COMPANY NUMBER
4314540

Cheerful Scout plc

Consolidated Directors' Report and Financial Statements for the Year Ended 30th June 2008

Contents

Cheerful Scout plc

Cheerful Scout Plc, the AIM-traded multi-media specialist, announces its results for the year ended 30 June 2008.

Overview

- Both core divisions of On Screen Communications and DVD & Interactive performing well
- Restructuring implemented to focus on these two core divisions and key value drivers
- On Screen Communications division has strengthened its team and is winning new blue chip clients
- DVD & Interactive extending market share and expanding offering through investment in Blu-ray technology
- Corporate Events division merged into On Screen Communications
- Improvement in financial performance in the second half
- Loss before write off of development costs and taxation of £219,622 (2007: £115,536 profit)
- Turnover of £1,566,329 (2007: £2,085,367)
- Strong cash reserves of £984,947 (2007: £1,039,275)

On Screen Division

The Company's corporate film and video production division conceives and produces creative and innovative films and videos for a wide range of companies and organisations. In addition to building on existing client relationships, Cheerful's growing reputation for providing high quality content and solutions has resulted in several new companies joining its blue-chip client base. Cheerful's focus on harnessing and applying new ideas and remaining at the forefront of creativity has been rewarded by a number of prestigious awards over the years, including most recently a LiveCom Award for creative excellence.

During the period under review, BAA, a client that Cheerful has worked closely with in the past, commissioned the production team to produce a film that would facilitate the organised flow of passengers through the improved security protocols which have been put in place across airports in recent years. This is part of a multi-million investment to reduce both the pressure on airport procedures and tension in passengers. The image-led film devised by Cheerful transcends language barriers, informing passengers how to prepare for security checks, and is expected to be seen by an estimated 146 million passengers.

Cheerful was also recruited by Alstom, a global leader in power generation, to create a film to promote a new multi-million dollar US turbine production-line to its shareholders. Through the application of feature-film techniques and cutting-edge 3D, Cheerful created a highly realistic representation of the proposed facility in its riverside location in Chattanooga, Tennessee.

Furthermore the Company had its position on the Central Office of Information roster for the supply of film and video renewed, which effectively means that Cheerful remains on their list of preferred suppliers. Importantly we also got placed on BP's roster for the provision of corporate videos, which Cheerful hopes will lead to additional revenue in 2008-9, as they tend to spread their budget across their list of suppliers.

In tandem with the Company's restructuring and the focusing on core values we have merged the Corporate Events division into On Screen Communications. The stand alone division has not performed and the lower demand for events has had a detrimental impact on our financial performance. However, the Board remain positive about the Company's ability to devise and stage dynamic live events and conferences within the On Screen division. This was demonstrated when Cheerful devised a unique solution for facilitating dialogue between 250 of Nationwide Building Society's senior managers at a two-day conference.

The Company has built effective marketing and sales strategies and developed highly effective products, services and processes which will enable Cheerful to continue to build on its reputation in the corporate production market. The Company is focussing on this core division as it generates profit and has a great reputation in the industry.

2008 Achievements

- Renewed position on Central Office of Information roster of preferred suppliers for the production of film and video
- Added to BP's roster for the provision of corporate videos, leading to potential additional revenue in 2008-9
- Merger of Corporate Events division into On Screen Communications in order to offset recent reduced demand for events

DVD Division

The Company's DVD production and design facility has continued to perform well this year, and remains a cornerstone of the Cheerful business. Cheerful were one of the first companies in the UK to invest in DVD technology and now work on around 15 DVD's a month depending on the time of year, making the Company a major creative supplier to the retail DVD distribution sector. Clients now include Contender, Universal, Icon, 2e and Freemantle.

Cheerful has added to its extensive list of titles for the corporate and retail markets, producing an array of DVD extras for some major titles over the period, including Contender Entertainment's Life on Mars Series 2, Spooks Series 5 and the forthcoming Spooks Series 6. The DVD team were also awarded a prestigious industry trophy at the HEW Awards 2008. Cheerful received a Programme Award in the Kids category for its combination of creative talent, technological expertise and sound product knowledge in association with Contender for 'Peppa Pig – Peppa's Christmas'.

The Company's commitment to innovation and delivering excellence has continued with its DVD team exploring new areas of technology in order to continue offering the most comprehensive service to its clients. In line with this Cheerful has invested £100,000 in Blu-ray technology to accommodate the DVD industry's growing demand for HD products.

Cheerful understands that investments such as this are necessary in keeping Cheerful at the forefront of its field, and Cheerful continues to be proactive in seeking out new and innovative ways to create solutions for its clients and offering a wide range of services. For example, for Icon's October Blu-ray release of Babylon, Cheerful not only authored the DVD, but also recorded a commentary and filmed and edited a Q&A with the cast and crew at the BFI Southbank for a featurette on the disc.

The Board has great hopes for the continued growth of this division.

2008 Achievements

- Commitment to innovation and delivering excellence has continued with DVD team exploring new areas of technology
- Cheerful has invested £100,000 in Blu-ray technology to accommodate the DVD industry's growing demand for HD products
- Awarded a prestigious industry 'Programme Award' trophy in the Kids category at the HEW Awards 2008 for its combination of creative talent, technological expertise and sound product knowledge

Chairman's Statement

Cheerful Scout continues to focus on building its position as a niche non-broadcast based multi-media specialist services company, with a primary focus on delivering corporate communications solutions and DVD oriented design and technical services. The Board is concentrating on advancing the Company's growth by providing effective marketing and sales strategies, and continuing developments in product and service offerings by focussing on its differentiators of creativity, technological innovation, passion and a sound understanding of the markets it operates in.

As outlined in the trading update released on 26 February, the period under review has seen significant market turbulence, which has impacted on the Company's financial performance. In order to address this, we implemented a streamlining strategy, aimed at focussing on our profitable core divisions of On Screen Communications and DVD & Interactive, areas where we have historically achieved and can continue to take advantage of our corporate values and maximise our technical and creative ability.

We have a unique and exciting offering, with strong personalities driving the business forward. Importantly, our core divisions, which I have highlighted below, have a strong market presence, and the right people who can satisfy our clients' remits and deliver on time and on budget. All in all, we have a strong brand, a great team and a treasury that will support our new strategy and allow us to continue delivering first-rate services to our clients.

Operations Review

As you can see from the On Screen Communications and DVD & Interactive Division overviews on the previous pages, Cheerful has made significant strides over the past year to strengthen its position as an industry leading non-broadcast based multi-media specialist. Our strategy of refocusing our core offering has begun to yield results and I am confident that the combination of our technical and creative ability and our innovative and passionate team will continue to push both our On-Screen Communications and DVD businesses forward.

