

17 October 2006

CHEERFUL SCOUT PLC ('Cheerful Scout' or 'the Company')
FINAL RESULTS

Cheerful Scout plc, the AIM listed multi media specialist, announces its results for the year ended 30 June 2006.

Overview

- Inaugural pre-tax profit of £259,032 before goodwill amortisation and reorganisation costs (2005: loss £219,865 before goodwill amortisation and impairment)
- Turnover up 142% to £2,173,163 (2005: £898,492)
- Strengthened portfolio of blue-chip clients
- Solid pipeline of new business from both old and new clients
- Enhanced technology and service offering - primarily through the launch of nVision
- Events division established to work in tandem with nVision Presenter, organising and executing live events
- Targeted expansion into new markets, principally The Business Intelligence Market with nVision Strategy
- Co developing nVision strategy with a visualisation company that deals in strategy for large retail corporates
- Consolidation of share capital being recommended to reduce trading costs for shareholders without having an adverse effect on liquidity
- Several prestigious awards won in the UK and Europe

CHAIRMAN'S STATEMENT

It gives me great pleasure to report on Cheerful Scout's progress and I believe your Company has much to celebrate in its tenth year. The period under review has been extremely positive resulting in an exciting turnaround in our core business of corporate programming and DVD production. Several prestigious awards have been won - CIB and IVCA in UK and recently at the FEIFA Grand Prix awards in Vienna, which underline our commitment to quality and the use of innovation and further solidify our position and reputation in our market place. Importantly, we have strengthened our portfolio of blue-chip clients, secured a solid pipeline of new business and enhanced our technology and service offering - primarily through the launch of nVision. I therefore believe we have a healthy business that will now be in a position to deliver value to shareholders and realise our full potential.

Financial Results

As confirmation of our improvement and ongoing success, I am delighted to report an inaugural pre-tax profit of £259,032 before goodwill amortisation and reorganisation costs (2005: loss £219,865 before goodwill amortisation and impairment) on a turnover of £2,173,163 (2005: £898,492).Cash

balances stand at £885,559. We are encouraged that our existing core business has made the most significant impact on the numbers and as we anticipate an increased potential contribution from our new divisions – we can look forward to the future with keen anticipation.

No Dividend will be payable this year, but the Directors will continue to review this position closely as our financial situation improves.

Operations

Cheerful Scout is a multidisciplinary creative consultancy that specialises in devising and delivering corporate communications solutions. Its business is divided into three areas; (1) film and video programme production; (2) DVD Authoring; (3) nVision Technology - which incorporates the events division.

(1) Programme Production

The programme productions division - which builds entire projects from initial ideas through to implementation - continues to perform well. While much of our work has traditionally been from long standing contracts with clients such as Allen & Overy and Deloitte, we have now secured a number of new contracts with other leading organisations. In particular we recently won two branding contracts, the first a project with the Health, Work and Wellbeing Strategy Department and the second a project to create the imagery and characters for the new Tesco Direct service. This increase in client base not only bodes well for the future but underlines that our attention to detail, creativity and quality of work is paying off, as new business increases from both old and new clients.

(2) DVD

In the same vein, our DVD division is also performing well. We have been an active participator in the DVD market for several years and have worked on a number of major features as well as many well known television series such as Spooks and Life On Mars. Our customers recognise our consistently high standard of work, enabling us to build an extensive and loyal customer base which includes 2 Entertain, Contender Entertainment Group and Fremantle. This high standard has once again been endorsed by our DVD department being singled out by Televisual for its menu designs as some of the best for 2006.

(3) nVision

Cheerful Scout is building a name for itself as a developer of pioneering technologies and for pushing the boundaries of on-screen visual communication.

nVision technology is our latest development, of which there are two versions: nVision Presenter, a unique communications product targeted at organisers of live events, and nVision Strategy, a high end product directed at organisations requiring complex problem solving tools.

nVision Presenter was the first to launch in 2006 and is establishing itself in the market place. With such a unique offering, we decided that your Company could increase the business potential and benefits of nVision Presenter by establishing an events division to help organise and execute live

events. We have subsequently organised a number of events both in the UK and in Europe which I am happy to report, were very well received.

