

coolabi plc

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

Interim results for the six months ended 31 December 2007

Highlights:

- Turnover increased 22% to £878,435 for the 6 months to 31 December 2007 compared with the same period last year (31 December 2006: £717,530).
- Operating loss, before interest, tax, depreciation and amortisation, of £229,132 for the 6 months to 31 December 2007, a reduction of 29% compared with the same period last year (31 December 2006: £323,070).
- Successful acquisition and integration of Indie Kids Limited and Indie Kids International Limited.
- Series I of animated production *The Large Family* delivered on time and on budget. Its subsequent broadcast on CBeebies in the UK and TF1 in France continues to be a ratings success.
- Following the success of Series I, CBeebies has commissioned a second series of 26 x 11 minute episodes of *The Large Family*.
- 52 x 11 minute episodes of new animated series *Poppy Cat* commissioned by Nick Jr in the UK.
- Development deal announced with Disney Channel Worldwide's Global Original Programming Division, which has optioned the rights to the Coolabi property *The Shaila Show* (working title).
- Strong demand for *Purple Ronnie* products evidenced by:
 - Approximately 8 million *Purple Ronnie* greetings cards sold in the UK each year.
 - *Purple Ronnie* books have continued to feature on The Sunday Times' best-sellers' lists in the UK with '*Purple Ronnie's Little Book for a Lovely Mum*' reaching number 3 over Mothers' Day weekend and '*Purple Ronnie's Little Book for a Perfect Lover*' reaching number 10 over Valentine's Day week, with a further 8 *Purple Ronnie* titles in the top 100.
 - Two new titles, '*Purple Ronnie's Little Book for a Lovely Grandma*' and '*Purple Ronnie's Little Book for a Smashing Grandad*' will be published this summer.

Chairman of Coolabi, William Harris said:

"The momentum that was initiated during the previous financial period has continued to build into the current year. The assets that we now own will, we believe, deliver attractive growth to the group. However, it remains the case that whilst we own or represent some exciting intellectual property assets, transformational growth can only come from the successful conclusion of further acquisitions and this remains a focus for the group."

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Chairman's Statement

I am pleased to present the Company's interim results for the half-year to 31 December 2007 and to report on progress since the time of our preliminary results announcement in September last year.

The momentum that we initiated during the previous financial year has continued to build and I am pleased to report that there has been strong progress across both our principal brands and our operating divisions.

Strategy

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

Acquisitions

In September we completed the acquisition of 100% of Indie Kids Limited and Indie Kids International Limited (together, "Indie Kids"), our third acquisition in the space of a year.

Indie Kids is an established IP development and production business that has achieved significant success with household name programmes such as *The Worst Witch* and *Fungus the Bogeyman*. In addition Indie Kids has the continuing rights to produce further episodes of these series together with an exciting portfolio of new productions in development.

Production

When we acquired Indie Kids, it was in the process of producing a 26 episode animated series of *The Large Family*, based on the Jill Murphy series of books, for broadcast by the BBC and TF1 in France. The series was completed, delivered and broadcast in the period, rating very well in both countries. For example, despite only launching in October 2007, the show was one of the most popular programmes on the BBC's successful pre-school channel CBeebies in 2007.

I am delighted to report that this success has resulted in a further 26 episode series having recently been commissioned by the BBC. We are currently completing the rest of the financing for the series and are hopeful that we will commence production later this calendar year.

The acquisition of Indie Kids highlights the importance we place on the production businesses we acquire having an existing commission in place with a major UK broadcaster. This largely de-risks the proposition and delivers an immediate return on lower initial investment. Two of our recent acquisitions have been of small independent production businesses and both have delivered short-term financial upside as well as strong medium term growth potential as a result.

With Indie Kids, we have benefited from the immediate delivery of Series 1 of *The Large Family* and will benefit from the commission and delivery of the second series, together with any ancillary revenues generated as a result of the associated licensing and merchandising programme.

With the purchase of the Zenith Entertainment assets, an acquisition we made in September 2006, we benefited from the immediate delivery of the second series of *King Arthur's Disasters*. We have since announced a commission from Nick Jr in the UK for a 52 x 11 minute animated series of *Poppy Cat*, which was one of the development projects purchased as part of that acquisition. We are also now in the process of completing the financing of this production.

