

5 November 2008

**Cheerful Scout Plc ('Cheerful' or 'the Company')**  
**Final Results**

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 Division 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 Division 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)

**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 Division, 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**

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  
5 November 2008

## **OPERATIONS REVIEW**

### **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.

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.

## **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.

## CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2008

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

**BALANCE SHEETS****As at 30 June 2008**

	Notes	Group		Company	
		2008	2007	2008	2007
		£	£	£	£
<b>Non-current assets</b>					
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
		<b>565,583</b>	<b>908,162</b>	<b>1,900,600</b>	<b>1,700,000</b>
<b>Current assets</b>					
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
		<b>1,454,691</b>	<b>1,506,899</b>	<b>903,084</b>	<b>1,168,517</b>
<b>Total assets</b>		<b>2,020,274</b>	<b>2,415,061</b>	<b>2,803,684</b>	<b>2,868,517</b>
<b>Current liabilities</b>					
Trade and other payables	13	(373,121)	(234,533)	(23,340)	(15,456)
Current tax payable		-	(3,036)	-	-
		<b>(373,121)</b>	<b>(237,569)</b>	<b>(23,340)</b>	<b>(15,456)</b>
<b>Net assets</b>		<b>1,647,153</b>	<b>2,177,492</b>	<b>2,780,344</b>	<b>2,853,061</b>
<b>Equity</b>					
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)
<b>Equity attributable to equity holders of the parent</b>		<b>1,647,153</b>	<b>2,177,492</b>	<b>2,780,344</b>	<b>2,853,061</b>
Minority interest		-	-	-	-
<b>Total equity</b>		<b>1,647,153</b>	<b>2,177,492</b>	<b>2,780,344</b>	<b>2,853,061</b>

**CONSOLIDATED CASH FLOW STATEMENT****For the year ended 30 June 2008**

	Notes	Group		Company	
		2008	2007	2008	2007
		£	£	£	£
<b>Cash flows from operating activities</b>					
(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)
		<b>(166,868)</b>	<b>234,653</b>	<b>(115,698)</b>	<b>(131,609)</b>
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)	-	-	-
<b>Cash generated from operating activities</b>		<b>1,923</b>	<b>258,123</b>	<b>130,222</b>	<b>142,706</b>
<b>Cash flows from investing activities</b>					
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)	-
<b>Cash (used in) / generated from investing activities</b>		<b>(56,251)</b>	<b>(104,407)</b>	<b>(157,619)</b>	<b>33,466</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(54,328)</b>	<b>153,716</b>	<b>(27,397)</b>	<b>176,172</b>
Cash and cash equivalents at beginning of year		1,039,275	885,559	918,983	742,811
<b>Cash and cash equivalents at end of year</b>	<b>12</b>	<b>984,947</b>	<b>1,039,275</b>	<b>891,586</b>	<b>918,983</b>

## 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 three 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	2007
	2008	2007	2008	2007	2008	2007	2008	2007
	£	£	£	£	£	£	£	£
<b>Revenue</b>	<b>892,968</b>	<b>811,238</b>	<b>468,854</b>	<b>434,782</b>	<b>204,507</b>	<b>839,347</b>	<b>1,566,329</b>	<b>2,085,367</b>
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)
<b>(Loss) / profit for the year</b>							<b>(530,739)</b>	<b>112,500</b>
Segment assets	656,842	653,440	461,247	608,823	-	225,398	1,118,089	1,487,661
Unallocated assets							902,185	927,400
<b>Total assets</b>	<b>656,842</b>	<b>653,440</b>	<b>461,247</b>	<b>608,823</b>	<b>-</b>	<b>225,398</b>	<b>2,020,274</b>	<b>2,415,061</b>
Segment liabilities	(177,944)	(81,693)	(123,319)	(68,187)	(4,423)	(69,821)	(305,686)	(219,701)
Unallocated liabilities							(67,435)	(17,868)
<b>Total liabilities</b>	<b>(177,944)</b>	<b>(81,693)</b>	<b>(123,319)</b>	<b>(68,187)</b>	<b>(4,423)</b>	<b>(69,821)</b>	<b>(373,121)</b>	<b>(237,569)</b>
<b>Capital expenditure</b>	<b>62,978</b>	<b>47,416</b>	<b>62,977</b>	<b>47,416</b>	<b>-</b>	<b>47,415</b>	<b>125,955</b>	<b>142,247</b>
<b>Depreciation and amortisation</b>	<b>48,715</b>	<b>51,580</b>	<b>48,715</b>	<b>51,580</b>	<b>12,290</b>	<b>28,321</b>	<b>109,720</b>	<b>131,481</b>

Impairment losses	6,369	12,738	6,369	12,738	-	-	12,738	25,476
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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.

