

coolabi plc

27 September 2010

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

Interim results for the six months ended 30 June 2010

TV revenues expected to deliver strong growth in H2

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 2010.

The Company remains confident that it is on course to deliver EBITDA growth for the year in line with market expectations and, in line with historic guidance provided by the Company, the current financial year will have a strong second half weighting. This is largely due to the recognition of contracted TV production revenues, which in 2009 were more evenly spread throughout the year. No TV production revenue was recognised in the first six months of the current financial year.

Financial Highlights

- Revenue of £0.96m (H1 09: £1.37m) – Principally from Licensing & Merchandising activity.
- EBITDA of £0.02m (H1 09: £0.30m).
- Net Debt of £0.73m (30 June 2009: £1.07m).

Operational Highlights

- *Poppy Cat* – TV production underway. Pre-sales to seven broadcasters. Delivery expected in H2 with Licensing and Merchandising programme to commence in Q4.
- *Scarlett & Crimson* – UK cosmetics and accessories deals with Boots and Superdrug, new cosmetics partner in the US and extension of the brand through clothing and perfume deals in the UK.
- *Purple Ronnie* – 20% year-on-year increase in book sales for Valentine’s Day 2010 with four titles in the top ten of the Sunday Times Best Seller list. Purple Ronnie iPhone app also launched in US.
- *Bagpuss, Clangers & Ivor the Engine* – Launched on iTunes, immediately becoming three of the top five kids shows available for download.
- Management strengthened by appointment of Zoë Scurfield, ex-Disney, as Head of Development & Production and Anna Hewitt, ex-BBC, as Head of Licensing.

Chairman of Coolabi, William Harris, said:

“We firmly believe that the exciting assets we have in our portfolio will deliver attractive organic growth to the group. We also expect to pursue growth through acquisition, with this remaining a core motivation for the group for the foreseeable future. As a result of the timing of this year’s television production activity we expect the second half of the year to be considerably stronger than the first. We remain confident in the trading outlook for the Company and are on course to meet expectations for the full year.”

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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 2010 and to report on progress since the time of our preliminary results announcement in March this year.

The first half of 2010 has seen a period of intense activity across our portfolio, delivering good progress from both our established and our high-growth brands as well as our operating divisions. It is worth noting that the positive EBITDA has been delivered despite prevailing market conditions, once again demonstrating the quality of our brands and the hard work and dedication of our team. In addition, central costs within the business remain tightly controlled.

As expected, and as a result of the timing of this year's television production activity (with delivery commencing in the fourth quarter of the year), this is lower than the comparative six month period in 2009. We have previously indicated that we expected the second half of the year to be considerably stronger than the first and we are on course to meet expectations for the full year.

Strategy

Our strategy is to build a diversified portfolio of cash-generative intellectual property ("IP") assets, through the development of our own properties and the acquisition of others, that have international appeal across a broad range of media platforms. Our current portfolio of IP assets is diversified in terms of both genre and medium of exploitation. There is also a good mix of established properties, those in their infancy and others in development.

Our focus, therefore, is to enhance the underlying value of each property whilst at the same time delivering improved revenues from them.

Operational Review

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

(i) Poppy Cat

As announced in July, production is now well underway to bring the much-loved children's literary character *Poppy Cat* to television screens internationally. Commissioned by and due to air on Nick Jr (UK) in 2011, the 52 episode series is being co-produced by our television production arm, Coolabi Productions, and our animation partner King Rollo Films. International pre-sales of the series have also been confirmed with Nick Jr Australia, RTE Ireland, YLE Finland, TV2 Norway, and TVO, SCN and Knowledge Network in Canada and Cake Entertainment has been appointed as our distribution partner for the series. With Coolabi's production, broadcast and distribution partners now contracted, a substantial proportion of the production budget has been covered by third parties.

