

Coolabi PLC - Final Results

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Coolabi PLC

28 September 2007

COOLABI PLC ('Coolabi' or the 'Company')

FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2007

CHAIRMAN'S STATEMENT

Overview

Following the appointment of Jeremy Banks as Chief Executive in September 2006, the past year has been a transformational one for the group. In particular, I am pleased to report that we have made good progress in achieving the goals that we set ourselves when Jeremy joined, having previously completed two acquisitions and undertaken a major fundraising.

Results

The net loss before tax for the year amounted to £794,845 (2006 - £641,077). However, adjusted EBITDA, (excluding share related payment costs and the one-off cost associated with the severance of the previous Chief Executive) was £544,496 (2006 - £601,682).

Whilst turnover grew some 800%, the financial statements for the year ended 30 June 2007 do not provide an accurate barometer of the likely future financial performance of the group as only two months of revenues following the acquisition of Purple Enterprises Limited is included.

Acquisitions

During the year, we acquired the children's assets of Zenith Entertainment Limited and Purple Enterprises Limited, the owner of all rights in the Purple Ronnie brand. Both acquisitions fit neatly with our stated acquisition strategy and have already had a positive impact upon both the financial and commercial direction of the group.

I am also pleased to announce today the acquisition of Indie Kids for an initial consideration of £171,000. Indie Kids is an established children's TV production and development business responsible for a number of successful and popular hit programmes of recent years, in particular The Worst Witch for ITV and Fungus The Bogeyman for BBC. They now have in place a programme commission from the BBC in the UK and TF1 in France for The Large Family, a pre-school animated series based on the popular series of books by Jill Murphy, to be delivered later this year, and also an attractive development slate. We expect the acquisition to be earnings enhancing in the current financial year.

Growth Strategy

Our strategy is to build a diversified portfolio of cash-generative intellectual property assets that have international potential across a broad range of media platforms.

Our focus in achieving this is two fold. Firstly, we are concentrating our plans for organic growth solely on those assets we believe will deliver the best return on investment and are therefore only targeting specific brands, for example Scarlett & Crimson, for investment in 2008 and beyond. Secondly, a substantial proportion of our growth will come from an ongoing strategy of focused acquisitions.

Share Placing

In April 2007 we announced a share placing to raise £5.5m, (approximately £5.2m net of share issue costs) to fund our acquisitions strategy.

Share Consolidation

I am pleased to announce today that we will shortly be seeking to undertake a share consolidation of 20:1. The Directors believe the share consolidation will assist in decreasing the bid/offer spread and improve the attractiveness of the shares to new investors. The Directors expect to make a further announcement and post a circular to shareholders on this matter in due course.

Staff

We are most 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 invaluable contribution to our progress over the past year.

Outlook

We now have a clearly defined strategy and an experienced and successful management team to deliver it. We will continue to develop the brands that we already own but also look to make further selective acquisitions over the course of the year. There is still much to do, but I am confident that the steps we have taken this year have put us in a strong position to build significant shareholder value in the medium term and beyond

William Harris
Chairman

27 September 2007

CHIEF EXECUTIVE'S REVIEW

I am pleased to report that Coolabi has made good progress in the year to 30 June 2007. We have made two acquisitions, which have transformed the group and its prospects; we have undertaken a substantial fundraising both in support of these acquisitions and in order to invest in future growth and we have put in place a clear strategy to deliver long term value to shareholders. However, we are still at an early stage in our strategic development. Whilst in Purple Ronnie, we now own a significant intellectual property asset which will deliver stable cashflow in the short-term and, we believe, attractive upside in the medium-term and beyond, the organic growth of one asset, however significant it may be, is of itself not enough to create a successful international intellectual property business. Only with a diversified portfolio of established and developing intellectual property assets can attractive shareholder returns be consistently delivered.

Strategy

Our strategy is to build a diversified portfolio of cash-generative intellectual property assets that have international potential across a broad range of media platforms.

In particular, whilst television will continue to be a key platform for many of our properties, and we will continue to pursue organic and acquisitive growth in this area, a significant proportion of our properties will not require exposure on television in order to be successful. As television audiences have fragmented, the value of exposure on any particular channel has decreased. In addition, less reliance on television reduces Coolabi's initial investment (and therefore risk), thereby generating a quicker return on our investment.