The Business Intelligence Market is growing rapidly and I am delighted that nVision Strategy provides an entry point into what is an entirely new market for Cheerful Scout. We believe that nVision Strategy will provide considerable opportunities for us in the future. Furthermore, to develop the product further, we are co developing with a visualisation company that deals in strategy for large retail corporates. We believe by working with partners we can increase both the value of our proposition as well as the uptake.

Our People

Our people are crucial to the success of Cheerful Scout. We have 18 full time people all who are well trained, able to adapt to the changing needs of our clients and who understand the Cheerful Scout ethos. The culture of Cheerful Scout remains as solid today as it did when it was founded by Gary and Peter 10 years ago. It remains flexible, innovative and creative and offers the best service possible at all times to all clients. We understand the importance of client relationships and will continue to employ and hopefully retain the very best of people.

We are proud of our retention of staff, which I believe can be put down to the management, innovative environment and the opportunities for those involved in the business as we continue to grow. Good people are essential and I'd like to take this opportunity to thank everyone for their hard work in building Cheerful Scout to what it is today.

Consolidation of Share Capital

Your Board is aware that, due to the large number of shares in issue and low unit price per share, the Company's shares have traded with a relatively wide bid-offer spread compared to other companies of similar size. Your Board believes that consolidating the share capital of the Company will reduce trading costs for shareholders without having an adverse effect on liquidity, and will result in a more appropriate number of shares in issue.

Consequently, your approval is sought for a consolidation of the ordinary shares of 0.5p each, such that all shareholders will receive one new ordinary share of 12.5p each for every 25 ordinary shares of 0.5p. Subject to the passing of resolution 6 of the notice of the AGM, fractions of new ordinary shares resulting from the consolidation will not be issued to shareholders. The Board may decide that any fractions shall be consolidated into consolidated shares which the Board may sell for the best price that can be reasonably obtained. The net proceeds of any such sale after deduction of expenses will be distributed in due proportion among holders of fractional entitlements (except that any amount due which is less than £3 may be retained for the benefit of the Company). Based on the shareholdings at the date of this letter, it is not expected that any fractional entitlements will be above £3 and so it is not expected that any distribution will be made to shareholders in relation to fractional entitlements.

Except in relation to fractional entitlements, the proportion of each shareholder's interest in the Company will remain the same, and except for the increase in nominal value, the new ordinary shares will be identical in all respects to the ordinary shares. The new ordinary shares will rank pari passu in respect of dividends.

As a result of the consolidation of ordinary shares the existing warrants to subscribe for ordinary shares will also be consolidated such that each consolidated warrant would entitle the holder to subscribe for one new ordinary share of 12.5 p at 62.5 p per share.

The record date for the consolidation of both the ordinary shares and the warrants is close of business on 23 November 2006. Crest accounts will be credited with new ordinary shares and/or new warrants in uncertificated form on 24 November 2006. Dealings will commence in new ordinary shares and new warrants on 24 November 2006. Persons holding ordinary shares and warrants in certificated form will be issued with new share certificates and new warrant certificates on 7 December 2006. Existing share certificates and warrant certificates will remain valid pending the issue of new share certificates and new warrant certificates. Upon receipt of new share certificates and new warrant certificates, the existing share certificates and warrant certificates will become invalid and should be destroyed.

Outlook

As the results demonstrate, our previous investment in both technology and a highly experienced team has enabled us to build a strong position in a competitive market. I am confident that our success will continue and that the future stability and growth of the Company is in safe hands. Importantly, our core business and nVision are beginning to interact, creating new business prospects for each other, thus further strengthening our investment case. Through leveraging the team's creative abilities and exploiting our unique technology, we have created a solid platform from which to further develop the business and in turn generate increased shareholder value and fulfil the potential of what I believe to be a very exciting company.