Financial Results

The second half has seen an improvement in our financial performance and I am confident that the strategic review will have a positive effect on our future performance. However, the impact of the investment and subsequent write downs of £346,076 in relation to the nVision strategy product has affected our overall performance during the year. With this in mind I am reporting a pre tax loss of £565,698 (2007: profit £115,536) on a turnover of £1,566,329 (2007: £2,085,367) for the year ended 30

June 2008. Strong treasury management ensured that cash balances at the year end stood at £984,947 (2007: £1,039,275).

The Company is seeking at the annual general meeting authority from shareholders to undertake a share buy-back programme.

No dividend will be payable, but the Directors continue to review this position.

Additional Interest

Additionally, we retain an interest in our joint venture company, Business Data Interactive Limited ('BDI'), which has developed business intelligence software that can enhance an event experience by combining conferencing techniques with corporate interactive debating facilities. This will assist in our ability to offer clients, including events companies, a broad ranging service based on high levels of technical expertise and creativity.

Outlook

Reputation is key in a sector such as ours and we have made strong progress in becoming an industry leader through our business offering and service ethic. In line with this we have also centred on gaining increased corporate exposure through sponsoring events such as the recent IVCA Clarion Awards 2008 at the BFI Southbank, which promote best practice for the corporate and public sector communications industry. As communication specialists, we are in an opportune position to support our clients and help them to achieve their corporate social responsibility ('CSR') goals. Importantly, the high profile allegiance that Cheerful has developed with the IVCA, highlights the Company's commitment to best practice and the visibility of its own corporate communication programme, and the strategies devised for its clients.

I believe that Cheerful has a bright future as we continue to invest in the best talent in the industry. This talent does not just lie in the creative, technical and visual areas. I believe we also have a real passion for understanding business challenges, communication objectives and strategic context, and turning that understanding into appropriate and inspiring communications solutions. We are committed to distinguishing ourselves from our competitors through our passion, innovation and dedication to providing creative excellence to our clients.

The Board is confident that the streamlining strategy, that we implemented during the period to concentrate on our two core divisions, will continue to sufficiently protect Cheerful against the turbulence in the market, and leave us with a strong foundation to grow on in the future. We are focussing on what we do best and have a strong cash position to achieve our objectives.

I would like to take this opportunity to thank our shareholders for their continued support, and the Cheerful team for their loyalty, determination and enthusiasm.

S Appleton
Chairman
3 November 2008

Directors' Report

The directors present their annual report and financial statements for the year ended 30 June 2008.

Principal activities

Cheerful Scout is a multidisciplinary creative consultancy that specialises in devising and delivering corporate communication solutions.

Business review

The results for the year show a loss before taxation of £565,698 (2007: £115,536 profit). It is proposed that the retained loss after taxation of £530,739 (2007: £112,500 profit) is transferred to the Group's reserves.

Revenue for the year was £1,566,329 (2007: £2,085,367). The gross profit margin decreased by 7.31% to £536,866 (2007: £867,360).

Key Financial Highlights

Year	2008 £	2007 £	2006 £	2005 £
Revenue	1,566,329	2,085,367	2,173,163	898,492
Operating loss / (profit) before impairment losses and write off of development costs	(252,754)	103,172	228,970	(237,129)
Operating profit/(loss) before impairment losses and write off of development costs	N/A	4.95%	10.54%	N/A

Further information can be found within the Chairman's statement on pages 5 to 8.

Dividend

The Company has not declared or paid a dividend on its share capital (2007: £Nil).

Capital Expenditure

Total capital expenditure, including expenditure on intangible assets, was £125,955 compared with £142,247 last year.

Cashflows

Net cash inflow from operating activities was £1,923 compared with a net cash inflow of £258,123 for the year ended 30 June 2007. Free cashflow, representing operating cashflow after taxation, interest and capital expenditure decreased by £54,328 compared with an increase of £153,716 last year.

Employees

Our priority is to attract and retain talented employees and to harness their creativity to drive growth through development and delivery of services that bring value to our customers' business operations.

We continue to focus on ensuring that the performance of staff is measured against clear, business focused objectives and behavioural criteria through continuous appraisals.

Reward

The Group benchmarks employee salaries against the market and reviews salaries annually to ensure that we are paying at a level to attract and retain high-quality employees.

Key employees are offered access to a share option scheme further details of which are provided in Note 19 to the financial statements.

Equal Opportunities

We are committed to ensuring equal opportunities for our staff. We have introduced training which covers equal opportunities legislation and best practice. Our policy in respect of employment of disabled persons is the same as that relating to all other employees in matters of training, career development and promotion. Where employees become disabled during the course of their employment, we make every effort to make reasonable adjustments to their working environment to enable their continued employment.

Safety, Health and Environment

The commitment and participation of all employees is vital to efficient and effective occupational risk control. In order to meet our responsibility to protect the environment, staff and the business, the Group continues to focus on maintaining a risk aware culture.

We believe the Group maintains a low environmental impact. We therefore continue to work on the potential environmental impacts of energy consumption, waste and travel.

Charitable and Political Donations

During the year the Group made charitable donations of £2,624 (2007: £Nil). The Group made no donations for political purposes.

Trade payables payment policy

The Company's and the Group's current policy concerning the payment of trade payables is to:-

- settle the terms of payment with suppliers when agreeing the terms of each transaction;

- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and

- pay in accordance with the Company's contractual and other legal obligations.

On average, trade payables at the year end represented 55 (2007: 29) days purchases.

Directors' Policies for Managing Principal Risks

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the business. Risk reviews are undertaken regularly by the respective business areas throughout the year to identify and assess the key risks associated with the achievement of our business objective.

Details of the financial risks faced by the Group and its policies for managing these are given in note 21.

Details of other risks and uncertainties faced by the Group are included in the Chairman's Statement on pages 4 to 8.

Financial instruments

Details of financial instruments are given in note 21 to the accounts.

Directors

The following directors have held office since 1 July 2007:

P Litten
S Appleton
N J Newman
R L Owen

In accordance with regulation 122 of the Company's Articles of Association, one third of the directors retire by rotation, or if their number is not three, or a multiple of three, the nearest to but not exceeding one third, and, being eligible, offer themselves for re-election.

Non-current assets

The significant changes in non-current assets during the year are explained in notes 8, 9 and 10 to the financial statements. As pioneers in visual technologies, the Group has utilised its resources to develop unique and highly innovative communications products. Expenditure relating to the development of these products have been capitalised as development costs.

Directors' interests

The directors' interests in the shares of the Company were as stated below:

	Ordinary shares of 12.5p each	
	30 June 2008	1 July 2007
P Litten	4,407,840	4,407,840
S Appleton	132,320	132,320
N J Newman	279,840	279,840
R L Owen (see below)	-	-

None of the directors had any interest in the subsidiary companies. Details of share options granted are given in note 19 to the financial statements.