Our plan is to continue to grow our portfolio of properties through quality acquisitions and investment in the development of our own assets.

Acquisitions Update

(i) Zenith Entertainment Limited

In September 2006 we acquired the children's division of Zenith Entertainment Limited for £100,000. This represented an important early first step in the strategic development of Coolabi and provided the group with ownership of a popular animated series in the relatively early stages of its international exploitation, an attractive development slate and a catalogue of quality children's drama programming.

The acquisition included all rights to Zenith Entertainment's successful animated series King Arthur's Disasters (an animated series, featuring British comedians Matt Lucas and Rik Mayall) co-produced with Neptuno Films in Spain. Series I of King Arthur's Disasters was first screened in the UK in April 2005 on ITV 1, where it was the highest rated new CITV show that spring. Following the success of Series I, ITV had commissioned a second series of 13 half hour episodes, just over half of which had already been delivered to ITV at the date of acquisition. The remainder of the episodes were delivered by Coolabi, on time and on budget.

King Arthur's Disasters was already being sold internationally to channels such as Cartoon Network (France), Cartoon Network (Latin America), Nickelodeon (Germany), ABC (Australia), Disney Channel (Spain) and Disney Channel (Italy). The Series is also broadcast on Nickelodeon and NickToons in the UK. Since the acquisition, our distribution partner has informed us that the series has also been sold into Cartoon Network (India), BBC Kids (Canada) and Nickelodeon (Australia).

The acquisition of Zenith was cash positive to Coolabi within six months.

The development slate was a particularly attractive element of the deal. To date this has resulted in a pilot of a live action children's drama being produced for Nickelodeon in the UK, at their cost, and a pre-school animated series based on an extremely successful series of children's books being developed. These productions are currently being pitched to broadcasters in the UK and will be featured by Coolabi at MIPCOM in Cannes next month.

(ii) Purple Enterprises Limited

In April we announced the acquisition of Purple Enterprises Limited, owner of all rights in the Purple Ronnie brand, for an initial cash consideration of £3.3m, and a possible earn-out of up to £1.5m depending on performance over the next two years. The acquisition was financed by a share placing. The deal also included the rights held in Purple Enterprises Limited to certain very successful children's book titles including Rumble in the Jungle, Commotion in the Ocean, and Giraffes Can't Dance.

Purple Ronnie was created by Giles Andreae in 1987 and has since appeared on over 44 million themed greeting cards and in two million books, reaching the Sunday Times top 10 bestsellers list every year since 2002. Giles Andreae entered into a two-year service agreement with Coolabi and will also work with Coolabi in the pursuit of specific opportunities in the US.

As announced at the time of the acquisition, Purple Ronnie greetings cards are currently being initially tested in the United States of America, the results of which are expected by the end of 2007.

Purple Ronnie revenues are derived from three main channels of exploitation; greetings cards, publishing and licensing, and merchandising. The principal licensees for each of these categories are currently Hallmark, Macmillan and H&A, respectively. The property had been managed by its creator since inception twenty years ago as a result of which, whilst each channel had performed impressively at various times over the last few years, there simply hadn't been the capacity to ensure that all the channels were actively managed at the same time. Coolabi has the management team and infrastructure to facilitate the further exploitation of Purple Ronnie.

In the period since completion of the acquisition in May, we have, after further extensive research, put in place a medium term strategic plan for the property to drive brand activity across existing and potential markets and platforms, the benefit of which should begin to feed through in 2008. Encouragingly, where licences have come up for renewal in the period since acquisition licensees have, without exception, all sought to renew or extend their agreements. Indeed, in certain instances we have been able to negotiate significantly improved terms with more substantial partners.

However, it is vital that we are sympathetic in our revitalisation of Purple Ronnie. We are looking to take the property to a new level and lock that performance in for another twenty years. Short term upside will not be pursued if it damages the long-term value of the brand.

Having only completed in May, the acquisition of Purple Enterprises Limited has only had a minimal impact on the 2007 financial statements.