S Appleton
Chairman
16 October 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2006

				2006			2005
	Notes	Pre goodwill amortisation and reorganisation costs	Goodwill Amortisation and reorganisation costs	Total	Pre goodwill amortisation and impairment	Goodwill Amortisation and impairment	Total
		£	£	£	£	£	£
Turnover	2	2,173,163	-	2,173,163	898,492	-	898,492
Cost of sales		(1,308,612)	-	(1,308,612)	(631,550)	-	(631,550)
Gross profit		864,551	-	864,551	266,942	-	266,942
Administrative expenses		(635,581)	(50,499)	(686,080)	(504,071)	(136,415)	(640,486)
Operating Profit/(loss)	3	228,970	(50,499)	178,471	(237,129)	(136,415)	(373,544)
Exceptional item	4	-	-	-	-	(1,867,467)	(1,867,467)
Interest receivable		30,104	-	30,104	17,268	-	17,268
Interest payable and similar charges	5	(42)	-	(42)	(4)	-	(4)
Profit/(Loss) on ordinary activities before taxation		259,032	(50,499)	208,533	(219,865)	(2,003,882)	(2,223,747)
Tax on profit/(loss) on ordinary activities	6	-	-	(54,000)	54,000	-	54,000
Retained profit/(loss) for the year	16			154,533			(2,169,747)
Earnings per ordinary shares:							
Basic	8			<u>0.063075p</u>			<u>(1.045661)p</u>
Diluted	8			<u>0.062814p</u>			<u>(1.045661)p</u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains or losses other than those passing through the profit and loss account.

BALANCE SHEET
AS AT 30 JUNE 2006

		2006	Group 2005
Fixed assets	Notes	£	£
Intangible assets	9	793,194	799,135
Tangible assets	10	129,678	212,152
Investments	11	-	-
		<hr/>	<hr/>
		922,872	1,011,287
		<hr/>	<hr/>
Current assets			
Stock		2,268	1,211
Debtors	12	615,914	295,946
Cash at bank and in hand		885,559	721,757
		<hr/>	<hr/>
		1,503,741	1,018,914
		<hr/>	<hr/>
Creditors: amounts falling due within one year	13	(361,621)	(119,742)
		<hr/>	<hr/>
Net current assets		1,142,120	899,172
		<hr/>	<hr/>
Total assets less current liabilities		2,064,992	1,910,459
		<hr/>	<hr/>
		2,064,992	1,910,459
		<hr/>	<hr/>
		<hr/>	<hr/>
Capital and Reserves			
Called up share capital	15	1,225,000	1,225,000
Share premium account	16	-	3,360,169
Special Reserves	16	1,747,416	-
Profit and loss account	16	(907,424)	(2,674,710)
		<hr/>	<hr/>
Shareholders' funds – equity interests	17	2,064,992	1,910,459

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	£	2006 £	£	2005 £
Net cash inflow/(outflow) from operating activities		231,209		(136,242)
Returns on investments and servicing of finance				
Interest received	30,104		17,268	
Interest paid	(42)		(4)	
		<hr/>		<hr/>
Net cash inflow for returns on investments and servicing of finance		30,062		17,264
Taxation		-		-
Capital expenditure and financial investment				
Payments to acquire intangible assets	(66,052)		(191,865)	
Payments to acquire tangible assets	(31,417)		(52,115)	
		<hr/>		<hr/>
Net cash outflow for capital expenditure		(97,469)		(243,980)
		<hr/>		<hr/>
Net cash inflow/(outflow) before management of liquid resources and financing		163,802		(362,958)
Financing				
Net proceeds from issue of ordinary share capital	-		525,000	
Expenses relating to issue of share capital	-		(26,250)	
		<hr/>		<hr/>
Net cash inflow from financing		-		498,750
		<hr/>		<hr/>
Increase in cash in the year		163,802		135,792
		<hr/>		<hr/>