Shareholdings

At 3 November 2008 the directors were aware that the following were the beneficial owners of 3% or more of the Company's issued share capital:

	Number of shares	Percentages held
Reverse Take-Over Investments Plc	800,000	8.16
Addworth Plc	486,000	4.96
Richard Hodgson	301,012	3.07

R L Owen is a director and has an interest in Reverse Take-Over Investments Plc through its parent company Westside Acquisitions Plc.

Corporate governance

Although not required to do so, the Company seeks within the practical confines of being a small company to act in compliance with the principles of good governance and the code of best practice (the "Combined Code") appended to the Listing Rules of the Financial Services Authority.

The Board

The aim of the Board is to function at the head of the Company's management structures, leading and controlling its activities and setting a strategy for enhancing shareholder value.

The Board currently consists of one executive director and three non-executive directors. The Company does not have a Nomination Committee as such; the Board collectively undertakes the functions of such a committee.

Internal control

The Board has overall responsibility for ensuring that the Group maintains systems and internal financial controls that provide them with reasonable assurance regarding the financial information both for use within the business and for external publication and that the assets are safeguarded.

Audit Committee

There is an Audit Committee consisting of the Chairman, for the time being, and a non-executive director. The terms of reference of the Audit Committee are to assist the Board in the discharge of its responsibilities for corporate governance, financial reporting and internal control. Its duties include maintaining an appropriate relationship with the Company's auditors, keeping under review the scope and the results of the audit and its effectiveness.

Going concern

After making appropriate enquiries, the directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group's financial statements.

Post balance sheet events

After the year end, following a board resolution, the Company has transferred retained losses of £192,072 to the special reserves and subsequently transferred the remaining balance in the special reserves of £1,555,344 to retained earnings following the expiry of the undertaking given to the High Court of Justice in 2006.

Auditors

A resolution to re-appoint HLB Vantis Audit plc as the Company's auditors will be proposed at the Annual General Meeting.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware. Additionally, they have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all the relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law and as required by the AIM rules of the London Stock Exchange, the directors have prepared the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have also elected to prepare the Company financial statements in accordance with these standards. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year. In preparing those financial statements, the directors are required to:-

- select suitable accounting policies and then apply them consistently;

- make judgements and estimates that are responsible and prudent;

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the maintenance of the corporate and financial information within the Company and the Group's website.

The maintenance and the integrity of the website is the responsibility of the directors; the work carried out by the Auditors does not involve consideration of these matters and accordingly, the Auditors accept no responsibility for any changes that may have occurred to the information contained in the financial statements since they were presented on the Company and the Group's website.

On behalf of the Board

N J Newman
Director

3 November 2008

Independent Auditors' Report

To the shareholders of Cheerful Scout plc

We have audited the Group and parent company financial statements (the "financial statements") of Cheerful Scout Plc for the year ended 30 June 2008 which comprise the Group income statement, the Group and Company balance sheets, the Group and Company cash flow statements and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standard ("IFRSs") as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

The information given in the Directors' Report includes that specific information presented in the Chairman's Statement, cross referred from the key financial highlights section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 30 June 2008 and of its loss for the year then ended;

- the parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 30 June 2008;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' Report is consistent with the financial statements.

HLB Vantis Audit plc

HLB Vantis Audit plc

3 November 2008

Chartered Accountants, Registered Auditor
66 Wigmore Street, London W1U 2SB

Consolidated income statement

For the year ended 30 June 2008

Continuing operations	Notes	2008 £	2007 £
Revenue	2	**1,566,329**	**2,085,367**
Cost of sales		(1,029,463)	(1,218,007)
Gross profit		**536,866**	**867,360**
Administrative expenses		(802,358)	(789,664)
Development costs written off	8	(346,076)	-
Operating (loss) / profit	3	**(611,568)**	**77,696**
Finance income		45,870	37,840
(Loss) / profit before taxation		**(565,698)**	**115,536**
Taxation	5	34,959	(3,036)
(Loss) / profit for the year	15	**(530,739)**	**112,500**
Attributable to:			
Minority interests		(400)	-
Equity holders of parent		(530,339)	112,500
(Loss) / profit for the financial year		**(530,739)**	**112.500**
(Loss) / earnings per ordinary share:			
Basic	7	(5.41162)p	1.14796p
Diluted	7	(5.41162)p	1.13929p

There are no recognised gains or losses other than those passing through the income statement.

Balance Sheets

As at 30 June 2008

	Notes	Group		Company	
		2008	2007	2008	2007
		£	£	£	£
Non-current assets					
Intangible assets	8	411,672	817,003	-	-
Property, plant and equipment	9	153,911	91,159	-	-
Investments in subsidiaries	10	-	-	1,900,600	1,700,000
		565,583	**908,162**	**1,900,600**	**1,700,000**
Current assets					
Inventories		2,229	2,285	-	-
Trade and other receivables	11	432,754	465,339	11,498	249,534
Current tax receivable		34,761	-	-	-
Cash and cash equivalents	12	984,947	1,039,275	891,586	918,983
		1,454,691	**1,506,899**	**903,084**	**1,168,517**
Total assets		**2,020,274**	**2,415,061**	**2,803,684**	**2,868,517**
Current liabilities					
Trade and other payables	13	(373,121)	(234,533)	(23,340)	(15,456)
Current tax payable		-	(3,036)	-	-
		(373,121)	**(237,569)**	**(23,340)**	**(15,456)**
Net assets		**1,647,153**	**2,177,492**	**2,780,344**	**2,853,061**
Equity					
Share capital	14	1,225,000	1,225,000	1,225,000	1,225,000
Special reserves	15	1,747,416	1,747,416	1,747,416	1,747,416
Retained earnings	15	(1,325,263)	(794,924)	(192,072)	(119,355)
Equity attributable to equity holders of the parent		**1,647,153**	**2,177,492**	**2,780,344**	**2,853,061**
Minority interest		-	-	-	-
Total equity		**1,647,153**	**2,177,492**	**2,780,344**	**2,853,061**

The financial statements were approved and authorised by the board of directors on 3 November 2008 and were signed on its behalf by

