

# coolabi plc

20 September 2011

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

Interim results for the six months ended 30 June 2011

Coolabi plc (AIM: COO), the media company focused on the ownership and creative management of high quality intellectual property assets, announces unaudited interim results for the six months ended 30 June 2011.

## Financial Highlights

- Revenue of £0.61m (H1 10: £0.96m).
  - H1 10 Revenue benefitted from material one-off catalogue and literary estate sales.
  - As in 2010, forecast sales significantly weighted towards the second half.
- Adjusted EBITDA loss of £0.3m (H1 10: EBITDA of £0.02m).
- Net Debt of £1.35m (30 June 2010: £0.73m).

## Operational Highlights

- *Poppy Cat* – Successful TV launch of animated pre-school series. US Broadcast partner secured and further broadcast deals completed. Series to air in more than 75 countries. Licensing and Merchandising deals now being concluded.
- *Purple Ronnie* – Income through greeting cards (via Hallmark) continues as an important source of cashflow. Successful development of the brand’s digital strategy.
- *Scarlett & Crimson* – Four new licences signed in H1.
- *Bagpuss, Clangers & Ivor the Engine* – Classic IP assets continue to be attractive to consumers following on from their retail success last Christmas.

## Chairman of Coolabi, William Harris, said:

“As in 2010, we expect the results to be heavily weighted towards the second half. There is still much to do in order to realise management’s expectations for the full year, particularly in the light of current trading conditions. Successful attendance at important trade fairs over the next couple of months will be crucial to their achievement.”

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## **Chairman's Statement**

I am pleased to present the Company's unaudited interim results for the six months to 30 June 2011 and to report on progress since the time of our preliminary results announcement in March this year.

The first half of 2011 has seen a period of intense activity across the business with the principal focus being the continued roll-out of our pre-school animated TV property, *Poppy Cat*. We are pleased with the progress made to date. Important strategic deliverables, such as the broadcast premiere on Nick Jr in the UK and the contracting of Sprout as our US broadcast partner, have been achieved. In addition, key value-driving initiatives such as the securing of ten UK licences, including a Master Toy Partner have also been concluded in the first half. However, all of this has taken longer to achieve than it might have done in better economic times.

We have also been working hard to maximise the value delivered from the overall portfolio – with progress made on *Purple Ronnie*, *Scarlett & Crimson* and *Bagpuss* – as well as maintaining a keen focus on development.

EBITDA for the first half of 2011 amounted to a loss of £0.3m (H1 2010 EBITDA: £0.02m). As in 2010, we expect the results to be heavily weighted towards the second half. There is still much to do in order to realise management's expectations for the full year, particularly in the light of current trading conditions. Successful attendance at important trade fairs over the next couple of months will be crucial to their achievement.

## **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 intended to deliver a stream of highly visible and consistent revenue, underwritten by financial guarantees from our licensees. We believe that, in the long term, this will make Coolabi increasingly attractive to investors.

However, we are currently facing challenging market conditions that are adversely affecting the sectors in which we operate. These have been particularly felt in the licensing and merchandising industry, where agreements with potential licensees are taking longer than usual to conclude. This, in turn, has had an impact on our working capital requirements.

## **Convertible Loan Notes**

On 17 June, we announced that Edge Performance VCT had agreed to subscribe for £562,114 of convertible loan notes to be issued by the Company ("CLNs"). The CLNs are unsecured and repayable on 17 June 2016 or, at the option of the Company, at any time following 17 December 2012. The CLNs are interest bearing at a fixed rate of 7% per annum and are convertible at a price of 6.75p per share, which represented a premium of over 17% to the mid-market share price of 5.75p on 16 June 2011, being the latest practicable date prior to the announcement.

The CLNs were issued so as to allow the Company to invest in the further development of its existing assets and for general working capital purposes.

## **Approach**

On 15 August, Coolabi announced that it had received an approach from North Promotions Limited ("North"), a company funded by Edge Performance VCT plc ("Edge"), which may or may not lead to an offer being made for the Company. Edge, managed by Edge Investment Management Limited, is the Company's largest shareholder.