As a result of both these production acquisitions, we now have shows on air, and therefore ongoing relationships with, BBC, ITV and Nickelodeon in the UK and many other notable broadcasters in other territories. Furthermore, we have a development deal with Disney Channel Worldwide's Global Original Programming Division and are in discussions with a number of broadcasters which we hope will lead to the acquisition or commissioning of further projects.

From a standing start a little over 12 months ago, this represents significant progress and provides us with scope for good organic growth.

Licensing

Following the important acquisition of Purple Enterprises Limited in May 2007, *Purple Ronnie* has been a focus for us in the first half of the financial year, with emphasis placed on preparing the brand for the next stage of its development, both in the UK and overseas.

Purple Ronnie offers good growth potential and differs from the production assets we have acquired in that it is consistently cash-generative, thereby making an important cash contribution to the group whilst we invest in future growth. This important attribute will not be put at risk in order to achieve short-term upside.

Some early highlights include '*Purple Ronnie's Little Book for a Lovely Mum*' reaching number 3 in The Sunday Times best-sellers list over Mothers' Day weekend in the UK and '*Purple Ronnie's Little Book for a Perfect Lover*' reaching number 10 over Valentine's Day week, with a further 8 *Purple Ronnie* titles in the top 100. Two new titles, '*Purple Ronnie's Little Book for a Lovely Grandma*' and '*Purple Ronnie's Little Book for a Smashing Grandad*' will be published this summer.

We have also seen encouraging early signs from the roll-out of a new range of Hallmark greetings cards in all Clinton Cards stores as well as impressive like-for-like sales in the key grocers. Hallmark continues to sell approximately 8 million *Purple Ronnie* greetings cards each year in the UK alone.

With the UK now in good shape and geared for growth, we have been able to turn our attention to other territories. In the US, a new publishing deal for '*Purple Ronnie's little book for a Lovely Mom*' and '*Purple Ronnie's little book for a Smashing Dad*' has been signed with Andrews McMeel and '*Purple Ronnie's little book for a Lovely Mom*' has already sold out its initial 7,500 book print run into retailers for their Mothers' Day in May, with a further 5,000 books currently being printed as a result.

The greetings card test undertaken by Hallmark in the US in the latter part of 2007 performed well, but we don't expect it will lead to a full roll-out with that licensee at this point. Coolabi inherited the US test when it acquired Purple Enterprises and both the *Purple Ronnie* images and poems that were tested in the US are different from those that our subsequent research suggested would be successful. We have therefore been given an opportunity to design our own test launch in the US and are currently working with a number of potential partners in this regard.

We continue to develop other properties for exploitation internationally and are pleased with the creative progress that has been made in the first half with *Scarlett & Crimson*, in particular, as well as the early development of certain other intellectual property assets.

Financial Review of the Period

The net loss before tax for the period was £538,825 (2006: £334,938). However, the loss before interest, tax, depreciation and amortisation decreased by £93,938 to £229,132 in comparison with the six months to 31 December 2006 (2006: £323,070).

	Six months ended 31 December 2007 Unaudited	Six months ended 31 December 2006 Unaudited	Year ended 30 June 2007 Audited
	Total £	Total £	Total £
Gross profit	397,859	188,078	382,666
Less: Administrative costs	(626,991)	(511,148)	(1,007,162)
Loss before interest, tax, depreciation and amortisation	(229,132)	(323,070)	(624,496)

Revenue has increased by 22% year-on-year from £717,530 in the comparative period last year to £878,435 in these results, with growth of £329,932 in licensing revenues, driven by the Purple Enterprises Limited acquisition, being partly offset by a reduction in other revenue, largely production related, of £169,027.

Importantly though, production gross margin, the key measure of performance for any production business, remained unchanged year-on-year.

In compliance with AIM requirements, Coolabi plc has adopted International Financial Reporting Standards (IFRS) for the first time in these interim financial statements. The key impact on the Group's results is to provide for deferred tax on acquired intangible assets.