P Litten, Director
N J Newman, Director

Consolidated cash flow statement

For the year ended 30 June 2008

	Notes	Group		Company	
		2008	2007	2008	2007
		£	£	£	£
Cash flows from operating activities					
(Loss) / profit before taxation		(565,698)	115,536	(72,717)	(98,143)
Depreciation		63,203	84,964	-	-
Amortisation of intangibles		46,517	46,517	-	-
Impairment losses		12,738	25,476	-	-
Gain on sale of property, plant and equipment		(23,834)	-	-	-
Development costs written off		346,076	-	-	-
Finance income		(45,870)	(37,840)	(42,981)	(33,466)
		(166,868)	**234,653**	**(115,698)**	**(131,609)**
Increase in trade and other payables		138,988	150,575	238,036	270,135
Decrease / (increase) in trade and other receivables		32,585	(127,088)	7,884	4,180
Decrease / (increase) in inventories		56	(17)	-	-
Taxation		(2,838)	-	-	-
Cash generated from operating activities		**1,923**	**258,123**	**130,222**	**142,706**
Cash flows from investing activities					
Finance income		45,870	37,840	42,981	33,466
Purchase of property, plant and equipment	9	(125,955)	(46,445)	-	-
Proceeds from sale of property, plant and equipment		23,834	-	-	-
Purchase of intangible assets		-	(95,802)	-	-
Investments in subsidiaries		-	-	(200,600)	-
Cash (used in) / generated from investing activities		**(56,251)**	**(104,407)**	**(157,619)**	**33,466**
Net (decrease) / increase in cash and cash equivalents		**(54,328)**	**153,716**	**(27,397)**	**176,172**
Cash and cash equivalents at beginning of year		1,039,275	885,559	918,983	742,811
Cash and cash equivalents at end of year	12	**984,947**	**1,039,275**	**891,586**	**918,983**

Notes to the consolidated financial statements

For the year ended 30 June 2008

1 Accounting policies

Cheerful Scout plc is a public limited company incorporated in the United Kingdom under the Companies Act 1985. The Company is domiciled in the United Kingdom and its principal place of business is 25/27 Riding House Street, London, W1P 7PB. The Company's Ordinary Shares are traded on the Alternative Investment Market.

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation

The Group's financial statements were prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) until 30 June 2007. From 1 July 2007 the Group and Company has prepared financial statements for the first time in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

IFRS Transition

The Group's results for the year ended 30 June 2008 are the first results to be reported under IFRS. The Group's date of transition to IFRS is 1 July 2006 and the adoption date is 1 July 2007.

IFRS 1 grants certain exemptions from the full requirements of IFRSs in the transition period. The following exemptions have been taken in these financial statements:

- Business combinations – Business combinations that took place prior to 1 July 2006 have not been restated in accordance with IFRS 3, 'Business Combinations'.

- Share-based payments – IFRS 2,'Share-based payments' has only been applied to awards of share options granted after 7 November 2002.

A review of the financial statements was conducted and the impact of the transition from UK GAAP to IFRS was assessed. No changes to the 2007 results were required as a result of the impact of moving to IFRS and no further reconciliation is therefore required or provided.

Adopted IFRSs not yet applied

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective. The group has not chosen to adopt early any of the pronouncements. The new standards and interpretations that are expected to be relevant to the group's financial statements are as follows:

- IAS 1 Presentation of Financial Statements (Revised 2007), applicable for reporting periods commencing on or after 1 January 2009.
- IFRS 3 (Revised 2008) Business combinations, applicable for combinations on or after 1 January 2009.
- IFRS 8 Operating segments, applicable for reporting period commencing on or after 1 January 2009

The Group plans to adopt the above standards in the period in which they become applicable. The directors do not consider that the adoption of these standards will have a material impact on the consolidated financial statements in the period of initial application. Other new standards and interpretations have been issued but are not expected to have a material impact on the group's financial statements.

Basis of consolidation

The group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 30 June 2008. Subsidiaries are entities over which the group has the power to control the financial and operating policies so as to obtain benefits from their activities. Subsidiaries are fully consolidated from the date on which control is transferred until the date that such control ceases.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated.

Revenue

Revenue represents amounts (excluding value added tax) derived from the provision of services to third party customers in the course of the group's ordinary activities. Revenue is measured at the fair value of consideration received taking into account any trade discounts and volume rebates. Revenue for all business segments is recognised when the Group has earned the right to receive consideration for its services.

Intangible assets - goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill acquired represents the excess of the fair value of the consideration and associated costs over the fair value of the identifiable net assets acquired.

The classification and accounting treatment of business combinations that occurred prior to 1 July 2006 has not been reconsidered in preparing the Group's opening IFRS balance sheet at 1 July 2006 in accordance with IFRS 1.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. At the date of acquisition, the goodwill is allocated to cash generating units, usually at business segment level or statutory company level as the case may be, for the purpose of impairment testing and is tested at least annually for impairment. On subsequent disposal or termination of a business acquired, the profit or loss on termination is calculated after charging the carrying value of any related goodwill.

Intangible assets - development costs

Development expenditure is written off to the income statement in the year in which it is incurred, unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the Company is expected to benefit. Development costs of current projects is amortised over 4 years.

Property, plant and equipment

Property, plant and equipment is stated in the financial statements at cost less accumulated depreciation and any impairment value. Depreciation is provided to write off the cost less estimated residual value of property, plant and equipment over its expected useful life (which is reviewed at least at each financial year end), as follows:

Leasehold land and buildings	straight line over the life of the lease
Fixtures, fittings and equipment	25% straight line

Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year that the asset is derecognised.

Impairment

The carrying amounts of the group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. For goodwill and intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each annual balance sheet date and whenever there is an indication of impairment.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Operating leases

Rentals under operating leases are charged to the Income Statement on a straight line basis over the period of the lease.

Investments

Fixed asset investments are stated at cost less provision for diminution in value.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Trade and other receivables

Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Trade and other payables

Trade payables are stated at their nominal value.

Cash and cash equivalents

Cash comprises, for the purpose of the Cash Flow Statement, cash in hand and deposits payable on demand and bank overdrafts. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Cash equivalents normally have a date of maturity of 3 months or less from the acquisition date.

Finance income

Finance income consists of interest receivable on funds invested. It is recognised in the Income Statement as it accrues.

Taxation

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using rates enacted or subsequently enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; the differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or subsequently enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised.

Pension costs

The group does not operate a pension scheme for its employees. It does however, make contributions to the private pension arrangements of certain employees. These arrangements are of the money purchase type and the amount charged to the income statement represents the contributions payable by the group for the period.

Financial instruments

The Group does not enter into derivative transactions and does not trade in financial instruments. For the purpose of note 21, current assets and current liabilities are not treated as financial assets or financial liabilities.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the income statement.

Share-based payments

The group has applied the exemption available under IFRS 1 and elects to apply IFRS 2 only to awards of equity instruments made after 7 November 2002 that had not vested by 1 July 2006.

The fair value of equity rights is estimated using the Binomial model at the date of grant to key employees and is dependent on factors such as the exercise price, expected volatility, option price and risk free interest rate. The fair value is then amortised through the Income Statement on a straight-line basis over the vesting period. Expected volatility is determined based on the historical share price volatility for the Company. Further information is given in note 19 to the financial statements.