Early episodes are now being shared with existing and potential key partners and the response to them thus far has been extremely positive. With delivery of the series commencing in the fourth quarter of 2010, licensing and merchandising activity is now starting to ramp up.

Coolabi does not recognise film and television income of this sort until delivery occurs, hence the second half skew in our financial statements this financial year.

(ii) Scarlett & Crimson

Scarlett & Crimson, our jointly owned tween/teen girl property is having an exciting year.

In the UK, the new everyday cosmetics and accessories ranges launched in the spring in Superdrug in over 450 and 250 stores respectively and sales to date have been good. Importantly, the PR secured as a result of this activity has been impressive, with coverage in *Cosmopolitan*, *Glamour* and *The Times Magazine*, amongst many others.

Our first Scarlett & Crimson cosmetics range, in association with Ruby & Millie, went into over 300 Boots stores in the UK in Autumn 2009, positioned as a first teen cosmetics line and aimed at the Christmas gift market. The first range was a strong success and, as announced in July, Boots has reordered for 2010 with an all new expanded product range of nine items, from six previously, with the number of stores increased by 20% from 2009. The new product will be in-store from the end of this month.

This progress is providing added momentum to the expansion of the licensing programme in the UK and we have been pleased to announce a number of other strong licensees, including Poetic Gem (clothing) and Myridium (perfume). We have additionally agreed an extension of the existing UK agreement with beauty industry luminaries Ruby Hammer and Millie Kendall to cover all product development of Scarlett & Crimson beauty products undertaken globally.

Importantly, the successful roll-out of the property has not been limited to the UK. In the US, new product development is underway with Japoneseque, our recently appointed cosmetics partner in that territory, with product lines ready for presentation to retail from the end of this month.

I look forward to announcing a number of new initiatives for *Scarlett & Crimson* in accordance with our Key Performance Indicators during the second half of the year.

(iii) Purple Ronnie

Income from our wholly owned property *Purple Ronnie* through greetings cards (via Hallmark) and publishing (via Macmillan) continues to be an important source of cashflow for the group. In the period, *Purple Ronnie* was once again a star performer. Macmillan reported 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. In greetings cards, Hallmark launched its enhanced online Print-on-Demand service and we were pleased to see *Purple Ronnie* feature strongly in its promotion.

As set out previously, related licensing and merchandising initiatives are a focus in 2010 and into 2011 and in that regard we are delighted that Debenhams will be stocking *Purple Ronnie* product in the run-up to Christmas this year.

(iv) Bagpuss, Clangers & Ivor The Engine

Created by Oliver Postgate and Peter Firmin, Coolabi is the international licensing agent for these enduring British children's classics and distributor of the existing TV series. As a part of our ongoing development of these licences we have recently refreshed all of the materials available for exploitation by our licensing partners. Three generations of the creators' families were involved in the process, under the Creative Direction of Peter Firmin. In addition, Daniel Postgate, Oliver Postgate's son and a successful children's author and illustrator in his own right, has illustrated a series of new Bagpuss images.

(v) Development

Following the arrival of Zoë Scurfield as Head of Development & Production, there has been significant early progress and we now have a number of early stage projects in development.

Financial Review of the Period

The results for the six months to 30 June 2010 were affected by the different timing of TV production deliveries compared with the same period last year. In 2009, the results reflected the delivery of The Large Family Series II to broadcasters in the first half whereas deliveries this year are scheduled for the second half.

Accordingly the Revenue for the half year amounted to £961,670 which was £410,745 lower than in 2009 (£1,372,415) and the Gross profit of £674,704 was £257,046 lower than in the comparative period (£931,750).

The Earnings before interest, tax, depreciation, amortisation, share-based payments and exceptional items ("EBITDA") was £279,231 lower than the previous year at £16,447 (2009: £295,678) with Operating expenses being materially unchanged. The Loss before income tax for the period was £374,030 (2009 loss: £153,531).