Fundraising

In April 2007 we announced a share placing to raise £5.5m, (approximately £5.2m net of share issue costs), primarily to fund the acquisition of Purple Enterprises. We were particularly pleased by the level of interest in the share placing and by the number and quality of institutional investors who supported the placing. Importantly, the placing was priced at the closing mid-market price prior to the announcement of the acquisition.

Activity Update

The company currently operates through its two principal operating divisions, Licensing and Productions.

a) Licensing

The Licensing division has been rationalised and re-focused over the course of the financial year. The division had previously operated almost entirely in an agency capacity, representing third party rights. The company's strategy now is to focus on the exploitation of either wholly owned assets or those assets in which Coolabi has a significant ownership stake, whether acquired or developed internally. The division will also continue to represent high quality third party properties, where they do not compete with the owned assets and where it makes commercial sense to do so.

During the period, progress was made with a number of our properties:

Scarlett & Crimson

This property is still in development and has not yet been fully launched. However, a major publishing licence has been negotiated with Simon & Schuster for North America and the UK, with books entering both markets by the end of 2008 and/or early 2009. A website is planned to coincide with the book launch. Furthermore, a greetings card range has undergone a soft launch in the UK with the strongest cards from the range of 20 to go in-store in WHSmith. Work is ongoing with Danilo, our greetings card licensee, to expand the range and broaden the appeal.

A careful approach is being taken with this property specifically to ensure categories are not brought to market too early only to have them fail through lack of awareness. All the indications are that this property has the potential to be successful.

Hammer Films

An iconic UK brand based on the classic gothic horror feature films made in the 1960s, there are currently 13 licensees with a number pending. Highlights during the year, include the successful retail debut of the Hammer DVD Board Game and the award of a licence to Camelot to produce 11 million Hammer lottery scratch cards, which are already in store in the build up to Halloween.

During the year, Hammer Films came under new ownership, resulting in administration arrangements being taken back in house. However, we are pleased to report that the representation agreement, which had been terminated as part of the acquisition process has now been extended on the same commercial terms.

iloveegg

23 x 2 minute animated episodes of these transforming egg characters now exist on-line and Coolabi represents this property in all territories outside Asia. We are currently exploring the opportunities for iloveegg with a number of UK broadcasters, and during the year two new licenses were negotiated with Player X for mobile content and mobile broadcast.

Somebunny to love

Having secured shelf space in two leading High Street retailers (WHSmith and Clintons) disappointing sales have meant that there is little more that can be done with Somebunny To Love as we don't own the underlying rights. As such, having given the property every chance, we will not seek to renew our licensing agreement when it expires at the end of 2007.

b) Productions

This is a new division set up following the acquisition of the children's division of Zenith Entertainment Limited.

The immediate focus following the acquisition was the successful delivery of Series II of King Arthur's Disasters on time and on budget. This was achieved. The first series continues to be successfully screened on the CITV weekend block as well as on Nickelodeon and NickToons in the UK. The second DVD of series I was released in the UK in May. Series I was also nominated for a children's BAFTA in November.

Since the start of the calendar year, the focus has transferred to the identification and development of new opportunities as well as progressing or terminating the development slate that already existed within Coolabi and that which was inherited as part of the Zenith acquisition.

Coolabi currently has four exciting projects in development, ranging from an animated pre-school series, through to a live action children's drama. Discussions are currently underway with UK broadcasters and these projects will all be featured at the MIPCOM international trade show in Cannes in October.

We have reviewed the opportunity for Pepper's Patrol with our joint venture partner, Galleon plc, and have decided not to invest any more time or funds in this pre-school project. For animated properties of this sort, we have decided to focus solely on opportunities where there is a strong merchandising angle and where we own and/or control the production asset that is produced.

Catalogue

We continue to own rights in, and exploit and derive income from our library of completed feature films and television dramas.

Post Balance Sheet Event

On 27 September 2007 Coolabi purchased Indie Kids International Limited and Indie Kids Limited, the children's television production companies, in accordance with our stated acquisition strategy.

Key Objectives for Year Ending 30 June 2008

We have 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.