Significant judgements and estimates

The preparation of the group's financial statements in conforming with IFRS required management to make judgements, estimates and assumptions that effect the application of policies and reported amounts in the financial statements. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances. Information about such judgements and estimation is contained in the accounting policies and / or notes to the financial statements and the key areas are summarised below:

a) Depreciation rates are based on the estimated useful lives and residual value of the assets involved.

b) The impairment review of goodwill is based on the estimation of future cash flows and discount rates in order to calculate the present value of the cash flows.

c) The Group operates share incentive schemes as detailed in note 19. In order to calculate the annual charge in accordance with IFRS 2, management are required to make a number of assumptions and include, amongst others, volatility and expected life of options.

2 Revenue and segment information

Segment information is presented in respect of the group's business and geographical segments.

The primary format, business segments, is based on the group's management and internal reporting structure. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

	On Screen	On Screen	DVD & Interactive	DVD & Interactive	Events	Events	Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	£	£	£	£	£	£	£	£
Revenue	**892,968**	**811,238**	**468,854**	**434,782**	**204,507**	**839,347**	**1,566,329**	**2,085,367**
Segment results	32,463	19,647	30,621	26,556	(101,661)	163,102	(38,577)	209,305
Unallocated expenses							(226,915)	(131,609)
Development costs written off							(346,076)	-
Operating (loss) / profit							(611,568)	77,696
Finance income							45,870	37,840
Taxation							34,959	(3,036)
(Loss) / profit for the year							**(530,739)**	**112,500**
Segment assets	656,842	653,440	461,247	608,823	-	225,398	1,118,089	1,487,661
Unallocated assets							902,185	927,400
Total assets	**656,842**	**653,440**	**461,247**	**608,823**	**-**	**225,398**	**2,020,274**	**2,415,061**
Segment liabilities	(177,944)	(81,693)	(123,319)	(68,187)	(4,423)	(69,821)	(305,686)	(219,701)
Unallocated liabilities							(67,435)	(17,868)
Total liabilities	**(177,944)**	**(81,693)**	**(123,319)**	**(68,187)**	**(4,423)**	**(69,821)**	**(373,121)**	**(237,569)**
Capital expenditure	**62,978**	**47,416**	**62,977**	**47,416**	**-**	**47,415**	**125,955**	**142,247**
Depreciation and amortisation	**48,715**	**51,580**	**48,715**	**51,580**	**12,290**	**28,321**	**109,720**	**131,481**
Impairment loses	**6,369**	**12,738**	**6,369**	**12,738**	**-**	**-**	**12,738**	**25,476**

Secondary reporting of external revenue by location of customer is stated below. Whilst customers may be operating in different geographical locations, the group operates from the United Kingdom.

Geographical market	2008 UK £	2007 UK £	2008 Europe £	2007 Europe £	2008 Total £	2007 Total £
Revenue	**1,411,524**	**1,923,918**	**154,805**	**161,449**	**1,566,329**	**2,085,367**
Segment assets	337,622	354,655	3,255	8,678	340,877	363,333
Unallocated assets					1,679,397	2,051,728
Total assets					**2,020,274**	**2,415,061**
Capital expenditure – unallocated					**125,955**	**142,247**

3 Operating Profit

Operating (loss) / profit is stated after charging:	2008 £	2007 £
Amortisation of intangible assets	46,517	46,517
Impairment losses	12,738	25,476
Depreciation of property, plant and equipment	63,203	84,964
Fees payable to the Company's auditor in respect of:		
Audit of the Company's annual accounts	3,485	4,750
Audit of the Company's subsidiaries	12,502	8,250
Operating leases	92,212	84,232

4 Finance income

	2008 £	2007 £
Interest income	45,870	37,840

5 Taxation

	2008 £	2007 £
Current year tax		
UK corporation tax	(34,761)	3,036
Adjustment to prior years	(198)	-
	(34,959)	**3,036**
Factors affecting the tax charge for the year		
Loss (profit) on ordinary activities before taxation	(565,698)	115,536
Loss (profit) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20% (2007: 19%)	(113,140)	21,952
Effects of:		
Non deductible expenses	(4,140)	753
Depreciation and impairment losses	15,236	21,027
Capital allowances	(15,844)	(11,408)
Research and development	21,012	(28,338)
Other tax adjustments	525	(950)
Losses carried back to prior years	2,903	-
Losses carried forward	58,687	-
Adjustment to prior years	(198)	-
	78,181	**(18,916)**
Current tax charge	**(34,959)**	**3,036**

The Company has estimated losses of £418,973 (2007: £156,329) available to carry forward against future trading profits.

6 Loss attributable to members of the parent company

As permitted by section 230 of the Companies Act 1985, the parent company's income statement has not been included in these financial statements. The retained loss for the financial year of the holding company was £72,717 (2007: £98,143).

7 Earnings per ordinary share

Basic earnings per share are calculated by dividing the loss attributable to ordinary equity shareholders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the loss attributable to ordinary equity shareholders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would have been issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used and dilutive earnings per share computations:

	2008 **£**	**2007** **£**
Loss for the year	530,739	112,500
Adjusted for minority interests	(400)	-
Loss attributable to equity holders of the parent	**530,339**	**112,500**
Basic weighted average number of shares	**9,800,000**	**9,800,000**
Dilutive potential ordinary shares:		
Employee share options	-	74,597
Diluted weighted average number of shares	**9,800,000**	**9,874,597**

Employee share options do not have a dilutive effect on the weighted average number of shares in 2008 as the exercise price of the share options is in excess of the average market price of the ordinary shares.

8 Intangible fixed assets

Group	Goodwill £	Development Costs £	Total £
Cost			
At 1 July 2006	2,728,292	436,343	3,164,635
Additions	-	95,802	95,802
At 30 June 2007	2,728,292	532,145	3,260,437
At 1 July 2007	2,728,292	532,145	3,260,437
Development costs written off	-	(346,076)	(346,076)
At 30 June 2008	**2,728,292**	**186,069**	**2,914,361**
Impairment and amortisation			
At 1 July 2006	2,324,924	46,517	2,371,441
Amortisation	-	46,517	46,517
Impairment losses	25,476	-	25,476
At 30 June 2007	2,350,400	93,034	2,443,434
At 1 July 2007	2,350,400	93,034	2,443,434
Amortisation	-	46,517	46,517
Impairment losses	12,738	-	12,738
At 30 June 2008	**2,363,138**	**139,551**	**2,502,689**
Net book value			
At 1 July 2006	403,368	389,826	793,194
At 30 June 2007	377,892	439,111	817,003
At 1 July 2007	377,892	439,111	817,003
At 30 June 2008	**365,154**	**46,518**	**411,672**

Impairment

The impairment test for goodwill involved the determination of recoverable amounts based upon cash flow projections based upon actual operating results, the annual business plan and directors' long term estimates based on past experience and external estimates related to market growth. The key assumptions used are as follows: -

Discount rate	2.8%
Year on year growth	3.0%
Number of annual cash flows considered	10

Based upon the above, an impairment loss of £12,738 was recognised in the income statement during the year.