The Company further announced on 20 September 2011 that the independent directors of Coolabi had reached an understanding, in principle, with North regarding its potential offer for the Company, which is 7.75p per share in cash with a share alternative in North (the "Potential Offer"). North attaches great importance to the skills and experience of the existing Coolabi management and, accordingly it is intended that any offer, if made, will include management incentivisation arrangements which will be subject to the requirements of Rule 16.2 of the Takeover Code.

Any offer remains subject to a number of pre-conditions, including the satisfactory completion of confirmatory due diligence. North reserves the right to waive any of the pre-conditions which apply to it. North reserves the right to make an offer at any time at a value below 7.75p per Coolabi share with the agreement and recommendation of the independent directors of Coolabi.

In arriving at this position, the independent directors, having consulted with the major shareholders of the Company, considered alternative options available to the Company including, inter alia, continuing its current strategy of organic growth and an equity fundraising. As a result, the independent directors have concluded that the Potential Offer is the best option presently available to the Company.

The above-mentioned announcement made on 20 September 2011 was made with the agreement and approval of North. There can be no certainty that a firm offer will be made.

### **Operational Highlights**

Highlights from the development of our portfolio in the first half can be summarised as follows:

(i) *Poppy Cat*

*Poppy Cat* is our new 52 x 11 minute animated pre-school television series and licensing property.

The launch of *Poppy Cat* has been a major focus for the business in the first half of 2011, with its broadcast premiere, UK licensing successes and continued international broadcast sales, including in the all-important US market.

The series was first broadcast in May on Nick Jr in the UK, and has been shown not less than twice a day since launch. Our supporting website, [www.poppycat.com](http://www.poppycat.com), was also successfully launched at the same time. Initial ratings information has been most encouraging, with Nickelodeon informing us that the series is already in their top five rated shows.

The UK licensing programme is well underway. Here, we secured a leading toy manufacturer, Golden Bear, as our strategically important Master Toy licensing partner in May. A brand new toy line, covering plush, plastics, electronic and mechanical devices and arts and crafts is expected to launch across the UK and the Republic of Ireland from Autumn 2012. In the first half of 2011, we have announced a further nine licensing partners for *Poppy Cat* in the UK.

In March, we were delighted to announce the very exciting news that the series had secured a broadcast partner in the US. Our partner, Sprout, is a 24-hour pre-school channel available on air, on demand and online and is a partnership between NBC Universal and PBS, amongst others, currently broadcasting to over 50 million homes in the US. In June, we were pleased to announce a number of further important broadcast deals had been concluded, including with Disney Junior in both Spain and Latin America.

As a result of these announcements, deals have now been concluded for *Poppy Cat* to be broadcast in more than 75 countries – and each territory represents an opportunity to generate ancillary revenues through licensing and merchandising activity.

A further important step in the international monetisation of *Poppy Cat* was achieved with the appointment of The Joester Loria Group ("JLG") as our US agent in May. JLG are the biggest independent agency by retail turnover in North America. With broadcast on Sprout in the US recently confirmed to commence in November of this year, we would expect an initial contribution to licensing and merchandising revenues from that territory in 2012, with earnings building from 2013.

All this has been extremely encouraging, and I remain confident that the series will be licensed to leading broadcast partners in most, if not all, the major media markets internationally. The challenge we face as a company is to manage the timetables of our prospective partners so as to be able to secure a final commitment from them in accordance with our own timetable – a task that is increasingly challenging in the current trading environment and not one that is entirely within our control.

Accordingly, there remains much to do in the second half of 2011.

(ii) *Purple Ronnie*

Income from our wholly owned property *Purple Ronnie* continues to be an important source of cashflow for the Company, most notably through greetings cards, where Hallmark is our partner. Whilst trading conditions remain challenging, we have been focussing with our partners to ensure *Purple Ronnie* products continue to meet the demands of its core audience, in particular with greetings cards but also, increasingly, into new areas. Hallmark is a key partner in this process and we are pleased to announce that they will be launching 58 new cards at retail from September – evidence of their continued investment in the property.

In addition, we have previously announced our Facebook App, as part of our digital strategy for the brand alongside our iPhone App and website, and I am pleased to report that this has now achieved over 40,000 Facebook users.