For the six month period to 31 December 2007 this decreased the loss after taxation by £71,000 compared to accounting under UK GAAP, and decreased it by £32,000 for the year ended 30 June 2007 from a loss after taxation of £794,845 under UK GAAP to £762,845 under IFRS.

The key adjustments implemented to ensure compliance with and transition to IFRS for the Group's reporting purposes are more fully explained in the notes to the accounts.

Share Consolidation

I am pleased to report that the share consolidation announced last September was successfully completed in November and did not lead to any subsequent erosion of the share price, as can often be the case in the period immediately after consolidation. Indeed, the share price has stood up pretty well to market conditions, only very recently succumbing to the prevailing negative market sentiment.

Key Performance Indicators

We previously set ourselves a number of key objectives for the year ending 30 June 2008 which we believe, if achieved, will both deliver improved financial results for that year and establish a sound basis for future growth. These are set out below.

Licensing	Production
<ul style="list-style-type: none"> • Consolidate the existing licensing categories for <i>Purple Ronnie</i> and increase the brand's retail presence 	<ul style="list-style-type: none"> • Put one property into production in 2008 with a UK broadcast partner secured
<ul style="list-style-type: none"> • Increase the number and value of <i>Purple Ronnie</i> licences in the UK 	<ul style="list-style-type: none"> • Put one property into development in 2008 with a major international broadcaster
<ul style="list-style-type: none"> • Launch two new <i>Purple Ronnie</i> publishing titles in the UK 	<ul style="list-style-type: none"> • Identify and deliver at least two opportunities for development in 2008 and delivery in 2009
<ul style="list-style-type: none"> • Launch <i>Purple Ronnie</i> as a publishing property in the US 	

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.

Board Changes

In January, we welcomed Stuart Lindsay on to the Board as a non-executive director. Stuart was a Corporate Finance Partner with Deloitte until 2003. He has since established his own consultancy business and acts as non-executive director or strategic advisor to a number of companies. Stuart now chairs the Board's Remuneration and Audit Committees.

At the same time, Lord Brabourne and Lawrence Chrisfield stood down as non-executive directors having served on the Board since the foundation of the Company in 1999. I'd like to thank Norton and Larry for the exceptional contributions they have made to Coolabi over many years. They have been outstanding supporters of the Company, investing their time, energy and money generously to help position Coolabi ready for acquisition and growth.

Prospects

As set out above, the momentum that was initiated during the previous financial period has continued to build into the current year. The assets that we now own will, we believe, deliver attractive growth to the group. However, it remains the case that whilst we own and/or represent some exciting intellectual property assets, transformational growth can only come from the successful conclusion of further acquisitions and this remains a focus for the group.

Consolidated Interim Income Statement for the six months ended 31 December 2007

	Six months ended 31 December 2007 Unaudited	Six months ended 31 December 2006 Unaudited	Year ended 30 June 2007 Audited
	Total £	Total £	Total £
Revenue	878,435	717,530	971,834
Cost of sales	(480,576)	(529,452)	(589,168)
Gross profit	397,859	188,078	382,666
Administrative costs	(626,991)	(511,148)	(1,007,162)
Amortisation of intangible assets	(268,826)	(10,371)	(94,651)
Share based payment costs	-	-	(26,720)
Exceptional item	-	-	(53,310)
Operating loss	(497,958)	(333,441)	(799,177)
Joint Venture – share of operating loss	-	(25)	-
Finance income	19,223	4,854	16,983
Finance cost	(60,090)	(6,326)	(12,651)
Net finance cost	(40,867)	(1,472)	4,332
Loss before taxation	(538,825)	(334,938)	(794,845)
Income tax	71,000	-	32,000
Loss for the period	(467,825)	(334,938)	(762,845)
Basic loss per ordinary share (note 3)	(1.9p)	(0.3p)	(0.4p)
Diluted loss per ordinary share (note 3)	(1.8p)	(0.3p)	(0.4p)
Losses per share derive from total and continuing operations			

