

coolabi plc

25 March 2010

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

Final unaudited results for the 18 months ended 31 December 2009

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 18 months ended 31 December 2009.

Financial Highlights

- EBITDA of £0.20m (12 months to 30 June 2008: loss of £0.25m), an improvement of £0.45m
- Gross profit of £2.04m (12 months to 30 June 2008: £0.93m), an improvement of £1.11m

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

- EBITDA of £0.38m (12 months to 31 December 2008: loss of £0.24m), an improvement of £0.62m
- Gross profit of £1.64m (12 months to 31 December 2008: £0.93m), an improvement of £0.71m

Corporate Highlights

- Acquisitions of Licensing By Design Ltd. and Ambler, Innes and Creasey literary estates

Operational Highlights

- *Purple Ronnie* – continued growth in key categories (greetings card revenue up nearly a third calendar 2009 over calendar 2007; book sales up 20% year on year for Valentine's Day 2010 over 2009); US launch on iPhone
- *Scarlett & Crimson* – strong uptake of cosmetics range with Boots and announcement today of exciting partnership with Superdrug
- *Poppy Cat* – new animated series commissioned and now in development
- *Bagpuss, Clangers & Ivor the Engine* – 4 year extension to distribution agreement; 60,000 Bagpuss soft toys sold in 2009
- *Production – The Large Family (series 2) and Dead Gorgeous* both produced and delivered in the year

Commenting on the results William Harris, Chairman of Coolabi, said:

"This has been a transformational period for the Group. We have achieved the dual targets of delivering material organic growth and, as a consequence, a positive EBITDA, whilst at the same time enhancing the underlying value of each assets in our portfolio of intellectual properties.

"We now have a portfolio of diversified assets at different stages of development, a number of which we expect to make a contribution for the first time in 2010, thereby further enhancing our EBITDA growth profile.

"Trading in the first quarter of 2010 has been in line with our expectations. The timing of a number of projects is such that we expect the second half of the year to be considerably stronger than the first and we remain confident of our ability to deliver strong EBITDA growth in the future."

Contacts

Coolabi plc

Jeremy Banks, Chief Executive
Tim Ricketts, Finance Director

Tel: 020 7258 7080

Evolution Securities

Bobbie Hilliam / Chris Clarke

Tel: 020 7071 4300

Walbrook PR Ltd

Paul McManus
Louise Goodeve

Tel: 020 7933 8780

Mob: 07980 541 893 or paul.mcmanus@walbrookpr.com
Mob: 07823 530 346 or louise.goodeve@walbrookpr.com

Chairman's Statement

Overview

I am pleased to present the Group's results for the 18 months to 31 December 2009. This period has once again seen very good progress made across all our principal assets and, having previously enhanced the prospects of the group through strategic acquisitions, I am delighted that the management team has delivered such attractive organic growth and, in particular, delivered outstanding gross profit and EBITDA growth, despite the prevailing economic climate.

Results

We are today reporting a positive EBITDA (Earnings before interest, tax, depreciation, amortisation, share based payment costs and exceptional items) of £0.20m for the 18 months ended 31 December 2009 ("2009"), as opposed to a loss of £0.25m in the year ended 30 June 2008 ("2008"). The loss before tax rose to £1.38m (2008: £0.99m), largely due to a significant increase in the amortisation of intangible assets, a non-cash item, and also an exceptional charge principally relating to aborted acquisition costs. A full breakdown of this charge is provided in the Finance Director's Review.

During the year the Directors decided to change the period end from 30 June to 31 December in order to improve the usefulness of the financial statements and so comparative figures are for the 12 months ended 30 June 2008.

Share Placings & Acquisitions

On 23 October 2008, we announced the acquisition of 100% of Licensing By Design Limited (LBD). Enduring British children's classics Bagpuss, Clangers and Ivor The Engine were created by the renowned partnership of Oliver Postgate and Peter Firmin and are owned by them and their heirs. Through the acquisition of LBD, we act as licensing and merchandising agent on behalf of the owners. The cash consideration for the acquisition was £400,000. In order to finance this acquisition and to provide capacity for further small acquisitions and working capital for the Company, Coolabi raised £750,000 (gross) by way of a placing of 9,375,000 new Ordinary Shares of one penny each at a price of 8 pence per share.