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006**

1 Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities

	2006	2005
	£	£
Operating profit/(loss)	178,471	(373,544)
Depreciation of tangible assets	113,891	134,099
Amortisation of intangible assets	71,993	136,415
Increase/(decrease) in debtors	(373,968)	(15,577)
Decrease/(increase) in creditors within one year	241,879	(17,896)
Decrease/(increase) in stock	(1,057)	261
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	231,209	(136,242)
	<hr/> <hr/>	<hr/> <hr/>

2 Analysis of net funds

	1 July 2005	Cash flow	30 June 2006
	£	£	£
Net cash:			
Cash at bank and in hand	-	158,916	158,916
	<hr/>	<hr/>	<hr/>
Liquid resources:			
Bank deposits	721,757	4,886	726,643
	<hr/>	<hr/>	<hr/>
Net funds	<u>721,757</u>	<u>163,802</u>	<u>885,559</u>

3 Reconciliation of net cash flow to movement in net funds

	2006	2005
	£	£
Increase in cash in the year	158,916	26,087
Cash inflow from movement in liquid resources	4,886	109,705
	<hr/>	<hr/>
Change in net funds resulting from cash flows	163,802	135,792
	<hr/>	<hr/>
Movement in net funds in the year	163,802	135,792
Opening net funds	721,757	585,965
	<hr/>	<hr/>
Closing net funds	885,559	721,757
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 30 June 2006. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

1.4 Turnover

Turnover represent amounts receivable for goods and services, net of VAT and trade discounts and has been derived from its principal activity.

1.5 Goodwill and impairment

Goodwill arising on acquisition is written off in equal annual instalments over its estimated useful economic life of 20 years.

The carrying value of goodwill is reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. These reviews assess the recoverable amount by reference to the net present value of expected future cash flows of the relevant income generating unit at a discount rate of 2.8%. Impairment losses are recognised in the period in which they are identified.

1.6 Development costs

Development expenditure is written off to the profit and loss account 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 will be amortised over 4 years.

1.7 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

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

1.8 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.9 Investments

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

1.10 Stock

Stock is valued at the lower of cost and net realisable value.

1.11 Deferred taxation

The accounting policy in respect of deferred tax reflects the requirements of FRS19 – Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is measured on a non-discounted basis.

1.12 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS17.

1.13 Financial instruments

The group does not enter into derivative transactions and does not trade in financial instruments. For the purpose of note 22, short term debtors and creditors are not treated as financial assets or financial liabilities.

1.14 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 profit and loss account.

2 Turnover

Geographical market

	2006	2005
	£	£
United Kingdom	2,008,332	678,335
Europe	144,061	220,157
Rest of the world	20,770	-
	<hr/>	<hr/>
	2,173,163	898,492
	<hr/>	<hr/>

3 Operating profit/(loss)

2006	2005
£	£

Operating profit /(loss) is stated after charging:		
Amortisation of intangible assets	71,993	136,415
Depreciation of tangible assets	113,891	134,099
Auditors' remuneration (company £4,750)	13,000	12,250
Operating leases	83,545	75,950
	<hr/>	<hr/>
4 Exceptional item	2006	2005
	£	£
Impairment of goodwill	-	1,867,467
	<hr/>	<hr/>
	-	1,867,467
	<hr/>	<hr/>
5 Interest payable	2006	2005
	£	£
Other interest	42	4
	<hr/>	<hr/>
6 Taxation	2006	2005
	£	£
Current year tax	-	-
	<hr/>	<hr/>
Deferred tax		
Deferred tax charge/(credit) for the year	54,000	(54,000)
	<hr/>	<hr/>
Factors affecting the tax charge for the year		
Profit/(loss) on ordinary activities before taxation	208,533	(2,223,747)
	<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19% (2005 – 19%)	39,621	(422,512)
Effects of:		
Non deductible expenses	232	181
Depreciation add back	21,683	25,478
Capital allowances	(12,140)	(14,984)
Research and development allowances	(20,825)	-
Other tax adjustments	(28,571)	
	<hr/>	<hr/>
	(39,621)	411,837
	<hr/>	<hr/>
		422,512
	<hr/>	<hr/>

Current tax charge	-	-
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The group has estimated losses of £154,329 (2005: £363,079) available for carry forward against future trading profits.