Consolidated Interim Balance Sheet at 31 December 2007

	Six months ended 31 December 2007	Six months ended 31 December 2006	Year ended 30 June 2007
	Unaudited £	Unaudited £	Audited £
ASSETS			
Non current assets			
Property, plant and equipment	25,200	17,329	14,271
Goodwill	1,623,000	-	1,810,000
Intangible assets	5,399,242	106,879	5,291,318
	<u>7,047,442</u>	<u>124,208</u>	<u>7,115,589</u>
Current assets			
Inventory	283,182	10,500	37,159
Trade and other receivables	318,455	211,672	215,717
Cash and cash equivalents	726,639	321,026	1,370,166
	<u>1,328,276</u>	<u>543,198</u>	<u>1,623,042</u>
Total assets	<u><u>8,375,718</u></u>	<u><u>667,406</u></u>	<u><u>8,738,631</u></u>
LIABILITIES			
Current liabilities			
Trade and other payables	(679,776)	(607,609)	(463,614)
Non current liabilities			
Deferred tax liabilities	(1,820,000)	-	(1,778,000)
Deferred consideration	(1,356,750)	-	(1,500,000)
	<u>(3,856,526)</u>	<u>(607,609)</u>	<u>(3,741,614)</u>
Total liabilities	<u><u>(3,856,526)</u></u>	<u><u>(607,609)</u></u>	<u><u>(3,741,614)</u></u>
Net assets	<u><u>4,519,192</u></u>	<u><u>59,797</u></u>	<u><u>4,997,017</u></u>
EQUITY			
Share capital	4,905,208	1,138,541	4,905,208
Share premium account	3,969,411	2,407,667	3,979,411
Profit and loss account	(4,355,427)	(3,486,411)	(3,887,602)
	<u>4,519,192</u>	<u>59,797</u>	<u>4,997,017</u>
Total equity	<u><u>4,519,192</u></u>	<u><u>59,797</u></u>	<u><u>4,997,017</u></u>

Consolidated Statement of Changes in Equity

	Share capital	Share premium account	Shares to be issued	Profit and loss account	Total Equity
	£	£	£	£	£
Balance at 1 July 2006	1,138,541	2,407,667	204,167	(3,151,473)	598,902
Profit for the period	-	-	-	(334,938)	(334,938)
Shares no longer to be issued	-	-	(204,167)	-	(204,167)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2006	1,138,541	2,407,667	-	(3,486,411)	59,797
Profit for the period	-	-	-	(427,907)	(427,907)
Share based payment costs	-	-	-	26,716	26,716
Issue of share capital	3,766,667	1,571,744	-	-	5,338,411
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2007	4,905,208	3,979,411	-	(3,887,602)	4,997,017
Profit for the period	-	-	-	(467,825)	(467,825)
Share based payment costs	-	-	-	-	-
Share related costs	-	(10,000)	-	-	(10,000)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2007	4,905,208	3,969,411	-	(4,355,427)	4,519,192
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Condensed Consolidated Interim Cash Flow Statement for the six months ended 31 December 2007

	Six months ended 31 December 2007	Six months ended 31 December 2006	Year ended 30 June 2007
	Unaudited £	Unaudited £	Audited £
Cash flows from operating activities:			
Loss for the period after tax	(467,825)	(334,938)	(762,845)
Adjustments for:			
Depreciation	2,660	3,791	6,849
Amortisation of intangible assets	268,826	10,371	94,651
Net finance costs	40,867	1,472	(4,332)
Share based payment costs	-	-	26,717
Exceptional item	-	-	53,310
Taxation charge in income statement	(71,000)	-	(32,000)
Increase in inventory	(246,023)	(6,563)	(33,222)
Increase in trade receivables	(102,738)	(125,469)	(129,514)
Increase in trade payables	216,162	143,481	229,486
	(359,071)	(307,855)	(550,900)
Interest received	19,223	4,854	16,983
Interest paid	(90)	(6,326)	(12,651)
Net cash used in operating activities	(339,938)	(309,327)	(546,568)
Cashflows from investing activities:			
Acquisition of subsidiaries, net of cash acquired	(280,000)	-	(3,823,869)
Purchase of property, plant and equipment	(13,589)	(34,263)	(32,424)
Net cash used in investing activities	(293,589)	(34,263)	(3,856,293)
Cashflows from financing activities:			
Proceeds from issue of share capital	-	-	5,600,000
Share related costs	(10,000)	-	(261,589)
Preference shares redeemed	-	-	(230,000)
Net cash from / (utilised in) financing activities	(10,000)	-	5,108,411
Net (decrease) / increase in cash	(643,527)	(343,590)	705,550
Cash at beginning of period	1,370,166	664,616	664,616
Cash at end of period	726,639	321,026	1,370,166

Notes to the Interim Statement

1. General Information

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

These consolidated interim financial statements have been approved for issue by the Board of Directors on 28 March 2008.