This was followed on 3 March 2009, when it was announced that 51% of Eric Ambler Literary Management Limited, 100% of Michael Innes Literary Management Limited and 100% of John Creasey Literary Management Limited had been acquired for an initial consideration of £85,000. We believe these literary estates have good potential for growth and that there is scope to acquire other attractive literary estates and to build a significant presence in this lucrative market.

On 21 October 2009, we raised approximately £1.15 million (gross) by way of a placing of 14,375,000 new Ordinary Shares of one penny each at a price of 8 pence per share to invest in our properties, most notably Purple Ronnie, Scarlett & Crimson and Poppy Cat. Investment in these opportunities will help the Company to continue its EBITDA growth in the future.

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 18 months.

Outlook

This has been a transformational period for the Group. We have achieved the dual targets of delivering material organic growth and, as a consequence, a positive EBITDA, whilst at the same time enhancing the underlying value of each asset in our portfolio of intellectual properties.

We now have a portfolio of diversified assets at different stages of development, a number of which we expect to make a contribution for the first time in 2010, thereby further enhancing our EBITDA growth profile.

Trading in the first quarter of 2010 has been in line with our expectations. The timing of a number of projects is such that we expect the second half of the year to be considerably stronger than the first and we remain confident of our ability to deliver strong EBITDA growth in the future.

William Harris
Chairman

25 March 2010

Chief Executive's Review

Coolabi has continued to make good progress in the 18 months to 31 December 2009, driving value and revenue growth across both our own and our licensed properties. The results we are announcing today confirm we have once again delivered on market expectations and that we have achieved the key deliverable of gross profit and EBITDA growth (up 120% and 181% respectively), against the background of very tough economic conditions.

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. We have focussed our attention on building long-term, sustainable value by acquiring or developing low-risk IP assets and the period under review has seen the group concentrate on driving good organic growth from those assets.

I am excited about our current slate of IP assets that is diversified in terms of both genre and media of exploitation. There is also a good mix of established properties, those in their infancy and others in development. Importantly, our IP assets are also diversified between those that do not require TV exposure in order to deliver attractive long-term returns and those that do embrace TV, but only when the cost of production is substantially covered by third parties and a tier 1 broadcaster is attached.

Our focus, therefore, is to enhance the underlying value of each property whilst at the same time delivering improved revenues from them. The activity across our portfolio and the stage of development of our IP assets can be summarised as follows:

i) Purple Ronnie

100% owned and a British institution with a track-record of success dating back more than 20 years. Well established and growing in its core categories in the UK (greetings cards and books) with the potential to expand into new categories and territories. Purple Ronnie is our key wholly-owned asset and we are delighted to report further significant progress in the period under review.

The attractions of Purple Ronnie to us, when acquiring it in 2007, were its enduring track record of generating significant cashflow in the UK, its resilience to economic cycles and its minimal requirement for capital investment. It is typical of this industry that investment in TV production is often required to maintain the affections of a property with the public and hence its returns from licensing – that is not the case with Purple Ronnie. Additionally, it had established itself, over its life, in a range of key categories, diversifying its exposure to and therefore its reliance upon any particular one.

Brand development

Our strategy has been firstly, to review the key aspects of the brand, 'what makes it tick', and then build the brand plan around maximising its long-term sustainable earnings in its key categories of greetings cards, books and general gifts firstly in the UK but with a view to opening new international opportunities.

In developing the brand we have looked to build on its legacy with the public as a pre-eminent vehicle for social expression but also developing it for new audiences. One particular initiative in 2009 was Purple Ronnie's Stand-Up Poetry Club, which launched at the Edinburgh Festival with Phil Jupitus headlining, followed by a series of gigs in London. This positioned the brand with a younger adult target and had the dual appeal of raising the profile of the brand around one of its key strengths, poetry.

We have also focussed on creating Purple Ronnie's digital presence:

- Purple Ronnie's Express Yourself, the new online home of Purple Ronnie (www.purpleronnie.com), has just been launched where users are able to design their own interactive Ronnie scenes or can use 'The Love Guru' to send more personal messages of affection! The next stage of development will include a further range of personalised Purple Ronnie products.
- Purple Ronnie also has his first iPhone app, Purple Ronnie's Create-A-Card, which was launched for Valentine's Day 2010. For 59 pence users can create their own customised greetings card for every occasion to send to friends and family.
- All of this activity is supported by dedicated pages on Facebook, MySpace, Bebo and Twitter.

We are also pleased to report significant commercial progress with Purple Ronnie during the period.