(iii) *Scarlett & Crimson*

Four new licences have been signed in the first half of the year – Grace Cole (bath and body), Beauty Works (electric goods), Rudolf Stein (fashion accessories) and Urban Species (t-shirts). The key for this property is to now gain traction at retail in order for these licenses to deliver value to the Company. In that regard, it is important that Boots has placed an order for cosmetics gifting for the third consecutive year.

(iv) *Other Properties*

As set out in the preliminary results announcement earlier this year, it remains the case that retailers and consumers are often drawn to established, classic IP assets during difficult financial times.

*Bagpuss*, in common with *Purple Ronnie*, continues to perform comparatively well in the current market. For example, *Bagpuss* licensees have been reporting increased orders from retail, following on from the successes enjoyed last Christmas.

In addition, we continue to license our catalogue of classic television series, such as the *Famous Five*, and our library of classic literary estates.

(v) *Development*

Our BBC/ABC Australia children's live-action co-production, *Dead Gorgeous* proved a ratings success both in the UK and Australia. Series 1 was nominated for two Australian television awards, including for a LOGI, the Australian equivalent of an Emmy, and was BAFTA nominated in the UK. We are in active discussions with our series partners with regard to a second series.

We also continue to invest in the development of what we believe will become future classics. In March, we announced that we had entered into a co-development deal with Walker Productions, the production arm of leading independent children's book publisher, Walker Books, for their book series, *Scream Street*.

### ***Financial Review of the Period***

The results for the six months to 30 June 2011 are affected by the absence of one-off (non-seasonal) revenue compared with the same period last year. In 2010, the results reflected the benefit from one-off sales relating to the literary estates and other rights whereas there were no such sales in the first half of 2011.

Accordingly the Revenue for the half year amounted to £605,514 which was £356,156 lower than in 2010 (£961,670). Cost of sales, which includes amortisation of Television productions, was £141,910 (2010: 286,966). Gross profit of £463,604 was £211,100 lower than in the comparative period (£674,704).

The Earnings before interest, tax, depreciation, amortisation, share-based payments and exceptional items ("EBITDA") was £315,643 lower than the previous year at a loss of £299,196 (2010: profit of £16,447) with Operating expenses being £104,543 higher than 2010 (2010: £658,257) at £762,800 largely due to marketing and other support costs related to *Poppy Cat*. The Loss before income tax for the period was £604,720 (2010 Loss: £374,030).

Net debt (the net of Cash and cash equivalents, Current portion of long term borrowings and Long term borrowings) at 30 June 2011 was £1,353,623, an increase of £622,724 from £730,899 as at 30 June 2010.

## Consolidated Interim Statement of Comprehensive Income

	6 months to 30 June 2011 unaudited £	6 months to 30 June 2010 unaudited £	12 months to 31 Dec 2010 audited £
<b>Revenue</b>	605,514	961,670	2,855,595
Cost of sales	(141,910)	(286,966)	(859,784)
<b>Gross profit</b>	463,604	674,704	1,995,811
Operating expenses	(762,800)	(658,257)	(1,460,701)
<b>Earnings before interest, tax, depreciation, amortisation, share-based payment costs and exceptional items</b>	(299,196)	16,447	535,110
Depreciation	(16,498)	(9,176)	(23,703)
Share-based payment costs	-	-	(3,574)
Exceptional items	-	-	-
Amortisation of intangible assets	(252,489)	(348,989)	(639,919)
<b>Total administrative costs</b>	(1,031,787)	(1,016,422)	(2,127,897)
Operating loss	(568,183)	(341,718)	(132,086)
Interest charged	(36,557)	(32,405)	(64,587)
Interest received	20	93	153
<b>Loss before income tax</b>	(604,720)	(374,030)	(196,520)
Income tax credit	53,728	87,236	473,575
Profit/(loss) after tax	(550,992)	(286,794)	277,055
Other comprehensive income	-	-	-
<b>Total comprehensive profit/(loss) for the period</b>	<b>(550,992)</b>	<b>(286,794)</b>	<b>277,055</b>
<b>Profit attributable to minority interests</b>	<b>8,756</b>	<b>46,094</b>	<b>56,360</b>
<b>Profit/(loss) attributable to parent's equity holders</b>	<b>(559,747)</b>	<b>(332,888)</b>	<b>220,695</b>
Basic profit/(loss) per share total and continuing	(1.0)	(0.7)	0.4
Diluted profit/(loss) per share total and continuing	(0.9)	(0.7)	0.4