The financial information set out in this interim report does not comprise the company's statutory financial statements. Statutory financial statements for the previous financial year ended 30 June 2007 have been delivered to the Registrar of Companies. The auditors' report on those financial statements was unqualified and did not contain any statement under section 237(2) or (3) of the Companies Act 1985. The comparative extracts from the financial statements for the period ended 30 June 2007 contained in these accounts are denoted as unaudited in that they are yet to be audited under IFRS.

2. Basis of Preparation

These consolidated interim financial statements are for the six months ended 31 December 2007. They have been prepared with regard to the requirements of IFRS1 "First-time Adoption of International Financial Reporting Standards" relevant to interim reports, because they are part of the period covered by the Group's first IFRS financial statements for the year ending 30 June 2008. 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 year ended 30 June 2007.

These consolidated interim financial statements have been prepared in accordance with accounting policies which are based on the recognition and measurement principles of IFRS as adopted by the European Union and effective at 30 June 2008 or those which are expected to be adopted and effective at 30 June 2008, our first annual reporting date at which we are required to use IFRS.

Coolabi plc's consolidated financial statements were prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) until 30 June 2007. The date of transition to IFRS is 1 July 2006. The comparative figures have been restated to reflect changes in accounting policies as a result of adoption of IFRS.

The key impact on the Group's results is to provide for deferred tax on acquired assets.

For the six month period to 31 December 2007 this decreases the loss after taxation by £71,000 compared to accounting under UK GAAP, and decreases it by £32,000 for the year ending 30 June 2007 from a loss after taxation of £794,845 under UK GAAP to £762,845 under IFRS.

The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in the reconciliation schedules and explained in note 4.

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

3. Earnings Per Share

The calculation of basic loss per ordinary share is based on the consolidated loss for the period after tax of £467,825 and 24,526,043 ordinary shares, being the weighted average number of shares in issue during the six month period ended 31 December 2007. The fully diluted loss per share has been calculated on the consolidated loss for the period after tax of £467,825 and 26,340,827 ordinary shares, being the weighted average number of ordinary shares and options in issue during the six month period ended 31 December 2007.

In 16 November 2007 the company completed a capital reorganisation which resulted in each shareholder holding one twentieth of the shares held before the reorganisation. The comparative loss per ordinary share calculations are based on the numbers of shares in existence at that time.

The changes discussed in note 4 following the adoption of IFRS do not cause any material change in the earnings per share calculations.

Notes to the Interim Statement (*continued*)

4. Explanation of Transition to IFRS

As stated in the Basis of Preparation, these are the Group's first consolidated interim financial statements for part of the period covered by the first IFRS annual consolidated financial statements that will be prepared in accordance with IFRS.

An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out below.

IFRS 1 permits companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS from the transition date. These interim financial statements have been prepared on the basis of taking the exemption that business combinations prior to 1 July 2006, the Group's date of transition to IFRS, have not been restated to comply with IFRS 3 "Business Combinations". Goodwill arising from these business combinations has not been restated.

Reconciliation of equity at 1 July 2006

	UK GAAP £	a £	b £	IFRS £
Non-current assets				
Property, plant and equipment	16,054	-	-	16,054
Goodwill	-	-	-	-
Other intangible assets	292,220			292,220
Current assets				
Inventory	3,937	-	-	3,937
Trade and other receivables	86,203	-	-	86,203
Cash and cash equivalents	664,616	-	-	664,616
Current liabilities				
Trade and other payables	(234,128)	-	-	(234,128)
Non-current liabilities				
Deferred tax liabilities	-	-	-	-
Preference shares	(230,000)			(230,000)
Deferred consideration	-	-	-	-
Net assets	598,902	-	-	598,902
Equity				
Share capital	1,138,541	-	-	1,138,541
Share premium account	2,407,667	-	-	2,407,667
Shares to be issued	204,167	-	-	204,167
Profit and loss account	(3,151,473)	-	-	(3,151,473)
Total equity	598,902	-	-	598,902