Purple Ronnie	Production
Consolidate the existing licensing categories for Purple Ronnie and increase the brand's retail presence	Put one property into production in 2008 with a UK broadcast partner secured
Increase the number and value of Purple Ronnie licences in the UK	Put one property into development in 2008 with a major international broadcaster
Launch two new Purple Ronnie publishing titles in the UK	Identify and deliver at least two opportunities for development in 2008 and delivery in 2009
Launch Purple Ronnie as a publishing property in the US	

Conclusion

The year ended 30 June 2007 has been a good one for Coolabi in which we have transformed the group and its prospects through strategic acquisitions and an associated fundraising. Consequently, we are strategically, operationally and financially in a very different and much better place than we were at the end of the last financial year. We are still at an early stage in our strategic development; however, we are now on the front foot and have put ourselves in a position to grow the business substantially in the future.

Jeremy Banks
Chief Executive

27 September 2007

COOLABI PLC
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH JUNE 2007

	2007	2006
	£	£
TURNOVER	971,834	108,006
COST OF SALES	(589,168)	(32,370)
GROSS PROFIT	382,666	75,636
Administrative expenses	(1,007,162)	(677,318)
Amortisation of intangible assets	(94,651)	(16,442)
Share based payment costs	(26,720)	-
OPERATING LOSS	(745,867)	(618,124)
EXCEPTIONAL ITEM	(53,310)	-
JOINT VENTURE – SHARE OF OPERATING LOSS	(-)	(30)
INTEREST RECEIVABLE AND SIMILAR INCOME	16,983	9,161
INTEREST PAYABLE AND SIMILAR CHARGES	(12,651)	(32,084)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(794,845)	(641,077)
TAXATION	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	(794,845)	(641,077)
BASIC LOSS PER SHARE	(0.4p)	(1.3p)
FULLY DILUTED LOSS PER SHARE	(0.4p)	(1.1p)

All amounts relate to continuing activities.

There have been no recognised gains or losses, other than the results for the financial year and all profits or losses have been accounted for on an historical cost basis.

COOLABI PLC
CONSOLIDATED BALANCE SHEET
AS AT 30TH JUNE 2007

	2007		2006
	£	£	£
FIXED ASSETS			
Intangible assets	5,291,318		292,220
Tangible assets	14,271		16,054
Joint venture – share of gross assets	200,241		199,536
– share of gross liabilities	(200,241)		(199,536)
	-----		-----
		5,305,589	308,274
CURRENT ASSETS			
Work in progress	37,159		3,937
Debtors	215,717		86,203
Cash at bank and in hand	1,370,166		664,616
	-----		-----
	1,623,042		754,756
CREDITORS : Amounts falling due within one year	(463,614)		(234,128)
	-----		-----
NET CURRENT ASSETS		1,159,428	520,628
CREDITORS : Amounts falling due after one year		(1,500,000)	(230,000)
		-----	-----
NET ASSETS		£4,965,017	£598,902
		=====	=====
CAPITAL AND RESERVES			
Called up share capital	4,905,208		1,138,541
Share premium account	3,979,411		2,407,667
Shares to be issued	-		204,167
Profit and loss account	(3,919,602)		(3,151,473)
	-----		-----
EQUITY SHAREHOLDERS' FUNDS		£4,965,017	£598,902
		=====	=====

COOLABI PLC

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2007**

		2007	2006
		£	£
Net cash outflow from operating activities	5 a	(577,617)	(469,804)
Returns on investments and servicing of finance	5 c	4,332	(22,923)
Taxation paid		-	-
Capital expenditure	5 d	(32,424)	(32,399)
Acquisitions	5 e	(3,823,869)	(900)
Cash outflow before use of liquid resources and financing		----- (4,429,578)	----- (526,026)
Management of liquid resources		-	-
Financing	5 f	5,135,128	607,050
INCREASE IN CASH		----- £705,550 =====	----- £81,024 =====

COOLABI PLC
NOTES TO ACCOUNTS
FOR THE YEAR ENDED 30TH JUNE 2007

1. General

The financial information herein does not constitute statutory accounts as defined in section 240 of the Companies Act 1985.