## Consolidated Interim Statement of Financial Position

	as at 30 June 2011 unaudited £	as at 30 June 2010 unaudited £	as at 31 Dec 2010 audited £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	107,901	36,823	124,400
Intangible assets			
Television productions	2,225,024	490,893	2,263,223
Goodwill	1,331,528	1,300,425	1,331,528
Other intangible assets	4,148,519	4,596,150	4,327,791
	<u>7,812,972</u>	<u>6,424,291</u>	<u>8,046,942</u>
<b>Current assets</b>			
Inventories	226,775	998,651	188,161
Trade and other receivables	1,414,621	925,206	2,013,313
Cash and cash equivalents	75,275	524,622	48,605
	<u>1,716,671</u>	<u>2,448,479</u>	<u>2,250,079</u>
<b>Total assets</b>	<b><u>9,529,643</u></b>	<b><u>8,872,770</u></b>	<b><u>10,297,021</u></b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	(512,304)	(1,044,592)	(1,022,848)
Production financing borrowings	(914,802)	(695,000)	(1,353,310)
Current portion of long term borrowings	(427,112)	(325,220)	(341,442)
	<u>(1,854,218)</u>	<u>(2,064,812)</u>	<u>(2,717,600)</u>
<b>Non-current liabilities</b>			
Deferred consideration	(17,000)	(34,000)	(34,000)
Deferred tax liabilities	(1,070,183)	(1,233,230)	(1,123,911)
Long term borrowings	(1,001,786)	(930,301)	(836,176)
Loan note	(552,114)	-	-
	<u>(2,641,083)</u>	<u>(2,197,531)</u>	<u>(1,994,087)</u>
<b>Total liabilities</b>	<b><u>(4,495,301)</u></b>	<b><u>(4,262,343)</u></b>	<b><u>(4,711,687)</u></b>
<b>Net Assets</b>	<b><u>5,034,342</u></b>	<b><u>4,610,427</u></b>	<b><u>5,585,334</u></b>
<b>EQUITY</b>			
<b>Attributable to the equity holders of the Company</b>			
Share capital	5,215,122	5,142,708	5,215,122
Share premium account	5,854,116	5,519,046	5,854,116
Profit and loss account	(6,074,498)	(6,071,908)	(5,514,751)
<b>Total shareholders equity</b>	<u>4,994,740</u>	<u>4,589,846</u>	<u>5,554,487</u>
Minority interest in equity	39,602	20,581	30,847
<b>Total equity</b>	<b><u>5,034,342</u></b>	<b><u>4,610,427</u></b>	<b><u>5,585,334</u></b>

## Consolidated Statement of Changes in Equity

	Share capital	Share premium account	Minority Interest	Profit & loss account	Total Equity
	£	£	£	£	£
<b>Balance at 31 December 2009</b>	<b>5,142,708</b>	<b>5,519,046</b>	<b>(25,513)</b>	<b>(5,739,020)</b>	<b>4,897,221</b>
Transactions with owners	-	-	-	-	-
Loss and total comprehensive loss for the period	-	-	46,094	(332,888)	(286,794)
<b>Balance at 30 June 2010</b>	<b>5,142,708</b>	<b>5,519,046</b>	<b>20,581</b>	<b>(6,071,908)</b>	<b>4,610,427</b>
Transactions with owners					
Issue of share capital	72,414	362,070	-	-	434,484
Share-based payment costs	-	(27,000)	-	-	(27,000)
Minority interest acquired	-	-	-	3,574	3,574
	72,414	335,070	-	3,574	411,058
Profit and total comprehensive profit for the period	-	-	10,266	553,583	563,849
<b>Balance at 31 December 2010</b>	<b>5,215,122</b>	<b>5,854,116</b>	<b>30,847</b>	<b>(5,514,751)</b>	<b>5,585,334</b>
Transactions with owners					
Loss and total comprehensive loss for the period	-	-	8,756	(559,747)	(550,992)
<b>Balance at 30 June 2011</b>	<b>5,215,122</b>	<b>5,854,116</b>	<b>39,603</b>	<b>(6,074,498)</b>	<b>5,034,342</b>