Development costs

Development costs in relation to the Group's nVision Presenter product are amortised over its expected useful life of four years. During the year development costs, in relation to the Group's nVision Strategy product, amounting to £346,076, have been written off in full.

9 Property, plant and equipment

Group	Leasehold land and buildings £	Fixtures, fittings and equipment £	Total £
Cost			
At 1 July 2006	142,218	727,142	869,360
Additions	4,360	42,085	46,445
At 30 June 2007	146,578	769,227	915,805
At 1 July 2007	146,578	769,227	915,805
Additions	-	125,955	125,955
Disposals	-	(51,785)	(51,785)
At 30 June 2008	**146,578**	**843,397**	**989,975**
Depreciation			
At 1 July 2006	104,761	634,921	739,682
Charge for the year	28,311	56,653	84,964
At 30 June 2007	133,072	691,574	824,646
At 1 July 2007	133,072	691,574	824,646
Charge for the year	13,506	49,697	63,203
Disposals	-	(51,785)	(51,785)
At 30 June 2008	**146,578**	**689,486**	**836,064**
Net book value			
At 1 July 2006	37,457	92,221	129,678
At 30 June 2007	13,506	77,653	91,159
At 1 July 2007	13,506	77,653	91,159
At 30 June 2008	-	**153,911**	**153,911**

10 Non-current assets - Investments

Company	Shares in subsidiary	Loans to subsidiary	Total
	£	£	£
Cost			
At 1 July 2006	3,144,213	-	3,144,213
At 30 June 2007	3,144,213	-	3,144,213
At 1 July 2007	3,144,213	-	3,144,213
Additions	600	200,000	200,600
At 30 June 2008	**3,144,813**	**200,000**	**3,344,813**
Provision			
At 1 July 2006	1,444,213	-	1,444,213
At 30 June 2007	1,444,213	-	1,444,213
At 1 July 2007	1,444,213	-	1,444,213
At 30 June 2008	**1,444,213**	-	**1,444,213**
Net book value			
At 1 July 2006	1,700,000	-	1,700,000
At 30 June 2007	1,700,000	-	1,700,000
At 1 July 2007	1,700,000	-	1,700,000
At 30 June 2008	**1,700,600**	**200,000**	**1,900,600**

Holdings of more than 20%

The Company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held	
		Class	%
Subsidiary undertakings			
Centralfix Limited	England and Wales	Ordinary	100
nVision Technology Limited	England and Wales	Ordinary	100
Business Data Interactive Limited	England and Wales	Ordinary	60

The principal activity of these undertakings for the last relevant financial year was as follows:

Company	Principal activity
Centralfix Limited	Provision of business communication services
nVision Technology Limited	Dormant
Business Data Interactive Limited	Development of business gaming software

11 Trade and other receivables

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Trade receivables	340,877	363,333	-	-
Related party receivables	-	-	-	241,117
Other receivables	36,404	37,250	896	-
Prepayments and accrued income	55,473	64,756	10,602	8,417
	432,754	**465,339**	**11,498**	**249,534**

Other receivables include £34,473 (2007: £35,473) for a rental deposit which is secured by a charge in favour of the landlords. All trade and other receivables are expected to be recovered within 12 months of the balance sheet date. The fair value of trade and other receivables is the same as the carrying values shown above.

12 Cash and cash equivalents

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Bank balances	984,947	1,039,275	891,586	918,983
Cash and cash equivalents	**984,947**	**1,039,275**	**891,586**	**918,983**
Cash and cash equivalents in the Cash Flow Statement	**984,947**	**1,039,275**	**891,586**	**918,983**

13 Trade and other payables

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Trade payables	157,637	98,113	-	-
Related party payables	-	-	8,230	1
Taxes and social security costs	62,022	67,559	-	-
Other payables	11,433	-	-	-
Accruals and deferred income	142,029	68,861	15,110	15,455
	373,121	**234,533**	**23,340**	**15,456**

All trade and other payables are expected to be settled within 12 months of the balance sheet date. The fair value of trade and other payables is the same as the carrying values shown above.

14 Share capital

	2008	2007
	£	£
Authorised		
28,000,000 Ordinary shares of 12.5p each	3,500,000	3,500,000
Allotted, called up and fully paid		
9,800,000 Ordinary shares of 12.5p each	1,225,000	1,225,000

There have been no changes to the Company's share capital during this year and the previous year.

See note 19 for details of share options outstanding.

15 Statement of changes in equity

Group	Share capital	Special reserves	Retained earnings	Total	Minority interest	Total equity
	£	£	£	£	£	£
At 1 July 2006	1,225,000	1,747,416	(907,424)	2,064,992	-	2,064,992
Retained profit for the year	-	-	112,500	112,500	-	112,500
At 30 June 2007	1,225,000	1,747,416	(794,924)	2,177,492	-	2,177,492
At 1 July 2007	1,225,000	1,747,416	(794,924)	2,177,492	-	2,177,492
Retained loss for the year	-	-	(530,339)	(530,339)	(400)	(530,739)
Group contributions to minority	-	-	-	-	400	400
At 30 June 2008	**1,225,000**	**1,747,416**	**(1,325,263)**	**1,647,153**	-	**1,647,153**

Company	Share capital	Special reserves	Retained earnings	Total	Minority interest	Total equity
	£	£	£	£	£	£
At 1 July 2006	1,225,000	1,747,416	(21,212)	2,951,204	-	2,951,204
Retained profit for the year	-	-	(98,143)	(98,143)	-	(98,143)
At 30 June 2007	1,225,000	1,747,416	(119,355)	2,853,061	-	2,853,061
At 1 July 2007	1,225,000	1,747,416	(119,355)	2,853,061	-	2,853,061
Retained loss for the year	-	-	(72,717)	(72,717)	-	(72,717)
At 30 June 2008	**1,225,000**	**1,747,416**	**(192,072)**	**2,780,344**	-	**2,780,344**

16 Financial commitments

Total future minimum lease payments under non-cancellable operating lease rentals are payable as follows:

	Land and Buildings	
	2008	2007
	£	£
Not later than one year	110,000	92,212
Later than one year and not later than five years	394,167	-

17 Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services was:

	2008 £	2007 £
Emoluments receivable	150,000	150,000

Directors' remuneration includes £Nil (2007: £15,000) which has been capitalised as development costs.