Category progress – greeting cards

Purple Ronnie has increased its share in its most popular category of greeting cards. Hallmark reported an increase in royalties of nearly a third in calendar 2009 compared to calendar 2007 (the year in which the asset was bought) despite the backdrop of difficult market conditions. In addition, the reach of the brand has once again been extended with all major supermarkets now stocking cards.

Print on Demand (POD), where consumers can create their own physical card online, is a growing greeting card market trend. Hallmark has invested in this area with Purple Ronnie as a key component. Early indications are that POD revenues could show good growth next year. Off the back of this success, the recently developed POD Humour range is now also going to be launched at retail from 2010.

Category progress – publishing

The three year product development partnership with Macmillan is now half way through its cycle. Macmillan has produced new books that focus on the brand's strength during annual occasions – The World's Best Boyfriend, The World's Best Girlfriend (Valentine's), The World's Best Mum (Mother's Day) and The World's Best Dad (Father's Day) were released during 2009. In addition, a new male targeted title, The Ultimate Toilet Book, was released in time for the Christmas humour market alongside a new doodle book format, Totally Doodle, with publisher Michael O'Mara.

This raft of new titles adds to an already substantial back catalogue of successful titles that goes from strength to strength:

- Most recently, for Valentine's Day 2010, Macmillan has reported a 20% year-on-year increase in sales and four titles made it into the top ten of the Sunday Times Best Seller list.
- Macmillan has also reported a strong sell-in for the new Mother's Day title ("Reasons Why You're a Super Mum") and is further expanding the reach of the books by launching Purple Ronnie's Secret Santa for Christmas 2010.

Category progress – gifts

The success of our strategy in greetings cards and publishing and the momentum being seen in those categories is now being utilised to create wider opportunities at retail, with a number of new licensees having been signed. Each licensee has a preferred partner status with specific retailers. For example, a dedicated Valentine's novelty gifting range was presented in over 650 Clinton's stores representing a value at retail of over £0.5 million and the new book being launched for Father's Day ("Reasons Why You're a Super Dad") has created a wider themed opportunity at retail - Clinton's will be featuring mugs and tankards (from licensee Only4U) and promoting The Prostate Cancer Charity with a set of four themed badges (from licensee Big Badge).

North America

As announced in May 2009, Big Tent Entertainment was appointed to look after Purple Ronnie in North and South America. Big Tent's strategy for Purple Ronnie is to launch the brand digitally in order to raise awareness among consumers and this commenced early in 2010 with the launch of a self-funded iPhone application. Purple Ronnie's Pix Poetry allows consumers to customise poems and illustrations with their own photos and send an animated card to friends and family, all for one download price of 99 cents.

ii) Scarlett & Crimson

Tween/teen girl property with recent book launches in the US & UK. Successful cosmetics range, in association with Ruby Hammer and Millie Kendall, to be available in Superdrug in 2010.

Scarlett & Crimson is in its infancy as a property compared with the more established Purple Ronnie brand. 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. With its first range of products launching only recently in the UK and the US, it is rapidly gaining momentum and we are very pleased with the progress made during the period and are excited about its potential for the future.

Brand development

Scarlett & Crimson has been developed so as to create a successful international licensing property that is not dependent on having a TV presence for its success. In so doing, we once again avoid the need to invest significant amounts of money in the property in advance of its launch. The property has been developed to have a platform of credibility in its key sector of fashion, with its own make-up and fashion range, and to have a developing on-line community.

Scarlett & Crimson's association with Ruby Hammer and Millie Kendall, established icons in the cosmetics industry through their company, Ruby & Millie, has significantly raised the profile of the property. It is estimated that the association with Ruby & Millie helped generate an eleven million plus press circulation campaign during the course of 2009.

Category progress – publishing & online

The first three books in our 16 book output deal with Simon & Schuster were launched in the US in Autumn 2009, primarily through Barnes and Noble and independent retailers. Simon & Schuster launched the first two titles in the UK via Waterstone's during the same period. The followers of Scarlett & Crimson now have an online home with the launch of www.scarlettandcrimson.com, where there is a focus on music creation and the band from the books, Darqstarz. The girls also have their own Facebook, Bebo and MySpace pages.

Category progress – cosmetics

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 range achieved almost 100% sell through and over £400k value at retail.

