

4 June 2009

Cheerful Scout Plc ('Cheerful' or 'the Company')

Capital Reorganisation and Posting of General Meeting Circular

Cheerful Scout Plc, the AIM-traded multi media specialist has today posted to shareholders a circular convening a General Meeting of the Company to approve a proposed consolidation and subdivision of share capital and approve a waiver of the obligation under Rule 9 of the City Code on Takeovers and Mergers.

The Company currently has approximately 475 Shareholders, almost 90 per cent. of whom hold fewer than 12,500 Ordinary Shares. By undertaking the Capital Reorganisation the Board believe that certain of the costs inherent in maintaining a register of this size will be reduced and an exit will be provided to small Shareholders whose holdings will be acquired by the Company. The Board considers that it is in the interests of the Company and its Shareholders to reorganise the Company's share capital in such a way as to provide a cash payment per Ordinary Share, free of dealing charges, for their entire shareholding to all holders of fewer than 12,500 Ordinary Shares.

As a result of the Capital Reorganisation, Peter Litten, a Director of Cheerful, will have an interest in approximately 52.38 per cent. of the Reorganised Share Capital. Completion of the Capital Reorganisation will trigger an obligation on Peter Litten to make a mandatory offer under Rule 9 of the Code for all of the New Ordinary Shares in issue and not held by him. Cheerful has obtained a Waiver "Whitewash" from the Takeover Panel removing the requirement for Peter Litten to make a general offer for the remaining shares in Cheerful which he does not own. The Directors are therefore seeking independent Shareholders' approval, by the proposal of the Waiver Resolution to be taken on a poll, for a waiver to be granted by the Panel from the obligations that would otherwise apply to Peter Litten under Rule 9 of the Code resulting from the Capital Reorganisation to make a mandatory offer under Rule 9 of the Code for the remaining New Ordinary Shares in issue.

Capital Reorganisation

As a result of the Capital Reorganisation: (i) the Consolidation will consolidate the Company's share capital; (ii) any fractional entitlements of Shareholders which arise as a result of the Consolidation shall be aggregated into whole Consolidated Shares, registered in the name of Seymour Pierce and will then be sold by Seymour Pierce to the Company at a price of £625 per Consolidated Share (being equivalent to 5 pence per Ordinary Share) pursuant to the terms of a contract to be entered into by the Company and Seymour Pierce (with the proceeds thereafter being remitted by Capita Registrars to the relevant Shareholders); and (iii) the Subdivision shall be effected.

The Board is aware that it can be difficult for Shareholders to sell very small shareholdings and that dealing charges might make selling small shareholdings uneconomic. Maintaining a large register of very small shareholdings is also very expensive for the Company and considered by the Board to not be in the best interests of Shareholders as a whole.

The Board has, therefore, sought to make arrangements to give the holders of very small holdings of Ordinary Shares cash in consideration for their Ordinary Shares without those Shareholders incurring dealing charges.

Effect of the Capital Reorganisation

The effect of the Capital Reorganisation is that Shareholders holding fewer than 12,500 Ordinary Shares on the Record Date of 26 June 2009 will receive a cash payment equivalent to 5 pence per Ordinary Share (subject to the impact and treatment of fractional entitlements as described in the circular). As a result of the Capital Reorganisation, those Shareholders holding fewer than 12,500 Ordinary Shares will have received 5 pence per share for their shareholding (subject to the impact and treatment of fractional entitlements as described in the circular) without incurring dealing costs.

Holders of more than 12,500 Ordinary Shares on the Record Date will likewise receive a cash payment equivalent to 5 pence per Ordinary Share (subject to the impact and treatment of fractional entitlements as described in the circular) for the number of their Ordinary Shares as become a fraction of a Consolidated Share when their holding is divided by 12,500. These Shareholders will retain the balance of their shareholding. For example, a holder of 15,000 Ordinary Shares would receive: (i) following the Consolidation, 1 Consolidated Share in respect of 12,500 Ordinary Shares together with a cash payment in respect of 2,500 Ordinary Shares; and (ii) following the Subdivision, would retain 12,500 New Ordinary Shares.

The Directors anticipate that the Capital Reorganisation will reduce the number of Shareholders from present level of approximately 475 to approximately 36. This will reduce the Company's costs on an ongoing basis.

The Directors do not anticipate any suspension on AIM of the trading of the Company's Ordinary Shares or any delay in the commencement of the trading of the New Ordinary Shares as a result of the Capital Reorganisation. The Capital Reorganisation is anticipated to be completed and take effect on or around 29 June 2009 with certificates in respect of New Ordinary Shares and payments made to entitled Shareholders on or around 7 July 2009.

The General Meeting will be held on 26 June 2009 at 11.30 a.m. at the offices of Cheerful Scout Plc, 25-27 Riding House Street, London, W1W 7DU.

The circular, which contains further information, will be available on the Company's website at www.cheerfulscout.com. Terms defined in this announcement shall have the same meaning as set out in the circular.

For further information visit www.cheerfulscout.com or contact:

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Susie Callear	St Brides Media & Finance Ltd	Tel: 020 7236 1177

Timetable of Principal Events

Latest time and date of receipt of Forms of Proxy	11.30 a.m. 24 June 2009
Record Date	26 June 2009
General Meeting	11.30 a.m. 26 June 2009
Admission of New Ordinary Shares	on or around 29 June 2009
CREST Accounts credited with New Ordinary Shares	on or around 29 June 2009
Certificates issued in respect of New Ordinary Shares	7 July 2009
Payments issued to entitled Shareholders	7 July 2009
New Ordinary Shares' international Security Identification Number (ISIN)	GE00B4QHH456