7 Loss for the financial year

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The loss for the financial year is made up as follows:-

	2006	2005
	£	£
Holding company's loss for the financial year	(53,453)	(1,504,702)
Transfer to special reserves (See Note 16)	32,241	-
Retained loss for the year	<u>(21,212)</u>	<u>(1,504,702)</u>

This figure is stated after an exceptional charge for permanent diminution in the value of the investment in the subsidiary undertaking of £ nil (2005: £1,444,213).

8 Earnings per ordinary share

Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders of £154,533 (2005: £2,169,747) using a weighted average of 245,000,000 (2005: 207,500,000) ordinary shares in issue during the year.

Diluted earnings per share are adjusted for warrants and share options granted to employees where the exercise price is less than the price of the Company's ordinary shares during the year. These adjustments give rise to an increase of 1,015,804 ordinary shares.

9 Intangible fixed assets

Group	Goodwill	Development Costs	Total
	£	£	£
Cost			
At 1 July 2005	2,728,292	370,291	3,098,583
Additions	-	66,052	66,052
	<u>2,728,292</u>	<u>436,343</u>	<u>3,164,635</u>
At 30 June 2006	2,728,292	436,343	3,164,635
	<u>2,728,292</u>	<u>436,343</u>	<u>3,164,635</u>
Amortisation			
At 1 July 2005	2,299,448	-	2,299,448
Charge for the year	25,476	46,517	71,993
	<u>2,299,448</u>	<u>46,517</u>	<u>71,993</u>

At 30 June 2006	2,324,924	46,517	2,371,441
Net book value			
At 30 June 2006	403,368	389,826	793,194
At 30 June 2005	428,844	370,291	799,135

10 Tangible fixed assets

Group

	Leasehold land and buildings £	Fixtures, fittings and equipment £	Total £
Cost			
At 1 July 2005	142,218	695,725	837,943
Additions	-	31,417	31,417
At 30 June 2006	142,218	727,142	869,360
Depreciation			
At 1 July 2005	78,319	547,472	625,791
Charge for the year	26,442	87,449	113,891
At 30 June 2006	104,761	634,921	739,682
Net book value			
At 30 June 2006	37,457	92,221	129,678
At 30 June 2005	63,899	148,253	212,152

11 Fixed asset investments

Company

	Shares in subsidiary £
Cost	
At 1 July 2005 and 30 June 2006	3,144,213
Impairment	
At 1 July 2005 and 30 June 2006	(1,444,213)

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

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

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

	Principal activity
Centralfix Limited	Provision of business communication services
nVision Technology Limited	Dormant

12 Debtors

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Trade debtors	516,023	113,942	-	-
Amounts owed by group undertakings	-	-	511,681	534,167
Other debtors	39,014	38,464	-	-
Prepayments and accrued income	60,877	89,540	7,988	7,890
Deferred tax asset (see note 14)	-	54,000	-	-
	<u>615,914</u>	<u>295,946</u>	<u>519,669</u>	<u>542,057</u>

Other debtors include £35,473 (2005: £35,473) rental deposit which is secured by a charge in favour of the landlords.

13 Creditors: amounts falling due within one year

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Trade creditors	170,593	59,456	-	-
Amounts due to group undertakings	-	-	1	1
Taxes and social security costs	76,126	13,510	-	-
Accruals and deferred income	114,902	46,776	11,275	7,850
	<u>361,621</u>	<u>119,742</u>	<u>11,276</u>	<u>7,851</u>

361,621	119,742	11,276	7,851
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14 Provisions for liabilities and charges

The deferred tax asset (included in debtors, note 12) is made up as follows:-

	2006 £	2005 £
Tax losses and accelerated capital allowances	-	54,000

15 Share capital

	2006 £	2005 £
Authorised		
700,000,000 Ordinary shares of 0.5p each	3,500,000	3,500,000
Allotted, called up and fully paid		
245,000,000 Ordinary shares of 0.5p each	1,225,000	1,225,000

On 1 May 2002 34,500,000 warrants were issued at the time of the company's listing on the Alternative Investment Market.