18 Employees

The average monthly number of employees (including directors) employed by the Group during the year was:

Number of employees	**2008** **Number**	**2007** **Number**
Production	16	17
Administration	4	4
	20	**21**

The aggregate payroll costs of these employees charged to the income statement was as follows:

Employment costs	**2008** **£**	**2007** **£**
Wages and salaries	559,590	596,140
Social security costs	65,167	69,305
Pension costs	172	1,172
	624,929	**666,617**

19 Share based payments

The Company has set up an EMI Share option scheme for key employees. The maximum term of current arrangements under the EMI scheme ends on 27 October 2014. Upon vesting, each option allows the holder to purchase one ordinary share at the pre agreed option price.

Details of the number of share options and the weighted average exercise price outstanding during the year are as follows:

	Number of options 2008	Weighted average exercise price 2008 £	Number of options 2007	Weighted average exercise price 2007 £
Outstanding at beginning of the year	293,600	0.29	316,200	0.29
Lapsed during the year	(44,000)	0.19	(22,600)	0.19
Outstanding at end of the year	249,600	0.31	293,600	0.29

The exercise price of options outstanding at the year-end ranged between £0.1875 and £0.625 (2007: £0.1875 and £0.625) and their weighted average contractual life was 4 years (2007: 4 years).

The Group issues equity-settled share-based payments to employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value as determined at the grant date of 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.

Fair value is measured by using the Binomial model. The expected life used in the model has been adjusted based on management's best estimate for the effect of non-transferability, exercise restrictions and behavioural considerations.

The fair value of the options is calculated using the Binomial model making the following assumptions:

Grant date	28 October 2004
Share price at grant date	16.25p
Exercise price	18.75p
Expected life	4 years
Contractual life	10 years
Risk free rate	6%
Expected volatility	43%
Expected dividend rate	0%
Fair value option	5.9868p

No expense has been recognised in the income statement for share based payments in respect of employee share options as, in the opinion of the directors, the amounts are considered immaterial. The unrecognised expense of these share based payments amounts to £1,315 (2007: £3,943).

20 Related party transactions

The Group has a related party relationship with its subsidiaries and its directors.

Transactions between group companies, which are related parties, have been eliminated on consolidation and are not included in this note.

Details of transactions between the Company and its subsidiaries are as follows:

Subsidiaries	2008 £	2007 £
Amounts owed by subsidiaries	200,000	241,117
Amounts owed to subsidiaries	8,230	1

Cheerful Scout Plc is a guarantor for a lease entered into by Centralfix Limited, its subsidiary undertaking.

Harris and Trotter LLP is a firm in which N J Newman is a member. The following was charged to the Group in respect of professional services:

Harris and Trotter LLP	2008 £	2007 £
Cheerful Scout plc	20,950	14,285
Centralfix Limited	13,400	23,310
	34,350	**37,595**

The compensation of key management (including directors) of the group is as follows:

	2008 £	2007 £
Short-term employee benefits	150,000	150,000

21 Financial instruments

The Group is exposed to risks that arise from its use of financial instruments. There have been no significant changes in the Group's exposure to financial instrument risk, its objectives, policies and processes for managing those from previous periods. The principal financial instruments used by the Group, from which financial instrument risk arises, are trade receivables, cash and cash equivalents and trade and other payables.

Credit risk

Credit risk arises principally from the Group's trade receivables. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument. The maximum exposure to credit risk at 30 June 2008 was £340,877 (2007: £363,333). Trade receivables are managed by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits. At the year end, the credit quality of trade receivables is considered to be satisfactory.

Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to meets its liabilities when they fall due. The Group monitors cash flow on a regular basis. At the year end, the Group has sufficient liquid resources to meets its obligations of £373,121 (2007: £234,533).

Market risk

Market risk arises from the Group's use of interest bearing financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate. At the year end, the cash and cash equivalents of the Group was £984,947 (2007: £1,039,275). The Group ensures that its cash deposits earn interest at a reasonable rate.

Fair value of financial assets

The Group's book value of the financial assets equates to their fair values.

22 Pension costs defined contribution

The Group makes pre-defined contributions to employees' personal pension plans.

Contributions payable by the Group for the year were £172 (2007: £1,172).

23 Post balance sheet events

Since the balance sheet date, following a board resolution, the Company has transferred retained losses of £192,072 to the special reserves and subsequently transferred the remaining balance in the special reserves of £1,555,344 to retained earnings following the expiry of the undertaking given to the High Court of Justice in 2006.

Notice of annual general meeting

Cheerful Scout plc

(Incorporated and registered in England and Wales with company number 4314540)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Cheerful Scout Plc will be held at 25-27 Riding House Street, London W1W 7DU on 15 December 2008 at 10.00 a.m. for the transaction of the following business:

As Ordinary Business to consider and, if thought fit, pass the following resolutions which will be proposed as Ordinary Resolutions:

1. To receive and adopt the report of the directors of the Company and the audited accounts for the Company for the year ended 30 June 2008.

2. To re-appoint Stuart Appleton as a Director of the Company, who retires in accordance with the Company's Articles of Association.

3. To re-appoint HLB Vantis Audit plc as auditors of the Company and to authorise the Directors to fix their remuneration.

As Special Business to consider and, if thought fit, pass the following resolutions of which Resolutions 4 and 5 will be proposed as Ordinary Resolutions and Resolution 6 will be proposed as a Special Resolution:

4. That the Company be and is hereby generally and unconditionally authorised in accordance with Section 166 of the Companies Act 1985 as amended, restated or re-enacted by the Companies Act 1989 and the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 163(3) of the Act) on the AIM Market of the London Stock Exchange plc of ordinary shares of 12.5 pence each in the capital of the Company ("Ordinary Shares") provided that:

(i) the maximum number of Ordinary Shares hereby authorised to be purchased is 1,470,000 Ordinary Shares;

(ii) the minimum price which may be paid for an Ordinary Share is 1p;

(iii) the maximum price which shall be paid for an Ordinary Share shall be an amount equal to 105 per cent. of the average middle market quotations taken from the AIM Appendix to the Daily Official List of the UKLA for the five business days immediately preceding the day on which the Ordinary Share is contracted to be purchased;

(iv) unless renewed the authority hereby conferred shall expire on the earlier of the Company's Annual General Meeting in 2009 or eighteen months from the passing of this resolution unless such authority is renewed, varied or revoked prior to such time; and

the Company may make a contract or contracts to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

5. That for the purposes of section 80 of the Act (and so that expressions used in this Resolution shall bear the same meanings as in the said section 80) the Directors of the Company be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) up to an aggregate nominal amount of £1,000,000 for the period expiring at the earlier of the conclusion of the next Annual General Meeting or the date 15 months from the date this Resolution 5 comes into effect, (unless previously revoked or varied by the Company in general meeting and provided that the Company may before such expiry make an offer or agreement which would or might require such shares to be allotted after such expiry and the Directors may allot relevant securities pursuant to such an offer or agreement as if the authority conferred hereby had not expired) and so that all previous authorities given by the Company in general meeting pursuant to Section 80 of the Act are revoked (save to the extent relied upon prior to the passing of this Resolution).