Reconciliation of equity at 31 December 2006

	UK GAAP £	a £	b £	IFRS £
Non-current assets				
Property, plant and equipment	17,329	-	-	17,329
Goodwill	-	-	-	-
Other intangible assets	106,879			106,879
Current assets				
Inventory	10,500	-	-	10,500
Trade and other receivables	211,672	-	-	211,672
Cash and cash equivalents	321,026	-	-	321,026
Current liabilities				
Trade and other payables	(377,609)	-	-	(377,609)
Non-current liabilities				
Deferred tax liabilities	-	-	-	-
Preference shares	(230,000)			(230,000)
Deferred consideration	-	-	-	-
Net assets	59,797	-	-	59,797
Equity				
Share capital	1,138,541	-	-	1,138,541
Share premium account	2,407,667	-	-	2,407,667
Shares to be issued	-	-	-	-
Profit and loss account	(3,486,411)	-	-	(3,486,411)
Total equity	59,797	-	-	59,797

Reconciliation of equity at 30 June 2007

	UK GAAP	a	b	IFRS
	£	£	£	£
Non-current assets				
Property, plant and equipment	14,271	-	-	14,271
Goodwill	-	1,810,000	-	1,810,000
Other intangible assets	5,291,318	-	-	5,291,318
Current assets				
Inventory	37,159	-	-	37,159
Trade and other receivables	215,717	-	-	215,717
Cash and cash equivalents	1,370,166	-	-	1,370,166
Current liabilities				
Trade and other payables	(463,614)	-	-	(463,614)
Non-current liabilities				
Deferred tax liabilities	-	(1,810,000)	32,000	(1,778,000)
Deferred consideration	(1,500,000)	-	-	(1,500,000)
Net assets	4,965,017	-	32,000	4,997,017
Equity				
Share capital	4,905,208	-	-	4,905,208
Share premium account	3,979,411	-	-	3,979,411
Shares to be issued	-	-	-	-
Profit and loss account	(3,919,602)	-	32,000	(3,887,602)
Total equity	4,965,017	-	32,000	4,997,017

Reconciliation of profit for the year ended 30 June 2007

	UK GAAP £	a £	b £	IFRS £
Revenue	971,834	-	-	971,834
Cost of sales	(589,168)	-	-	(589,168)
Gross profit	382,666	-	-	382,666
Administrative costs	(1,007,162)	-	-	(1,007,162)
Amortisation of intangible assets	(94,651)	-	-	(94,651)
Share based payment costs	(26,720)	-	-	(26,720)
Operating loss	(745,867)	-	-	(745,867)
Exceptional item	(53,310)	-	-	(53,310)
Joint Venture – share of operating loss	-	-	-	-
Finance income	16,983	-	-	16,983
Finance cost	(12,651)	-	-	(12,651)
Net finance income / (cost)	4,332	-	-	4,332
Loss before taxation	(794,845)	-	-	(794,845)
Income tax	-	-	32,000	32,000
Profit for the period	(794,845)	-	32,000	(762,845)

The adoption of IFRS does not effect the profit as previously reported under GAAP for the period ended 31 December 2006.

Notes to the Reconciliation

Application of IFRS has resulted in the following reclassifications and adjustments:

- a) Recognition of a deferred tax liability on the acquisition of intangible assets arising from the acquisition of Purple Enterprises Ltd in May 2007.
- b) Realisation of the deferred tax liability recognised in a) consistent with amortisation of the related intangible asset.

Application of IFRS has resulted in reclassification of certain items in the cash flow statement as follows:

- (i) Under UK GAAP, payments to acquire property, plant and equipment were classified as part of 'Capital expenditure'. Under IFRS, payments to acquire property, plant and equipment have been classified as part of 'Investing activities'.

There are no other material differences between the cash flow statement presented under IFRS and the cash flow statement presented under UK GAAP.

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