Each warrant entitles the warrant holder to subscribe for an ordinary share at the issue price of 2.5p per share. The warrants are exercisable at any time until the expiry of 5 years from 1 May 2002.

The company has entered into a scheme to provide share option incentives for staff. A total of 1,800,000 ordinary shares of 0.5p each have been offered at an option price of 2.5p per share exercisable between 3 and 10 years after the date of grant, which was 1 May 2002.

An additional 6,105,000 ordinary shares of 0.5p each have been offered at an option price of 0.75p per share exercisable between 3 and 10 years after the date of grant, which was 28 October 2004.

16 Statement of movements on reserves

Group

	Share premium account £	Special Reserves £	Profit and loss account £
Balance at 1 July 2005	2,360,160	-	(2,674,710)

Transfer in respect of the cancellation of share premium account	(3,360,169)	3,360,169	-
Transfer in respect of accumulated losses to 30 November 2005	-	(1,612,753)	1,612,753
Retained Profit for the year	-	-	154,533
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2006	-	1,747,416	(907,424)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Company

	Share premium account £	Special Reserves £	Profit and loss account £
Balance at 1 July 2005	3,360,169	-	(1,580,512)
Retained loss for the year	-	-	(53,453)
Transfer in respect of the cancellation of share premium account	(3,360,169)	3,360,169	-
Transfer in respect of accumulated losses to 30 November 2005	-	(1,612,753)	1,612,753
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2006	-	1,747,416	(21,212)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The company successfully applied to the High Court of Justice to transfer to a special reserve the sum of £3,360,169 being the balance of the share premium account. In addition accumulated losses of £1,612,753 to 30 November 2005 were also transferred to the special reserves with the approval of the High Court of Justice.

17 Reconciliation of movements in shareholders' funds Group

	2006 £
Profit for the financial year	154,533
Opening shareholders' funds	1,910,459
	<hr/>
Closing shareholders' funds	<u>2,064,992</u>

Company

	2006 £
Loss for the financial year	(53,453)

Opening shareholders' funds	3,004,657
	<hr/>
Closing shareholders' funds	<u>2,951,204</u>

18 Financial commitments

At 30 June 2006 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2006	2005
	£	£
Expiry date:		
In over five years	83,545	75,950
	<hr/>	<hr/>

19 Directors' emoluments

	2006	2005
	£	£
Emoluments for qualifying services	127,500	106,800
	<hr/>	<hr/>

Directors remuneration includes £12,750 (2005: £48,555) which has been capitalised as development costs.

20 Related party transactions

During the year, £21,715 (2005: £15,155) was charged by Harris & Trotter LLP in respect of professional services. N J Newman is a member of that firm.

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

21 Employees

Number of employees

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

	2006	2005
	Number	Number
Production	13	11
Administration	4	3
	<hr/>	<hr/>
	17	14

Employment costs

	£	£
Wages and salaries	498,535	392,568
Social security costs	53,091	36,612
Pension costs	172	172
	<hr/>	<hr/>
	551,798	429,352
	<hr/>	<hr/>

22 Treasury activities and financial instruments

The group's financial instruments comprise cash and liquid resources.

The main risks arising from the group's financial instruments are the interest rate risks. The Board reviews and agrees policies for managing these risks.

Interest rate risk profile of financial assets

The interest rate profile of the financial assets of the group at 30 June 2006 is as follows:

	Financial assets on which no interest is earned	Floating rate financial assets	Total
	£	£	£
Sterling	<u>5,000</u>	<u>880,559</u>	<u>885,559</u>

The floating rate financial assets comprise cash deposits on money market deposits at monthly rates.

Fair value of financial assets

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

23 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 (2005: £172).