Following this success, as announced today, a brand new everyday cosmetics and accessories range will be launched in Superdrug in April 2010; over 400 stores will stock cosmetics self-select ranges and 180 stores will stock the accessories range. The combined first production run of stock represents potential retail value of well over £1 million. This activity provides us with a springboard for driving the whole brand in 2010.

North America

Importantly, the early success of Scarlett & Crimson has not been confined to its home market. Agents have been appointed in a number of territories and in the US our new licensing agent has negotiated a master apparel licence with Awake (Jem Sportswear), who are developing product ranges for presentation for Back to School Autumn 2010 and Spring 2011 and are co-ordinating product development presentations for a number of other categories.

This positive progress has continued into 2010 and I look forward to announcing a number of new initiatives in accordance with our KPIs as the year progresses.

iii) 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 will own the copyright in the series with its co-production partner and therefore will benefit directly from substantially all of the ancillary exploitation derived from the series, with normal payaways to other founder partners.

Development for the new animated television series of Poppy Cat is now well underway and the broadcaster in the UK and Australia will be Nickelodeon Jr. In addition to the international Nickelodeon sales, five additional pre-sales have also been concluded. Animation is being produced by our established award-winning co-production partner, King Rollo Films. To ensure the best possible chance of success for the US market, our development team also includes two established US 'showrunners', who have previously worked on Rugrats, Olivia and Mr Men, and a prominent US educational advisor.

The series capitalises on a core brand value of Poppy Cat, that of adventure. This will serve to strengthen the product proposition with potential licensing partners. Pitches to prospective toy partners will begin as soon as the creative materials for the series become available.

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 the existing TV series.

Bagpuss, Clangers and Ivor The Engine were created by the renowned partnership of Oliver Postgate and Peter Firmin and are owned by them and their heirs. Through the acquisition of Licensing By Design (LBD) during the period under review, we act as licensing and merchandising agent on behalf of the owners.

These properties hold an unrivalled affection in the hearts of the British public, as most recently evidenced by an onepoll.com survey earlier this month that placed Bagpuss at number 5 in the Top 10 list of kids TV shows that adults most wanted to return to our screens.

Coolabi has the ability to develop new audio-visual materials and concepts with the owners' approval and we are exploring a number of exciting opportunities with them.

The Coolabi team contains a number of individuals with a track record of success in reinvigorating classic, much loved properties such as those represented by LBD. Early efforts have been focused on both the renewal of existing and the negotiation of new licensing agreements. This has delivered some early successes; for example, 2009 saw sales of over 60,000 Bagpuss soft toys.

We were also pleased to secure a four year extension to our licence to distribute the existing series of Bagpuss, Clangers and, for the first time, Ivor The Engine and a new contract was signed for series distribution of all three properties on iTunes. Bagpuss (13 X 11 minute pre-school animation) and Clangers (26 X 5 minute pre-school animation) continued to air daily on Nick Jr.

v) Literary Estates

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

The Eric Ambler, Michael Innes and John Creasey literary estates were acquired in 2009 and we believe there is scope to acquire other attractive literary estates and to build a significant presence in this lucrative market.

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 and starring Peter Ustinov.

Good early progress has been made and five of Ambler's titles were re-launched by Penguin Classics to celebrate the author's centenary and have sold well. As previously reported, we are encouraged by some of the interest shown by third parties in re-introducing certain works derived from these literary estates to new TV and film audiences.

vi) Television Production

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

We own the following IP assets where the principal source of revenue is TV production and distribution:

(a) The Large Family

A co-production for BBC/TF1 about a family of elephants based on the successful series of books by Jill Murphy. Coolabi owns the copyright in the production with its co-production partner.

Following the significant ratings success of series 1, BBC and TFI commissioned a second series of The Large Family, with BBC Worldwide again handling international distribution as well as licensing and merchandising on our behalf. This was delivered from Autumn 2009 and commenced airing from Christmas 2009. Early indications are that series 2 is enjoying similar levels of audience viewership. Series 1 continued to be aired daily on CBeebies throughout most of 2009 and has been sold to over 35 territories.

(b) Dead Gorgeous

BBC/ABC Australia children's live-action co-production. Coolabi owns the copyright in the production with its co-production partner.

Production of the live action comedy drama series for tweens with partners CBBC, ABC (Australia), Burberry Productions, Screen Australia, Film Victoria and Cake distribution has been completed. The production was fully funded and the development of commercially attractive live action series will continue to be a core part of our TV production strategy. The series is a wholly-owned Coolabi Productions concept and has recently launched on both BBC2 and CBBC in the UK and will launch on ABC in April 2010.