Net debt (the net of Cash and cash equivalents, Current portion of long term borrowings and Long term borrowings) at 30 June 2010 was £730,899, a reduction of £340,377 from £1,071,276 as at 30 June 2009.

Key Performance Indicators for Year Ending 31 December 2010

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

- Put Poppy Cat into production
- Contract a Poppy Cat master toy partner
- Sign up at least two more major retailers for Scarlett & Crimson in the UK in addition to Boots
- Sign two additional categories for licensing Scarlett & Crimson in the US
- Put at least 2 TV series into development for delivery from 2011

As can be seen both from the announcements we have made to date and from my report as set out above, 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.

Prospects

We firmly believe that the exciting assets we have in our portfolio will deliver attractive organic growth to the group. We also expect to pursue growth through acquisition, with this remaining a core motivation for the group for the foreseeable future. As a result of the timing of this year's television production activity we expect the second half of the year to be considerably stronger than the first. We remain confident in the trading outlook for the Company and are on course to meet expectations for the full year.

Consolidated Interim Statement of Comprehensive Income

	6 months to 30 June 2010 unaudited £	6 months to 30 June 2009 unaudited £	18 months to 31 Dec 2009 audited £
Gross income	961,670	2,058,899	6,689,557
Revenue	961,670	1,372,415	3,357,326
Cost of sales	(286,966)	(440,665)	(1,319,874)
Gross profit	674,704	931,750	2,037,452
Operating expenses	(658,257)	(636,072)	(1,834,996)
Earnings before interest, tax, depreciation, amortisation, share-based payment costs and exceptional items	16,447	295,678	202,456
Depreciation	(9,176)	(9,698)	(24,386)
Share-based payment costs	-	(19,128)	(69,150)
Exceptional items	-	-	(364,141)
Amortisation of intangible assets	(348,989)	(389,440)	(1,002,377)
Total administrative costs	(1,016,422)	(1,054,338)	(3,295,050)
Operating loss	(341,718)	(122,588)	(1,257,598)
Interest charged	(32,405)	(30,732)	(125,707)
Interest received	93	(211)	1,125
Loss before income tax	(374,030)	(153,531)	(1,382,180)
Income tax credit	87,236	97,003	261,346
Loss after tax	(286,794)	(56,528)	(1,120,834)
Other comprehensive income	-	-	-
Total comprehensive loss for the period	(286,794)	(56,528)	(1,120,834)
Profit attributable to minority interests	46,094	16,806	16,186
Loss attributable to parent's equity holders	(332,888)	(73,334)	(1,137,020)
Basic loss per share total and continuing	(0.7)	(0.2)	(3.5)
Diluted loss per share total and continuing	(0.7)	(0.2)	(3.5)

