coolabi plc

27 March 2009

Coolabi plc (‘Coolabi’ or 'the Company')

Interim results for the six months ended 31 December 2008

Highlights:

- On course to deliver a positive EBITDA for the year in line with expectations.

- Revenue of £529,367 (31 December 2007: £878,435) principally from Licensing, which has increased 40%. Production deliveries, which last year occurred in the first half, will this year happen in the second half.

- Loss before interest, tax, depreciation, amortisation, share-based payment costs and exceptional items (EBITDA) improved by 21% to £177,985 for the 6 months to 31 December 2008 (31 December 2007 loss: £226,480).

- New bank facilities totalling £2 million agreed with Coutts in October 2008. Bank facilities and existing cash resources comfortably sufficient to support the needs of the group.

- Successful acquisition and integration of Licensing By Design Limited (“LBD”) a licensing agent whose properties include *Bagpuss, The Clangers* and *Ivor The Engine*. LBD contributed one month of trading to the period under review.

- Series II of animated children’s TV show *The Large Family* in production and on course for delivery in 2009 to CBeebies in the UK and TF1 in France. Series I continues to be broadcast and achieve ratings success.

- Commission of *Dead Normal* (working title) by CBBC, a 13 x 24-minute drama series, for delivery in 2009, with financing currently being finalised.

- Continuing strong demand for *Purple Ronnie* products with examples including:

  - *Purple Ronnie* books again appearing on The Sunday Times’ best-sellers’ lists in the UK with ‘*World’s Best Boyfriend’* reaching number 3 and ‘*World’s Best Girlfriend’* reaching number 5 over Valentine’s Day weekend.

  - Recent conclusion of a multi-year deal with Pan Macmillan that will see 5 titles released each year in 2009, 2010 and 2011.

  - Further new titles: ‘*World’s Best Mum*’ was published for Mothers Day and ‘*World’s Best Dad*’ will be published for Fathers Day. A third title will be released for Christmas 2009.

  - *Purple Ronnie* greetings cards sales currently performing ahead of the same period last year.

- Successful acquisition of three classic literary estates; *Eric Ambler*, *Michael Innes* and *John Creasey*, marking the entry of Coolabi into this important intellectual property sector.

- Appointment of Nicholas James as non-executive director.

Chairman of Coolabi, William Harris said:

“We have again seen good progress made during the period not only with our principal brands and our licensing and production divisions but also in our wider strategy, with the completion of two further corporate acquisitions in November 2008 and March 2009 respectively. Our companies and assets are all performing in line with expectations to deliver a positive EBITDA for the full year. We continue to seek further acquisition opportunities where the quality of the assets and the fit for our management team’s expertise is matched by the ability to offer significant shareholder value.”

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Chairman's Statement

I am pleased to present the Company's interim results for the half-year to 31 December 2008 and to report on progress since the time of our preliminary results announcement in October last year.

The period has once again seen good progress made not only with our principal brands and our licensing and production divisions but also with our wider strategy, with the completion of two further corporate acquisitions in November 2008 and March 2009 respectively. Led by *Purple Ronnie,* there has been good growth in licensing and merchandising revenues, a trend we expect to continue in the second half. This, together with our production activity, which this year falls in the second half, is anticipated to deliver a positive EBITDA for the full year in line with expectations. Additionally, our bank facilities are sufficient to comfortably support the needs of the group.

We continue to seek further acquisition opportunities where the quality of the assets and the fit for the management expertise is matched by the ability to offer significant shareholder value.

Strategy

Our strategy is to build a diversified portfolio of cash-generative intellectual property ("IP") assets that have international potential across a broad range of media platforms through quality acquisitions and investment in the development of our own assets.

Acquisitions & Share Placing

On 23 October 2008, we announced the acquisition of Licensing By Design Limited ("LBD") and a placing of ordinary shares. The cash consideration for the acquisition was £400,000. In order to finance the acquisition and to provide capacity for further small acquisitions and working capital for the Company, Coolabi raised £750,000 (before expenses) by way of a placing of 9,375,000 new ordinary shares of one penny each at a price of 8 pence per share.