(c) Other Television Assets

Our other television assets include The Worst Witch, Fungus The Bogeyman, King Arthur's Disasters and The Famous 5.

The Worst Witch (79 X 30 minute live action comedy) was screened on CiTV during 2009 and is distributed on our behalf by ITV Studios Global Entertainment, which has over 80 deals on the books including broadcast, home video and in-flight outlets.

King Arthur's Disasters (26 X 11 minute animation) continued to air twice daily on Nickelodeon and Nicktoons in the UK. Distributed by Cake, it has been sold to over 25 territories and Cartoon Network (Europe) and ABC (Australia) have recently renewed their respective licences.

Sir Gadabout (26 X 26 minute 6-9 live action comedy) aired again on CiTV in 2009.

Achievement of Key Performance Indicators

The achievement of the 8 key objectives for the year to 30 June 2009 was confirmed in the Interim Statement for that 12 month period.

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 in the UK in addition to Boots (in announcing our partnership with Superdrug today, we are pleased to have partly achieved this key objective)
- Sign two additional categories for licensing Scarlett & Crimson in the US
- Put at least 2 TV series into development for delivery from 2011

I look forward to updating you on our progress in achieving these during the course of the year.

Jeremy Banks
Chief Executive

Finance Directors' Review

Highlights

Financial Key Performance Indicators

- *EBITDA* (Earnings before interest, tax, depreciation, amortisation, share based payment costs and exceptional items) improved 181% to a profit of £202k in 18 months ended 31 December 2009 ("2009") from a loss of £250k in the 12 months ended 30 June 2008 ("2008").
- *Gross profit* increased by 120% to £2,037k in 2009 from £926k in 2008.
- *Normalised operating cash absorbed* by the business (net cash absorbed by operating activities adjusting for the cashflow effect of exceptional items) has increased by £43k to an absorption of £449k in 2009 from an absorption of £406k in 2008 due to working capital movements particularly with regard to production activity.

The move into positive EBITDA, has been achieved because of the increases in gross margin generated from licensing, £715k, and production, £397k. Licensing benefits from the growth in Purple Ronnie, the acquisition of Licensing by Design and it being an 18 month period, and production had two series being delivered in the period as opposed to the comparative period's one.

Critically, Operating expenses have continued to be tightly controlled, the ratio of Operating expenses to Gross profit improving to 0.9 times this period from 1.3 last year.

During the year 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 current 18 month period. On a pro forma calendar year basis EBITDA has increased to £380k for the year ending 31 December 2009 as opposed to a loss of £239k for the year ended 31 December 2008. Further analysis of the 2009 calendar year results is set out below.

As previously reported, in October 2008, the Company entered into new banking facilities with Coutts & Co. for an aggregate value of up to £2m.

Consolidated Income Statement

Revenue in the period increased 111% to £3,357k (2009: £1,590k). Gross income, which includes the value of film & television licence fees on productions delivered during the year that were contracted directly through co-production companies, has increased from £1,589k to £6,690k, an increase of 321%.

Licensing & merchandising revenue accounts for £1,086k of that increase due to growth in Purple Ronnie and the acquisition of Licensing by Design Ltd. Film & television revenue, which this year included the delivery of Dead Gorgeous and The Large Family Series 2, is up 90% to £1,441k in 2009 from £759k in 2008. Film & television Gross Income, is up 529% to £4,773k in 2009 from £759k in 2008. Gross margin increased from 58% to 61%. Operating expenses were £1,835k (2008: £1,175k), the increase being due to the 18 month period. The ratio of Operating expenses to Gross profit has improved (from 1.3 times in 2008 to 0.9 times in the current year). EBITDA has improved by 181% to £202k (2008: loss of £250k).

Operating loss has increased to £1,258k from £912k in 2008 due to an increase in amortisation charged on intangible assets. This charge has increased by £471k as a result of the 18 month period, recent acquisitions of Licensing by Design Ltd and the Literary Estates businesses with the intangible assets recognised from these transactions being amortised in accordance with our accounting policies. Operating profit before amortisation

of intangible assets and exceptional items was £109k an improvement of £415k from the loss in 2008 of £306k.