Consolidated Interim Statement of Financial Position

	as at 30 June 2010 unaudited £	as at 30 June 2009 unaudited £	as at 31 Dec 2009 audited £
ASSETS			
Non-current assets			
Property, plant and equipment	36,823	52,846	43,404
Goodwill	1,300,425	1,145,423	1,300,425
Other intangible assets	5,087,043	5,381,601	5,231,458
	<u>6,424,291</u>	<u>6,579,870</u>	<u>6,575,287</u>
Current assets			
Inventories	998,651	501,412	243,126
Trade and other receivables	925,206	890,988	935,593
Cash and cash equivalents	524,622	115,485	620,735
	<u>2,448,479</u>	<u>1,507,885</u>	<u>1,799,454</u>
Total assets	<u>8,872,770</u>	<u>8,087,755</u>	<u>8,374,741</u>
LIABILITIES			
Current liabilities			
Trade and other payables	(1,044,592)	(995,203)	(751,287)
Production financing borrowings	(695,000)	-	-
Current portion of long term borrowings	(325,220)	(274,395)	(309,260)
	<u>(2,064,812)</u>	<u>(1,269,598)</u>	<u>(1,060,547)</u>
Non-current liabilities			
Deferred consideration	(34,000)	(51,000)	(51,000)
Deferred tax liabilities	(1,233,230)	(1,407,704)	(1,320,468)
Long term borrowings	(930,301)	(912,366)	(1,045,505)
	<u>(2,197,531)</u>	<u>(2,371,070)</u>	<u>(2,416,973)</u>
Total liabilities	<u>(4,262,343)</u>	<u>(3,640,668)</u>	<u>(3,477,520)</u>
Net Assets	<u>4,610,427</u>	<u>4,447,087</u>	<u>4,897,221</u>
EQUITY			
Attributable to the equity holders of the Company			
Share capital	5,142,708	4,998,958	5,142,708
Share premium account	5,519,046	4,572,281	5,519,046
Profit and loss account	(6,071,908)	(5,148,259)	(5,739,020)
Total shareholders equity	<u>4,589,846</u>	<u>4,422,980</u>	<u>4,922,734</u>
Minority interest in equity	20,581	24,107	(25,513)
Total equity	<u>4,610,427</u>	<u>4,447,087</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 at 1 July 2008	4,905,208	3,969,411	-	(4,671,150)	4,203,469
Transactions with owners					
Issue of share capital	93,750	602,870	-	-	696,620
Share-based payment costs	-	-	-	56,952	56,952
Minority interest acquired	-	-	7,301	-	7,301
	<u>93,750</u>	<u>602,870</u>	<u>7,301</u>	<u>56,952</u>	<u>760,873</u>
Loss and total comprehensive loss for the period	-	-	16,806	(534,061)	(517,255)
Balance at 30 June 2009	4,998,958	4,572,281	24,107	(5,148,259)	4,447,087
Transactions with owners					
Issue of share capital	143,750	946,765	-	-	1,090,515
Share-based payment costs	-	-	-	12,198	12,198
Minority interest acquired	-	-	(49,000)	-	(49,000)
	<u>143,750</u>	<u>946,765</u>	<u>(49,000)</u>	<u>12,198</u>	<u>1,053,713</u>
Loss and total comprehensive loss for the period	-	-	(620)	(602,959)	(603,579)
Balance at 31 December 2009	5,142,708	5,519,046	(25,513)	(5,739,020)	4,897,221
Transactions with owners					
Loss and total comprehensive loss for the period	-	-	46,094	(332,888)	(286,794)
Balance at 30 June 2010	<u>5,142,708</u>	<u>5,519,046</u>	<u>20,581</u>	<u>(6,071,908)</u>	<u>4,610,427</u>

Consolidated Interim Statement of Cash Flows

	6 months to 30 June 2010 unaudited £	6 months to 30 June 2009 unaudited £	18 months to 31 Dec 2009 audited £
Cash flows from operating activities			
Loss before taxation	(374,030)	(153,531)	(1,382,180)
Adjustments for:			
Depreciation	9,176	9,698	24,386
Amortisation of intangible assets	348,989	389,440	1,002,377
Share-based payment costs	-	19,128	69,150
Interest expense	32,312	30,943	124,582
Increase in inventories	(50,247)	(189,934)	(71,385)
Decrease/(Increase) in trade and other receivables	10,388	(364,224)	(516,791)
Increase/(Decrease) in trade payables	260,896	28,333	(10,487)
Cash generated/(absorbed) by operations	237,484	(230,147)	(760,348)
Interest paid	(18,707)	31,281	(46,536)
Income taxes paid	-	(3,325)	(6,609)
Net cash generated/(absorbed) by operating activities	218,777	(202,191)	(813,493)
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	(17,000)	(200,080)	(1,600,452)
Purchase of property, plant and equipment	(2,595)	(65,518)	(6,169)
Purchase of other intangible assets	(38,542)	-	(221,236)
Television production	(871,309)	-	(324,862)
Interest received	93	(211)	1,125
Net cash absorbed by investing activities	(929,353)	(265,809)	(2,151,594)
Cash flows from financing activities			
Proceeds from issue of share capital	-	-	1,900,000
Share issue costs	-	-	(112,865)
Preference shares redeemed	-	(20,000)	(20,000)
Bank facility utilisation	614,463	286,761	1,354,765
Net cash generated by financing activities	614,463	266,761	3,121,900
Net (decrease)/increase in cash and cash equivalents	(96,113)	(201,239)	156,813
Cash and cash equivalents at beginning of period	620,735	316,724	463,922
Cash and cash equivalents at end of period	524,622	115,485	620,735