LBD was a privately owned licensing and merchandising company which was established in 1989. LBD represents a number of intellectual property assets including *Bagpuss*, *the Clangers* and *Ivor the Engine*, which it has represented since 1991. Bagpuss has been voted the nation's favourite children's television character, despite only 13 episodes of the series having ever been made.

On 3 March 2009, we announced the acquisition of 51% of Eric Ambler Literary Management Limited, 100% of Michael Innes Literary Management Limited and 100% of John Creasey Literary Management Limited for an initial consideration of £85,000. Eric Ambler Literary Management Limited contains an obligation to pay a further £85,000 to the minority shareholder over the five years following completion. There is also a potential earn-out across the three companies, capped at a total of £40,000 subject to the achievement of certain criteria over a five year period.

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

Licensing

Purple Ronnie remains our most important wholly owned asset and we are pleased with the ongoing development of the brand.

A three year plan was put in place last summer for the release of five new books a year, in addition to the management of the existing back list. This followed the 2008 successes of '*Purple Ronnie's Little Book for a Smashing Dad*' and '*Purple Ronnie's Little Book for a Lovely Mum*' new titles. I am pleased to report that as a result of this initiative we have recently concluded a multi-year contract with Pan Macmillan, our publishing partner. This will see 5 titles released each year in 2009, 2010 and 2011.

Brand extension opportunities have also been pursued and, by way of example, Michael O'Mara books will be producing a *Purple Ronnie* doodle book.

Our relationship with Hallmark remains an important one and we are delighted with the progress that has been made within the greetings card category and the corresponding increase in unit sales.

We have also started our development of *Purple Ronnie's* online presence with a view to a full launch by the end of the summer. The first taster for this was the '*Love Guru*' *Purple Ronnie* love poem generator which was soft-launched just before Valentine's Day which in a week issued over 10,000 poems to unsuspecting loved ones! *Purple Ronnie* is also now a feature of Hallmark's 'print-on-demand' online offering.

Importantly, we have been very pleased with the response from potential partners in the US. As a result of the pitch process we have undertaken in that territory, we expect to appoint an agent there imminently.

A great deal of interest has been generated by ***Scarlett & Crimson*** ahead of its launch this summer. A campaign has been devised around a fashion-led 'seeding' of the property, which has included an exclusive range of vests by leading fashion designer Robert Carey-Williams and this has generated widespread coverage including being selected by the influential Sunday Times Style Magazine for its "What's Hot for 2009".

Partners in the launch include Simon & Schuster with the first two books to be published this summer in the US and the UK. We have also been working with beauty icons, Ruby Hammer and Millie Kendall to create a cosmetics line. This will be the first range designed by them outside their own successful brand, Ruby & Millie. An exclusive contract has recently been negotiated with Boots to stock this range at Christmas.

Excitingly, *Scarlett & Crimson* have also generated a great deal of interest in the US. In common with the UK, it has also featured in US reports as one of the top 10 trends to watch in 2009 and, after a competitive pitch process, Lisa Marks & Associates Inc was appointed in February 2009 as agent in that territory. Gorian Consumer Products have also signed up to represent the property in Germany Austria Switzerland and Benelux.

We are currently working closely with the owners of ***Bagpuss, The Clangers*** and ***Ivor The Engine*** in advance of applying our brand management skills to these classic and still much loved brands. I look forward to reporting on progress in this regard in due course.

Production

Season I of animated production, *The Large Family,* has just completed its seventh run on CBeebies and continues to attract a good audience share. The show has now been sold into over 30 territories. Series II is in production and on course for delivery later this year to CBeebies in the UK and TF1 in France.

CBBC have recently announced a commission of our drama, *Dead Normal* (working title), for a 13 x 24-minute series to be delivered in 2009. We are currently finalising the funding for this project. We are also finalising the funding for our animated series *Poppy Cat*, which has been commissioned by Nickelodeon. I look forward to providing an update on these productions in the not too far distant future.