As the group is in a net loss position, no tax is payable. IFRS accounting requires a provision for deferred tax to be created upon the recognition of intangible assets, which is then released to the income statement in line with the amortisation charge on these assets.

Earnings per share

Basic and diluted losses per share for the year are 3.5p (2008 – 3.5p).

Net Debt

Net Debt was £734k as at 31 December 2009 an increase of £1,198k from 30 June 2008. This is due to the Company entering into banking facilities with Coutts & Co primarily to finance the remaining deferred consideration payments arising from the acquisition of Purple Enterprises Limited, its smaller acquisitions during the period, its investment in brand development, in particular digital, and its working capital requirements.

Gross borrowings under these facilities were £1,355k as at 31 December 2009, with £309k falling due for repayment in the next 12 months.

Consolidated Balance Sheet

Goodwill and other intangible assets have a net book value of £6,532k as at 31 December 2009, an increase of £140k from 30 June 2008. This increase is due to the effect of the intangible assets arising on acquisitions and development during the period net of the amortisation provided in the year of £1,002k .

The deferred taxation provision of £1,320k arises as a result of the requirement under IFRS to provide for deferred taxation on intangible assets arising on acquisition. In accordance with its accounting policy the Group has not recognised a deferred tax asset on its accumulated trading losses which are £3,469k.

Pro-forma results for the year ending 31 December 2009

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

| | Year ended 31 December 2009 £'000 | Year ended 31 December 2008 £'000 |
|--------------|--|--|
| Gross Income | 6,160 | 1,241 |
| Revenue | 2,828 | 1,241 |
| Gross profit | 1,636 | 929 |
| EBITDA | 380 | (239) |

Tim Ricketts
Finance Director

Consolidated Statement of Comprehensive Income

| | 18 months to 31 December 2009 £ | 12 months to 30 June 2008 £ |
|---|--|--------------------------------------|
| Gross income | 6,689,557 | 1,589,585 |
| Revenue | 3,357,326 | 1,589,585 |
| Cost of sales | (1,319,874) | (664,050) |
| Gross profit | 2,037,452 | 925,535 |
| Operating expenses | (1,834,996) | (1,175,459) |
| Earnings before interest, tax, depreciation, amortisation, share-based payment costs and exceptional items | 202,456 | (249,924) |
| Depreciation | (24,386) | (9,201) |
| Share-based payment costs | (69,150) | (46,867) |
| Exceptional items | (364,141) | (74,569) |
| Amortisation of intangible assets | (1,002,377) | (531,549) |
| Total administrative costs | (3,295,050) | (1,837,645) |
| Operating loss | (1,257,598) | (912,110) |
| Interest charged | (125,707) | (104,749) |
| Interest received | 1,125 | 22,439 |
| Loss before income tax | (1,382,180) | (994,420) |
| Income tax credit | 261,346 | 146,279 |
| Loss after tax | (1,120,834) | (848,141) |
| Other comprehensive income | - | - |
| Total comprehensive loss for the period | (1,120,834) | (848,141) |
| Profit attributable to minority interests | 16,186 | - |
| Loss attributable to parent's equity holders | (1,137,020) | (848,141) |
| Basic loss per share total and continuing | (3.5) | (3.5) |
| Diluted loss per share total and continuing | (3.5) | (3.5) |

Consolidated Statement of Financial Position
Company number: 3735898

| | as at 31 December 2009 £ | as at 30 June 2008 £ |
|--|---|---|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 43,404 | 61,621 |
| Goodwill | 1,300,425 | 1,174,493 |
| Other intangible assets | 5,231,458 | 5,217,091 |
| | <u>6,575,287</u> | <u>6,453,205</u> |
| Current assets | | |
| Inventories | 243,126 | 171,741 |
| Trade and other receivables | 935,593 | 418,802 |
| Cash and cash equivalents | 620,735 | 463,922 |
| | <u>1,799,454</u> | <u>1,054,465</u> |
| Total assets | <u>8,374,741</u> | <u>7,507,670</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Trade and other payables | (751,287) | (1,498,044) |
| Current portion of long term borrowings | (309,260) | - |
| | <u>(1,060,547)</u> | <u>(1,498,044)</u> |
| Non-current liabilities | | |
| Deferred consideration | (51,000) | (356,126) |
| Deferred tax liabilities | (1,320,468) | (1,450,031) |
| Long term borrowings | (1,045,505) | - |
| | <u>(2,416,973)</u> | <u>(1,806,157)</u> |
| Total liabilities | <u>(3,477,520)</u> | <u>(3,304,201)</u> |
| Net assets | <u>4,897,221</u> | <u>4,203,469</u> |
| EQUITY | | |
| Attributable to the equity holders of the Company | | |
| Share capital | 5,142,708 | 4,905,208 |
| Share premium account | 5,519,046 | 3,969,411 |
| Profit and loss account | (5,739,020) | (4,671,150) |
| Total shareholders equity | <u>4,922,734</u> | <u>4,203,469</u> |
| Minority interest in equity | (25,513) | - |
| Total equity | <u>4,897,221</u> | <u>4,203,469</u> |