## Consolidated Interim Statement of Cash Flows

	6 months to 30 June 2011 unaudited £	6 months to 30 June 2010 unaudited £	12 months to 31 Dec 2010 audited £
<b>Cash flows from operating activities</b>			
Loss before taxation	(604,720)	(374,030)	(196,520)
Adjustments for:			
Depreciation	16,498	9,176	23,703
Amortisation of intangible assets	252,489	348,989	1,116,999
Share-based payment costs	-	-	3,574
Interest expense	36,537	32,312	64,434
Increase in inventories	350,459	(50,247)	(83,202)
Decrease/(Increase) in trade and other receivables	609,091	10,388	(800,700)
Increase/(Decrease) in trade payables	(493,049)	260,896	(258,976)
Cash generated/(absorbed) by operations	167,305	237,484	(130,688)
Interest paid	(4,251)	(18,707)	(9,092)
Income taxes paid	-	-	-
<b>Net cash generated/(absorbed) by operating activities</b>	<b>163,054</b>	<b>218,777</b>	<b>(139,780)</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries, net of cash acquired	(39,000)	(17,000)	(17,000)
Purchase of property, plant and equipment	1	(2,595)	(105,139)
Purchase of other intangible assets	(73,218)	(38,542)	(61,109)
Television production	(389,073)	(871,309)	(1,832,902)
Interest received	20	93	153
<b>Net cash absorbed by investing activities</b>	<b>(501,270)</b>	<b>(929,353)</b>	<b>(2,015,997)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital	-	-	434,484
Share issue costs	-	-	(27,000)
Issue of loan note	552,114	-	-
Preference shares redeemed	-	-	1,353,310
Bank facility utilisation	(187,228)	614,463	(177,147)
<b>Net cash generated by financing activities</b>	<b>364,886</b>	<b>614,463</b>	<b>1,583,647</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>26,670</b>	<b>(96,113)</b>	<b>(572,130)</b>
Cash and cash equivalents at beginning of period	48,605	620,735	620,735
<b>Cash and cash equivalents at end of period</b>	<b>75,275</b>	<b>524,622</b>	<b>48,605</b>

## 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 1<sup>st</sup> Floor Watergate House, 13-15 York Buildings, London WC2N 6JU. Its shares are listed on AIM, a market of the London Stock Exchange plc.

The interim results for the six months ended 30 June 2011 are unaudited and do not constitute statutory accounts within the meaning of the Companies Act 2006. The financial information in respect of the period ended 31 December 2010 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 section 498(2) or (3) of the Companies Act 2006.

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings. All balances held between Group companies are eliminated upon consolidation. 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.

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 20 September 2011. A complete list of the directors of the company can be found on the company's website [www.coolabi.com](http://www.coolabi.com).

### 2. Accounting policies and basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the period ended 31 December 2010.

The condensed consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the last annual financial statement for the year ended 31 December 2010.

Additionally, in the period the Group acquired a convertible loan note and the related accounting policy is as follows:-

#### *Accounting policy - Convertible loan notes*

Convertible loan notes are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. Any difference between the proceeds of issue and the convertible loan notes and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity. The interest expense on the liability component is calculated by applying the prevailing market rate for similar non-convertible debt to the instrument. The difference between this amount and the interest paid is added to the carrying value of the convertible loan note.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed consolidated interim financial statements.

### 3. Seasonal fluctuations

The licensing & merchandising market overall is subject to certain seasonal fluctuations with a weighting to the second half of the calendar year. The film & television market has no particular seasonal trend.