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 1st 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 2010 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 2009 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.

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 23 September 2010. 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 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 2009.

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 2009, except for the adoption of the following standards as at 1 January 2010:

- IFRS 3 Business combinations (revised 2008)
- IAS 27 Consolidated and Separate Financial Statements (revised 2008)
- Improvements to IFRS's 2009

The adoption of these Standards and Interpretations has had no material impact on the condensed consolidated interim financial statements.

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 2010			
	unaudited			
	£	£	£	£
	Licensing & Merchandising	Film & Television	Unallocated	Group
Gross income	920,235	41,435	-	961,670
Revenue	920,235	41,435	-	961,670
Cost of sales	(281,108)	(5,858)	-	(286,966)
Gross profit	639,127	35,577	-	674,704
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)
Net assets	4,500,713	1,625,925	(1,516,211)	4,610,427
	6 months to 30 June 2009			
	unaudited			
	£	£	£	£
	Licensing & Merchandising	Film & Television	Unallocated	Group
Gross income	863,282	1,195,617	-	2,058,899
Revenue	863,282	509,133	-	1,372,415
Cost of sales	(256,489)	(184,176)	-	(440,665)
Gross profit	606,793	324,957	-	931,750
Non current assets	6,044,406	519,119	16,345	6,579,870
Current assets	714,207	535,285	258,393	1,507,885
Current liabilities	(384,262)	(219,779)	(665,557)	(1,269,598)
Non current liabilities	(1,389,885)	(68,819)	(912,366)	(2,371,070)
Net assets	4,984,466	765,806	(1,303,185)	4,447,087
	18 months to 31 Dec 2009			
	audited			
	£	£	£	£
	Licensing & Merchandising	Film & Television	Unallocated	Group
Gross income	1,916,621	4,772,936	-	6,689,557
Revenue	1,916,621	1,440,705	-	3,357,326
Cost of sales	(555,713)	(764,161)	-	(1,319,874)
Gross profit	1,360,908	676,544	-	2,037,452
Non current assets	5,738,265	825,883	11,139	6,575,287
Current assets	610,858	596,554	592,042	1,799,454
Current liabilities	(414,537)	(143,670)	(502,340)	(1,060,547)
Non current liabilities	(1,306,951)	(64,517)	(1,045,505)	(2,416,973)
Net assets	4,627,635	1,214,250	(944,664)	4,897,221

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

Notes to the Consolidated Interim Financial Statements continued

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 2010	6 months to 30 June 2009	18 months to 31 Dec 2009
Loss for the year attributable to the parent's equity holders, basic and diluted	(332,888)	(73,334)	(1,137,020)
Weighted average number of ordinary shares in issue during the period	48,276,043	33,901,043	32,842,034
Basic EPS (pence)	(0.7p)	(0.2p)	(3.5p)
Weighted average number of shares under option during the period	162,509	-	-
Weighted average number of ordinary shares in issue or under option during the period	48,438,552	33,901,043	32,842,034
Fully diluted EPS (pence)	(0.7p)	(0.2p)	(3.5p)

6. Bank facilities

As at 30 June 2010 the Group was utilising a bank facility of £1.3m 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 2014.

The Production finance borrowings represent the additional facility secured through Coutts & Co to cashflow the production of the Poppy Cat television series, in advance of the receipt of contracted payments.