	5,854,116	30,847	(5,514,751)	5,585,334

Consolidated Statement of Cash Flows

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

Principal Accounting Policies

General

The directors approved this preliminary announcement on 21 March 2011.

The Group's financial statements have not yet been delivered to the registrar of companies, nor have the auditors reported on them. Copies of the annual report will shortly be posted to shareholders and copies will be available from the company's registered office at 1st Floor Watergate House, 13-15 York Buildings, London, WC2N 6JU.

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

The 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.

Principal Accounting Policies continued

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.

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.

Principal Accounting Policies continued

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

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

Principal Accounting Policies continued

Intangible assets continued

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 production

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.

Principal Accounting Policies continued

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. 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.

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

	31 December 2010	31 December 2009
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	51,512,811	32,842,034

2. Publication of non-statutory accounts

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in section 435 of the Companies Act 2006.

The summarised consolidated balance sheet at 31 December 2010 and the summarised consolidated income statement, summarised consolidated cash flow statement and associated notes for the year then ended have been extracted from the Group's 2010 financial statements. Those financial statements have not yet been delivered to the registrar of companies, nor have the auditors reported on them.