## Notes to the Consolidated Interim Financial Statements continued

### 4. Segmental analysis

The Group's internal reporting is by business segment for revenue 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 is as follows:

	6 months to 30 June 2011			
	unaudited			
	£	£	£	£
	Licensing & Merchandising	Film & Television	Unallocated	Group
Revenue	470,045	135,469	-	605,514
Cost of sales	(102,932)	(38,978)	-	(141,910)
<b>Gross profit</b>	<b>367,113</b>	<b>96,491</b>	<b>-</b>	<b>463,604</b>
Non current assets	5,037,634	2,714,954	60,384	7,812,972
Current assets	475,468	1,016,004	225,199	1,716,671
Current liabilities	(177,002)	(1,054,121)	(623,095)	(1,854,218)
Non current liabilities	(1,037,417)	(49,768)	(1,553,898)	(2,641,083)
<b>Net assets</b>	<b>4,298,683</b>	<b>2,627,069</b>	<b>(1,891,410)</b>	<b>5,034,342</b>
	6 months to 30 June 2010			
	unaudited			
	£	£	£	£
	Licensing & Merchandising	Film & Television	Unallocated	Group
Revenue	920,235	41,435	-	961,670
Cost of sales	(281,108)	(5,858)	-	(286,966)
<b>Gross profit</b>	<b>639,127</b>	<b>35,577</b>	<b>-</b>	<b>674,704</b>
Non current assets	5,443,178	973,816	7,297	6,424,291
Current assets	587,797	1,864,158	(3,476)	2,448,479
Current liabilities	(323,245)	(1,151,834)	(589,733)	(2,064,812)
Non current liabilities	(1,207,017)	(60,215)	(930,299)	(2,197,531)
<b>Net assets</b>	<b>4,500,713</b>	<b>1,625,925</b>	<b>(1,516,211)</b>	<b>4,610,427</b>
	12 months to 31 Dec 2010			
	audited			
	£	£	£	£
	Licensing & Merchandising	Film & Television	Unallocated	Group
Revenue	1,382,931	1,472,664	-	2,855,595
Cost of sales	(376,292)	(483,492)	-	(859,784)
<b>Gross profit</b>	<b>1,006,639</b>	<b>989,172</b>	<b>-</b>	<b>1,995,811</b>
Non current assets	5,259,222	2,732,163	55,557	8,046,942
Current assets	722,893	1,462,809	64,377	2,250,079
Current liabilities	(262,440)	(1,887,859)	(567,301)	(2,717,600)
Non current liabilities	(1,103,995)	(53,916)	(836,176)	(1,994,087)
<b>Net assets</b>	<b>4,615,680</b>	<b>2,253,197</b>	<b>(1,283,543)</b>	<b>5,585,334</b>

The amortisation of Intangible assets arising from television production is included in Cost of sales and the amortisation of all other intangible assets is included in administrative costs.

## Notes to the Consolidated Interim Financial Statements continued

Due to the size and nature of the Group the directors do not consider there to be a meaningful alternative segmental split.

### 5. 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:

	6 months to 30 June 2011	6 months to 30 June 2010	12 months to 31 Dec 2010
Loss for the year attributable to the parent's equity holders, basic and diluted	(559,747)	(332,888)	220,695
Weighted average number of ordinary shares in issue during the period	55,517,449	48,276,043	49,784,670
Basic EPS (pence)	(1.0p)	(0.7p)	0.4p
Weighted average number of shares under option during the period	3,907,077	162,509	1,728,141
Weighted average number of ordinary shares in issue or under option during the period	59,424,526	48,438,552	51,512,811
Fully diluted EPS (pence)	(0.9p)	(0.7p)	0.4p

### 6. Bank facilities

As at 30 June 2011 the Group was utilising £1.4m of a bank facility with Coutts & Co. The total facility package of £2m is secured by way of a debenture and cross guarantee across Coolabi plc and its subsidiaries and is repayable in instalments out to 2015.

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.

### 7. Transactions with Directors and related party disclosures

William Harris, who is Chairman of the Company, and Tim Ricketts, who is Finance Director, are both directors of Avonglen Limited. During the period fees and expenses of £98,608 (2010: £98,142) were paid to Avonglen Limited for their services as directors and consultants - of which £50,625 related to consultancy work (2010: £51,142). The balance owing to Avonglen Limited at 30 June 2011 was £30,523 (2010: £60,211). The fees paid during the year ended 31 December 2010 were £197,600.

## **8. Responsibility statement**

We confirm to the best of our knowledge;

a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';

b) the interim management report includes a fair review of the information required by DTR 4.2.7 R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

c) the interim management report includes a fair review of the information required by DTR 4.2.8 R (disclosure of related party transactions and changes therein).

Signed on behalf of the Board on 20 September 2011.