Importantly, our catalogue of TV assets continues to deliver for us, with *King Arthur's Disasters* airing twice daily on Nickelodeon and Nicktoons in the UK and the pan-European deal with Cartoon Network recently being renewed. Both *Bagpuss* and *The Clangers* are broadcast daily on Nick Jr and *The Worst Witch* and *Sir Gadabout* continue to be repeated on CiTV.

Financial Review of the Period

The Loss before income tax for the period was £537,834 (2007 loss: £538,825). The Earnings before interest, tax, depreciation, amortisation, share-based payments and exceptional items improved by £48,495 to £177,985 in comparison with the six months to 31 December 2007 (2007 loss: £226,480).

The Gross profit has increased by £3,445 to £401,187 from £397,742 in the comparative period. This has been achieved by a £95,298 (32%) increase in Licensing & Merchandising margin year-on-year offsetting a £91,853 reduction in Production margin arising from the difference in the phasing of deliveries during the financial year - The Large Family Series I was delivered in October 2007, but there were no Production deliveries in the six months to 31 December 2008.

The variance in the phasing of Production deliveries compared to the previous period has also caused the decline in Revenue of £349,068 to £529,367 from £878,435 in the six months to 31 December 2007.

Cash at 31 December 2008 was £316,724 and the business had unutilised bank facilities of £800,000.

Key Performance Indicators

We previously set ourselves a number of key objectives for the year ending 30 June 2009. We have made good progress toward achieving our KPIs for the year and I look forward to reporting more fully in this regard at the year end. These are set out below.

Negotiate and conclude a facility agreement appropriate for the Group's current needs

Achieve a positive EBITDA in the year ending 30 June 2009

Extend the licensing programme for Purple Ronnie in the UK

Launch Purple Ronnie as an online property

Make tangible progress with Purple Ronnie in the USA

Launch Scarlett & Crimson in the US and the UK

Put at least one series into production with a UK broadcast partner

Continue to identify and pursue cash generative, earnings enhancing acquisitions

Board Changes

In March, we welcomed Nicholas James on to the Board as a non-executive director. Nick was previously Chief Executive of Chorion plc, one of the UK's leading intellectual property groups, until July 2007. He now divides his time between the UK and Hong Kong and consults for companies in both of these territories and in China. Nick has been appointed to the Board's Remuneration and Audit Committees.

Prospects

We now own and represent some very exciting brands and intellectual property assets that we believe will deliver attractive organic growth in line with expectations. We fully expect that this will continue to be supplemented by further attractive small acquisitions which fit into our existing infrastructure. In addition, we will also continue to pursue transformational growth through material acquisitions and this remains a focus for the group.

Consolidated Interim Income Statement

	six months to 31 December 2008 unaudited £	six months to 31 December 2007 unaudited £	year to 30 June 2008 audited £
Revenue	529,367	878,435	1,589,585
Cost of sales	(128,180)	(480,693)	(664,050)
Gross profit	401,187	397,742	925,535
Operating expenses	(579,172)	(624,222)	(1,175,459)
Earnings before interest, tax, depreciation, amortisation, share-based payment costs and exceptional items	(177,985)	(226,480)	(249,924)
Depreciation	(7,221)	(2,660)	(9,201)
Share-based payment costs	(37,824)	-	(46,867)
Exceptional items	-	-	(74,569)
Amortisation of intangible assets	(259,810)	(268,826)	(531,549)
Total administrative costs	(884,027)	(895,708)	(1,837,645)
Operating loss	(482,840)	(497,966)	(912,110)
Interest charged	(55,812)	(60,082)	(104,749)
Interest received	818	19,223	22,439
Loss before income tax	**(537,834)**	**(538,825)**	**(994,420)**
Income tax expense	77,107	71,000	146,279
Loss for the period attributable to equity shareholders	**(460,727)**	**(467,825)**	**(848,141)**
Basic loss per share total and continuing	(1.4p)	(1.9p)	(3.5p)
Diluted loss per share total and continuing	(1.4p)	(1.9p)	(3.5p)