6. That, subject to the passing of Resolution 5 set out above, the Directors of the Company be hereby empowered, during the period expiring on the earlier of the conclusion of the next Annual General Meeting of the Company and the date 15 months from the date that this Resolution comes into effect (save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of the offer or agreement as if the power conferred by this Resolution had not expired), to allot or make offers or agreements to allot equity securities pursuant to the authority granted by Resolution 5 above as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited:

6.1 to the allotment of equity securities in connection with a rights issue in favour of the holders of relevant shares and relevant employee shares, or in connection with any other form of issue of such securities in which such holders are offered the right to participate, in proportion (as nearly as may be) to their respective holdings but subject to such exclusion or other arrangements as the Directors consider necessary or expedient in connection with shares representing fractional entitlements or on account of either legal or practical problems arising in connection with the laws of any territory, or of the requirements of any generally recognised regulatory body or stock exchange in any territory; and

6.2 to the allotment (otherwise than pursuant to sub-paragraph 6.1 above) of equity securities up to an aggregate nominal amount of £1,000,000.

By order of the Board

Neville Newman

Company Secretary

Registered Office:
65 New Cavendish Street
London W1G 7LS

Notes:

(1) A member entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies to exercise any or all of his rights to attend, speak and vote at the meeting instead of him.

(2) A Form of Proxy is enclosed for your use, if desired. The instrument appointing a proxy must reach the Company's Registrars, The Proxy Department, PO Box 25, Beckenham, Kent, BR3 4BR not less than 48 hours before the time of holding of the meeting.

(3) Pursuant to Regulation 41 of The Uncertificated Securities Regulations 2001, the Company specifies that only those Shareholders of the Company on the register at 10.00 a.m. on 15 December 2008 shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at the time. Changes to the register of members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

(4) A copy of the register of Directors' interests in shares in the Company and copies of the Directors' service contracts of more than one year's duration will be available for inspection at the registered office of the Company during office hours only on any weekday (excluding Saturdays, Sundays and public holidays) from the date of this Notice until the date of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting.

In order to facilitate voting by corporate representatives at the Annual General Meeting, arrangements will be put in place at the Annual General Meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.

Form of Proxy

Cheerful Scout Plc

("the Company")

(Registered in England and Wales with Registered Company Number 431450)

For use at the Annual General Meeting of the Company convened for 15 December 2008 at 10.00 a.m. to be held at the Company's offices at 25-27 Riding House Street, London W1W 7DU

I/We ____

(BLOCK LETTERS PLEASE)

of ____

being a member of **Cheerful Scout Plc**, hereby appoint the Chairman of the meeting, or*

____

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at the Company's offices at 25-27 Riding House Street, London W1W 7DU on 15 December 2008 at 10.00 a.m. on the following resolutions, to be submitted to the meeting and at any adjournment thereof, and any other business which may properly come before the meeting and any adjournment thereof.

Please indicate with an 'X' in the appropriate space how you wish your vote to be cast. Unless otherwise instructed, the proxy will vote as he thinks fit or abstain.

Ordinary Resolutions	**For**	**Against**	**Vote Withheld****
1. To receive and adopt the report of the directors of the Company and the audited accounts for the Company for the year ended 30 June 2008.			
2. To re-appoint Stuart Appleton as a Director of the Company, who retires in accordance with the Company's Articles of Association.			
3. To re-appoint HLB AV Audit plc as auditors of the Company and to authorise the Directors to fix their remuneration.			

4. To authorise the Company to make market purchases of up to 1,470,000 Ordinary Shares.			
5. To authorise the Directors generally and unconditionally to allot relevant securities in accordance with Section 80 of the Companies Act 1985 (the "Act") subject to certain limitations.			
Special Resolution			
6. To authorise the disapplication of the statutory rights of pre-emption in relation to the allotment of Ordinary Shares subject to certain limitations.			

Signature ____

Dated ____________________day of ________________ 2008

*** You may, if you wish, in the space provided insert the name(s) of the person(s) of your choice to attend and vote at the meeting on your behalf.**

**** Please note that if the "Vote Withheld" box is marked with a "X", the Shareholder will not be counted in the calculation of votes "For" and "Against" and the Shareholder will not be taken to have given his/her/their discretion to the Proxy, on how to vote.**

Notes:

1. A member entitled to attend and vote at the meeting is also entitled to appoint a proxy or proxies to exercise all or any of his rights to attend, speak and vote at the meeting instead of him. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company.

2. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares.

2. Completion and return of the form of proxy will not preclude ordinary shareholders from attending or voting at the meeting, if they so wish.

3. To be effective, this proxy form must be lodged with the Company's Registrars, Capita Registrars, The Proxy Department, PO Box 25, Beckenham, Kent BR3 4BR, not later than 48 hours before the time of the Meeting, or any adjournment thereof, together, if appropriate, with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or, where the proxy form has been signed by an officer on behalf of a corporation, a notarially certified copy of the authority under which it is signed.

4. In the case of a joint holding, a proxy need only be signed by one joint holder. If more than one such joint holder lodges a proxy only that of the holder first on the register of members will be counted. Any alterations made in this proxy should be initialled.

5. In the case of a corporation this proxy must be given under its common seal or be signed on its behalf by an attorney or officer duly authorised.

6. As provided by Regulation 41 of the Uncertificated Securities Regulations 2001, only those members registered in the register of members of the Company 48 hours before the time set for the Meeting shall be entitled to attend and vote at the Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after that time shall be disregarded in determining the rights of any person to attend or vote at the Meeting.

7. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given.

Company Information

Directors	S Appleton	(Non-Executive Chairman)
	P Litten	(Chief Executive)
	N J Newman	(Non-Executive)
	R L Owen	(Non-Executive)
Secretary	N J Newman	
Company number	4314540	
Registered office	65 New Cavendish Street London, W1G 7LS	
Financial advisers	Harris & Trotter LLP 65 New Cavendish Street London, W1G 7LS	
Stockbrokers	Dowgate Capital Stockbrokers Limited Talisman House, Jubilee Walk, Three Bridges, Crawley West Sussex, RH10 1LQ	
Nominated adviser	Seymour Pierce Limited 20 Old Bailey London, EC4M 7EN	
Auditors	HLB Vantis Audit plc 66 Wigmore Street London, W1U 2SB	
Solicitors	Finers Stephens Innocent 179 Great Portland Street London, W1W 5LS	
	Ross & Craig 12a Upper Berkeley Street London, W1H 7PE	
Bankers	Barclays Bank plc P O Box 32106 London, NW1 2ZH	
Registrar and transfer office	Capita Registrars Northern House, Woodsome Park Fenay Bridge, Huddersfield West Yorkshire, HD8 0LA	