Consolidated Statement of Changes in Equity

| | Share capital | Share premium account | Minority interest | Profit & loss account | Total equity |
|---|------------------|-----------------------------|----------------------|-----------------------------|------------------|
| | £ | £ | £ | £ | £ |
| Balance as at 1 July 2007 | 4,905,208 | 3,979,411 | - | (3,908,733) | 4,975,886 |
| Transactions with owners | | | | | |
| Cost of consolidation of share capital | - | (10,000) | - | - | (10,000) |
| Share-based payment costs | - | - | - | 85,724 | 85,724 |
| | - | (10,000) | - | 85,724 | 75,724 |
| Loss and total comprehensive loss for the period | - | - | - | (848,141) | (848,141) |
| Balance at 30 June 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 period | - | - | 16,186 | (1,137,020) | (1,120,834) |
| Balance as at 31 December 2009 | 5,142,708 | 5,519,046 | (25,513) | (5,739,020) | 4,897,221 |

Consolidated Statement of Cash Flows

| | 18 months to 31 December 2009 £ | 12 months to 30 June 2008 £ |
|---|--|--------------------------------------|
| Cash flows from operating activities | | |
| Loss before taxation | (1,382,180) | (994,420) |
| Adjustments for: | | |
| Depreciation | 24,386 | 9,201 |
| Amortisation of intangible assets | 1,002,377 | 531,549 |
| Share-based payment costs | 69,150 | 46,867 |
| Interest expense | 124,582 | 82,310 |
| (Increase)/Decrease in inventories | (71,385) | 254,218 |
| (Increase)/Decrease in trade and other receivables | (516,791) | 29,124 |
| (Decrease)/Increase in trade payables | (10,487) | (438,948) |
| Cash absorbed by operations | (760,348) | (480,099) |
| Interest paid | (46,536) | (200) |
| Income taxes paid | (6,609) | - |
| Net cash absorbed by operating activities | (813,493) | (480,299) |
| Cash flows from investing activities | | |
| Acquisition of subsidiaries, net of cash acquired | (1,600,452) | (381,833) |
| Purchase of property, plant and equipment | (6,169) | (56,551) |
| Purchase of other intangible assets | (221,236) | - |
| Television production | (324,862) | - |
| Interest received | 1,125 | 22,439 |
| Net cash absorbed by investing activities | (2,151,594) | (415,945) |
| Cash flows from financing activities | | |
| Proceeds from issue of share capital | 1,900,000 | - |
| Share issue costs | (112,865) | (10,000) |
| Preference shares redeemed | (20,000) | - |
| Bank facility utilisation | 1,354,765 | - |
| Net cash generated by/(used in) financing activities | 3,121,900 | (10,000) |
| Net increase/(decrease) in cash and cash equivalents | 156,813 | (906,244) |
| Cash and cash equivalents at beginning of period | 463,922 | 1,370,166 |
| Cash and cash equivalents at end of period | 620,735 | 463,922 |

Principal Accounting Policies

General

The directors approved this preliminary announcement on 24th March 2010.

Those 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 48 Broadley Terrace, London NW1 6LG.

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 current period encompasses 18 months and the previous period 12 months – the figures presented in these statements are therefore not directly comparable.

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

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below and are in accordance with the Companies Act 2006 and applicable International Financial Reporting Standards.

The Group has elected to adopt IAS1 Presentation of Financial Statements (revised 2007). This impacts only the presentation of the Group's financial statements - consequently the board has elected not to show a restatement of the prior year position. There are no changes to the balance sheet as a result of new accounting policies or otherwise.