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

### 3. Operating Profit

Operating (loss) / profit is stated after charging:

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
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

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Interest income	45,870	37,840

### 5. Taxation

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
<b>Current year tax</b>		
UK corporation tax	(34,761)	3,036
Adjustment to prior years	(198)	-
	<b>(34,959)</b>	<b>3,036</b>

**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)	-
	<b>78,181</b>	<b>(18,916)</b>
<b>Current tax charge</b>	<b>(34,959)</b>	<b>3,036</b>

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:

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Loss for the year	530,739	112,500
Adjusted for minority interests	(400)	-
<b>Loss attributable to equity holders of the parent</b>	<b>530,339</b>	<b>112,500</b>
<b>Basic weighted average number of shares</b>	<b>9,800,000</b>	<b>9,800,000</b>
Dilutive potential ordinary shares:		

Employee share options	-	74,597
<b>Diluted weighted average number of shares</b>	<b>9,800,000</b>	<b>9,874,597</b>

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

<b>Group</b>	<b>Goodwill</b>	<b>Development</b>	<b>Total</b>
	<b>£</b>	<b>Costs</b>	<b>£</b>
		<b>£</b>	
<b>Cost</b>			
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)
<b>At 30 June 2008</b>	<b>2,728,292</b>	<b>186,069</b>	<b>2,914,361</b>
<b>Impairment and amortisation</b>			
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
<b>At 30 June 2008</b>	<b>2,363,138</b>	<b>139,551</b>	<b>2,502,689</b>
<b>Net book value</b>			
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



<b>At 30 June 2008</b>	<b>365,154</b>	<b>46,518</b>	<b>411,672</b>
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### **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 & equipment**

<b>Group</b>	<b>Leasehold land and buildings</b>	<b>Fixtures, fittings and equipment</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
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)
<b>At 30 June 2008</b>	<b>146,578</b>	<b>843,397</b>	<b>989,975</b>
<b>Depreciation</b>			
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)
<b>At 30 June 2008</b>	<b>146,578</b>	<b>689,486</b>	<b>836,064</b>
<b>Net book value</b>			
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
<b>At 30 June 2008</b>	<b>-</b>	<b>153,911</b>	<b>153,911</b>

#### 10. Non-current assets – Investments

Company	Shares in subsidiary	Loans to subsidiary	Total
	£	£	£
<b>Cost</b>			
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
<b>At 30 June 2008</b>	<b>3,144,813</b>	<b>200,000</b>	<b>3,344,813</b>
<b>Provision</b>			
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
<b>At 30 June 2008</b>	<b>1,444,213</b>	<b>-</b>	<b>1,444,213</b>
<b>Net book value</b>			
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	%
<b>Subsidiary undertakings</b>			
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
	<b>432,754</b>	<b>465,339</b>	<b>11,498</b>	<b>249,534</b>

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**

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

### 13. Trade and other payables

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
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
	<b>373,121</b>	<b>234,533</b>	<b>23,340</b>	<b>15,456</b>

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

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
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

<b>Group</b>	<b>Share capital</b>	<b>Special reserves</b>	<b>Retained earnings</b>	<b>Total</b>	<b>Minority interest</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
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
<b>At 30 June 2008</b>	<b>1,225,000</b>	<b>1,747,416</b>	<b>(1,325,263)</b>	<b>1,647,153</b>	<b>-</b>	<b>1,647,153</b>

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)
<b>At 30 June 2008</b>	<b>1,225,000</b>	<b>1,747,416</b>	<b>(192,072)</b>	<b>2,780,344</b>	<b>-</b>	<b>2,780,344</b>

#### 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

Number of employees	2008	2007
	Number	Number
Production	16	17

Administration	4	4
	<b>20</b>	<b>21</b>

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

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

### 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:

	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>
	<b>2008</b>	<b>2008</b>	<b>2007</b>	<b>2007</b>
		<b>£</b>		<b>£</b>
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:

<b>Subsidiaries</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
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:

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

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

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
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 meet 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 meet 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.