Consolidated Interim Balance Sheet

	as at 31 December 2008 unaudited £	as at 31 December 2007 unaudited £	as at 30 June 2008 audited £
ASSETS			
Non-current assets			
Property, plant and equipment	83,539	25,200	61,621
Goodwill	1,386,847	1,623,000	1,174,493
Other intangible assets	5,418,130	5,399,242	5,217,091
	6,888,516	7,047,442	6,453,205
Current Assets			
Inventories	311,478	283,182	171,741
Trade and other receivables	526,766	318,455	418,802
Cash and cash equivalents	316,724	726,639	463,922
	1,154,968	1,328,276	1,054,465
Total assets	**8,043,484**	**8,375,718**	**7,507,670**
LIABILITIES			
Current liabilities			
Trade and other payables	(1,139,300)	(700,907)	(1,498,044)
Short term borrowings	(925,233)	-	-
	(2,064,533)	(700,907)	(1,498,044)
Non-current liabilities			
Deferred consideration	-	(1,356,750)	(356,126)
Deferred tax liabilities	(1,501,765)	(1,820,000)	(1,450,031)
	(1,501,765)	(3,176,750)	(1,806,157)
Total Liabilities	**(3,566,298)**	**(3,877,657)**	**(3,304,201)**
NET ASSETS	**4,477,186**	**4,498,061**	**4,203,469**
EQUITY			
Attributable to the equity holders of the company			
Share capital	4,998,958	4,905,208	4,905,208
Share premium account	4,572,281	3,969,411	3,969,411
Profit and loss account	(5,094,053)	(4,376,558)	(4,671,150)
	4,477,186	**4,498,061**	**4,203,469**

Consolidated Statement of Changes in Equity

	Share capital	Share premium account	Profit & loss account	Total equity
	£	£	£	£
Balance at 1 July 2007	4,905,208	3,979,411	(3,908,733)	4,975,886
Changes in equity for 6 months to December 2007				
Total recognised income and expense for the period			(467,825)	(467,825)
Cost of consolidation of share capital		(10,000)		(10,000)
Balance at 31 December 2007	**4,905,208**	**3,969,411**	**(4,376,558)**	**4,498,061**
Changes in equity for 6 months to June 2008				
Total recognised income and expense for the period			(380,316)	(380,316)
Share-based payment costs			85,724	85,724
Balance at 30 June 2008	4,905,208	3,969,411	(4,671,150)	4,203,469
Changes in equity for 6 months to December 2008				
Total recognised income and expense for the period			(460,727)	(460,727)
Issue of share capital	93,750	602,870		696,620
Share-based payment costs			37,824	37,824
Balance at 31 December 2008	**4,998,958**	**4,572,281**	**(5,094,053)**	**4,477,186**

Consolidated Interim Cash Flow Statement

	six months to 31 December 2008 unaudited £	six months to 31 December 2007 unaudited £	year to 30 June 2008 audited £
Cash flows from operating activities			
Loss before income tax	(537,834)	(538,825)	(994,420)
Adjustments for:			
Depreciation	7,221	2,660	9,201
Amortisation of intangible assets	259,810	268,826	531,549
Share-based payment costs	37,824	-	46,867
Interest expense	54,994	40,859	82,310
Decrease/(Increase) in inventories	(139,737)	(246,023)	254,218
Decrease/(Increase) in trade and other receivables	(107,964)	(102,738)	29,124
Increase/(Decrease) in trade payables	62,016	216,170	(438,948)
Cash absorbed by operations	(363,670)	(359,071)	(480,099)
Interest paid	(67,216)	(90)	(200)
Income taxes paid	-	-	-
Net cash absorbed by operating activities	**(430,886)**	**(359,161)**	**(480,299)**
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	(1,284,611)	(280,000)	(381,833)
Purchase of property, plant and equipment	(29,139)	(13,589)	(56,551)
Interest received	818	19,223	22,439
Net cash absorbed by investing activities	**(1,312,932)**	**(274,366)**	**(415,945)**
Cash flows from financing activities			
Proceeds from issue of share capital	750,000	-	-
Share issue costs	(53,380)	(10,000)	(10,000)
Bank facility	900,000	-	
Net cash generated by/(used in) financing activities	**1,596,620**	**(10,000)**	**(10,000)**
Net increase/(decrease) in cash and cash equivalents	**(147,198)**	**(643,527)**	**(906,244)**
Cash and cash equivalents at beginning of period	463,922	1,370,166	1,370,166
Cash and cash equivalents at end of period	**316,724**	**726,639**	**463,922**

Notes to the Consolidated Interim Financial Statements

1. General information

Coolabi plc is the Group's ultimate parent company. It is incorporated and domiciled in England and its registered address is 48 Broadley Terrace, London, NW1 6LG. Its shares are listed on AIM, a market of the London Stock Exchange plc.