The summarised balance sheet as at 30 June 2007 and the summarised profit and loss account, summarised cash flow statement and associated notes for the year then ended have been extracted from the Group's **Error! Reference source not found.** statutory financial statements upon which the auditors opinion is unqualified and does not include any statement under Section 237 of the Companies Act 1985.

Those financial statements have not yet been delivered to the registrar of companies. 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.

2. Basis of preparation of the financial statements

The financial statements have been prepared in accordance with the historical cost convention and are prepared in accordance with applicable accounting standards. The principal accounting policies are unchanged from the previous year.

3. Loss per ordinary share

In accordance with Financial Reporting Standard 22 Earnings Per Share, loss per share has been calculated on the loss for the year ended 30th June 2007 of £794,845 and 178,292,555 ordinary shares, being the weighted average number of shares in issue during the year. The fully diluted loss per share has been calculated on the loss for the year ended 30th June 2007 of £794,845 and 182,671,779 ordinary shares, being the weighted average number of shares in issue or under option during the year.

4. Reconciliation of movements in shareholders' funds

	£
Opening shareholders' funds at 1st, July 2006	598,902
Write-off of shares to be issued	(204,167)
Issue of ordinary share capital in the year	3,766,667
Premium arising on issue of ordinary shares	1,833,333
Issue costs	(261,589)
Share based payment costs	26,716
Retained loss for the year	(794,845)

Closing shareholders' funds at 30th, June 2007	£4,965,017
	=====

5. Notes to the Cashflow Statement

	2007 £	2006 £
a. Reconciliation of operating loss to net cash outflow		
Operating loss	(745,867)	(618,124)
Depreciation charges	6,849	5,515
Amortisation charges	94,651	16,442
Increase in work in progress	(33,222)	(6,437)
Increase in debtors	(129,514)	(35,687)
Increase in creditors	229,486	168,487
	-----	-----
Net cash outflow from operating activities	£(577,617)	£(469,804)
	=====	=====
b. Reconciliation of net cash flow to movement in net funds		
Movement in net funds in the year	705,550	81,024
Net funds at 1st July, 2006	664,616	583,592
	-----	-----
Net funds at 30th June, 2007	£1,370,166	£664,616
	=====	=====
c. Returns on investments and servicing of finance		
Interest received	16,983	9,161
Interest paid and similar charges	(12,651)	(32,084)
	-----	-----
Net cash (outflow)/inflow from returns on investments and servicing of finance	£4,332	£(22,923)
	=====	=====
d. Capital expenditure		
Purchase of intangible fixed assets	(27,358)	(16,961)
Purchase of tangible fixed assets	(5,065)	(15,438)
	-----	-----
	£(32,424)	£(32,399)
	=====	=====
e. Acquisitions		
Investment in joint venture	-	(900)
Acquisition of subsidiary companies	(4,532,224)	-
Cash acquired on acquisition of subsidiaries	708,355	-
	-----	-----
	£(3,823,869)	£(900)
	=====	=====

f. Financing

Issue of ordinary share capital	5,600,000	607,050
Share issue costs	(261,589)	-
Share based payments	26,717	
Preference shares redeemed	(230,000)	-
	-----	-----
	£5,135,128	£607,050
	=====	=====

g. Analysis of changes in net funds	At 1st July, 2006	Other Non Cash Changes	Cash Flows	At 30th June, 2007
	£	£	£	£
Cash at bank and in hand	664,616	-	705,550	1,370,166
	-----	-----	-----	-----
Total	£664,616	£-	£705,550	£1,370,166
	=====	=====	=====	=====

ENDS

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About Coolabi plc:

Coolabi is an AIM listed media group focused on the ownership, development, production and creative management of high quality children's and family intellectual property assets and their global exploitation through licensing and merchandising and distribution.

The group owns or controls the intellectual property rights to international brands including Purple Ronnie, as well as selected rights to properties such as the Hammer House of Horror.

Coolabi is actively looking to increase the number and range of intellectual property assets that it owns, develops and manages. Whilst a proportion of this growth will come from the development of Coolabi's existing development slate, the majority will be as a result of the group's acquisition strategy.

<http://www.coolabi.com>

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