Principal Accounting Policies continued

Basis of preparation continued

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:

- IASB Improvements Project (effective for financial years commencing 1 July 2009 or 1 January 2010)
- IFRS 2 (Amendment): Group Cash-settled Share-based Payment Transactions (effective for financial years commencing 1 January 2010)
- IAS 39 (Amendment): Financial Instruments: Recognition and Measurement: Eligible Hedged Items (effective for financial years commencing 1 July 2009)
- IFRS 3 (Revised): Business Combinations (effective for financial years commencing 1 July 2009)
- IFRS 8: Operating Segments (effective for financial years commencing 1 January 2009)
- IAS 27 (Amendment): Consolidated and Separate Financial Statements (effective for financial years commencing 1 July 2009)
- IFRIC 17: Distribution of Non-cash Assets to Owners (effective for financial years commencing 1 November 2009)
- IFRIC 18: Transfers of Assets from Customers (effective for financial years commencing 1 November 2009)

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the consolidated financial statements of the Group as reported except for additional disclosures. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these consolidated financial statements.

The Group has elected not to adopt IFRS 8 early, although to do so would have no material impact upon the disclosures presented in these statements.

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 December 2009. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Principal Accounting Policies continued

Business combinations completed prior to date of transition to IFRS

The Group has elected not to apply IFRS 3 Business Combinations retrospectively to business combinations prior to 1 July 2006.

Accordingly, the classification of the combination (acquisition, reverse acquisition or merger) remains unchanged from that used under UK GAAP. Assets and liabilities are recognised at date of transition if they would be recognised under IFRS, and are measured using their UK GAAP carrying amount immediately post-acquisition as deemed cost under IFRS, unless IFRS requires fair value measurement. Deferred tax and minority interest are adjusted for the impact of any consequential adjustments after taking advantage of the transitional provisions.

The transitional provisions used for past business combinations apply equally to past acquisitions of interests in associates and joint ventures.

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 Group recognises intangible assets acquired as part of business combinations at fair value at the date of acquisition. The determination of these fair values is based upon management's judgement and includes assumptions on the timing and amount of future incremental cash flows generated by the assets and selection of an appropriate cost of capital. Furthermore, management must estimate the expected useful lives of intangible assets and charge amortisation on these assets accordingly.

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.

Deferred and contingent consideration

Where deferred consideration is payable in cash and discounting would have a material effect the liability is discounted to its present value. Where the deferred consideration is contingent and dependent upon future trading performance, an estimate of the present value of the likely consideration payable is made.

Principal Accounting Policies continued

Revenue

Licensing and merchandising

Non-refundable advances are recognised upon contract signature. 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 has occurred.

Gross income

Gross income represents the sum of Revenue, as above, and the film and television licence fees received or receivable by the Group's contracted co-production partners. This is included to provide full understanding of the activity of the Group during the period.

Programme investments

Programme investments represent costs of production and are included as intangible fixed assets. The amount held on the balance sheet is the lower of the amount of anticipated future ancillary revenues and the amortised cost of the investment.

Intangible assets

Goodwill and intangible assets acquired through business combinations

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. 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 |

Material residual value estimates are updated as required, but at least annually, whether or not the asset is revalued.

Television Production

Production costs included in intangible assets are amortised against ancillary income associated with the production.

Principal Accounting Policies continued

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.

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 at their nominal value less any provision for impairment, based on the receivable ageing, the Group's previous experience with the debtor and known market intelligence. Any change in their value 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 their nominal value. 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".

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.

Principal Accounting Policies continued

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 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".

Taxation

Current tax is the tax currently payable based on taxable profit for the period.

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.

Principal Accounting Policies continued

Taxation continued

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.
- Shares to be issued: shares that have not yet been issued.
- 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 period.

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 a binomial 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

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 period.

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. In view of the pricing of share options currently in issue, these options are considered to have no dilutive effect.

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

| | 31 December 2009 £ | 30 June 2008 £ |
|---|-----------------------------------|-------------------------------|
| Loss for the period attributable to the parent's equity holders | (1,137,020) | (848,141) |
| Weighted average number of ordinary shares in issue during the period | 32,842,034 | 24,526,043 |
| Basic EPS (pence) | (3.5) | (3.5) |
| Weighted average number of ordinary shares in issue or under option during the period | 32,842,034 | 24,526,043 |
| Fully diluted EPS (pence) | (3.5) | (3.5) |

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 2009 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 2009 financial statements. Those financial statements have not yet been delivered to the registrar of companies, nor have the auditors reported on them.