The results for the half years ended 31 December 2008 and 2007 are unaudited and do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The financial information in respect of the year ended 31 June 2008 has been extracted from the company's statutory accounts for that financial year which have been delivered to the Registrar of Companies. The auditors have reported on the statutory accounts for that financial year. That report was unqualified and did not contain a statement under sections 237 (2) and (3) of the Companies Act 1985.

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

These consolidated interim financial statements have been approved for issue by the Board of Directors on 24th March 2009. A complete list of the directors of the company can be found on the company's website www.coolabi.com.

2. Accounting policies and basis of preparation

These consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34. The accounting policies and methods of computation used in the interim financial statements are the same as those used in the most recent annual financial statements.

3. Segmental analysis

The Group's performance by its primary (and sole) segment is as follows:

	six months to 31 December 2008 unaudited £	**six months to 31 December 2007** audited £	**year to 30 June 2008** audited £
Revenue			
Licensing & Merchandising	516,515	368,001	830,336
Film & Television	12,852	510,434	759,249
Group	529,367	878,435	1,589,585
Gross profit			
Licensing & Merchandising	391,186	295,888	645,773
Film & Television	10,001	101,854	279,762
Group	401,187	397,742	925,535

Notes to the Consolidated Interim Financial Statements continued

4. 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:

	six months to 31 December 2008 £	**six months to 31 December 2007 £**
Loss for the year	(460,727)	(467,825)
Weighted average number of ordinary shares in issue during the year	33,901,043	24,526,043
Basic EPS (pence)	(1.4)	(1.9)
Weighted average number of ordinary shares in issue or under option during the year	33,901,043	24,526,043
Fully diluted EPS (pence)	(1.4)	(1.9)

5. Bank facilities

During the period the Group utilised £900,000 of its £2m bank facilities with Coutts & Co. These are secured by way of a specific fixed charge over certain intellectual property rights and by debentures and cross guarantees from Coolabi plc and its subsidiaries.

6. Share capital

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

7. Acquisitions

On 21 November 2008 the Group acquired 100% of the issued share capital of Licensing By Design Limited, a licensing and merchandising company which represents a number of intellectual property assets. Intangible assets arising on the acquisition are subject to an annual impairment review in accordance with IAS 36 and comprise:

	£
Initial purchase consideration	400,000
Fees	104,386
Total consideration	**504,386**
Represented by :	
Current assets	110,998
Cash	17,175
Current liabilities	(135,225)
	(7,052)
Intangible assets	460,146
Goodwill	180,133
Deferred taxation	(128,841)

504,386

Notes to the Consolidated Interim Financial Statements continued

7. Acquisitions continued

The fair value of the acquired assets and liabilities recognised by the Group is considered to be the same as the carrying amount held in the acquiree's own books immediately before acquisition. The acquisition has been accounted for by the purchase method of accounting. Goodwill arising on acquisition is attributable to operational synergies and earnings potential expected over the long term.

Licensing By Design has contributed a profit of £32,900 to the Group's results since acquisition. The Group's results for the period July to December 2008 would not have been materially different if Licensing By Design had been owned for the full six month period.

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

The amounts to be recognised at the acquisition date for each class of the acquiree's assets, liabilities and contingent liabilities at carrying value and fair value to the Group is not yet determinable. The acquirees have not reported any financial results for the post acquisition period.

8. Post interim balance sheet event

On 2 March 2009 the Group acquired three literary estates: 51% of the issued share capital of Eric Ambler Literary Management Limited; 100% of the issued share capital of Michael Innes Literary Management Limited; and 100% of the issued share capital of John Creasey Literary Management Limited.