

CHEERFUL SCOUT PLC

INTERIM REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

CHEERFUL SCOUT PLC
CHAIRMAN'S STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

Cheerful Scout plc, the AIM listed multi media specialist, announces its results for the six months ended 31 December 2004.

Overview

- Turnover more than doubled to £512,343 (2003: £252,142)
- EBITDA loss of £7,868 (2003: loss of £89,683)
- Core business profitable
- New blue-chip clients signed up across all divisions
- Company now on Government tender lists
- nVision Presenter launched and begins to make breakthrough
- Ongoing product development with a second nVision product to be launched later this year

Chairman's Statement

The Company has made huge strides over the last few months in growing the core business - DVD for the retail sector, and corporate communications, producing programmes for blue-chip clients. Furthermore, we continue to develop new innovative products which will ensure our position as a market pioneer.

Our turnover during the period more than doubled to £512,343 (2003: £252,142) thanks to a considerable number of new blue-chip contract wins in our production business.

The DVD side of the business has already delivered more than 300 projects to date, from classic television to feature films, animated classics and corporate work. On the back of this, we believe we now possess one of the most talented and innovative design and commissioning teams in the UK.

We believe it is essential to continue to invest in new technology in order to maintain our position in what is becoming an increasingly competitive market place. The costs involved in research and development impacted on the financial statements in the first half.

The highlight of the period was the launch of a new high-end presentation tool, nVision Presenter. Our sales team has concentrated on launching the product to organisers of live events for major companies. The system delivers real-time 3D graphics and provides an impressive widescreen platform that brings together all manner of visual media on one highly impressive 'virtual stage'.

Unlike other products in the market, it has the power to render graphics in real-time and thus allows for all kinds of interactive opportunities. Initial feedback has all been extremely positive.

We remain optimistic about the potential of nVision and anticipate it making a growing contribution to revenues in the months ahead. Furthermore, we hope to launch a second nVision product later this year that takes the technology to another level and into a different market sector.

Stuart Appleton
Chairman

March 2005

CHEERFUL SCOUT PLC
INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

| | Unaudited 6 months to 31 December 2004 | | | Unaudited 6 months to 31 December 2003 | | | Audited Year to 30 June 2004 | | |
|--|---|--------------------------|-------------------|---|--------------------------|-------------------|---------------------------------|--------------------------|-------------------|
| | Pre goodwill amortisation | Goodwill amortisation | Total | Pre goodwill amortisation | Goodwill amortisation | Total | Pre goodwill amortisation | Goodwill amortisation | Total |
| | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| Turnover | 512,343 | - | 512,343 | 252,142 | - | 252,142 | 607,042 | - | 607,042 |
| Cost of sales | (271,836) | - | (271,836) | (132,437) | - | (132,437) | (431,842) | - | (431,842) |
| Gross Profit | 240,507 | - | 240,507 | 119,705 | - | 119,705 | 175,200 | - | 175,200 |
| Administrative expenses | (315,049) | (68,207) | (383,256) | (289,128) | (68,207) | (357,335) | (446,027) | (136,415) | (582,442) |
| Operating (Loss) | (74,542) | (68,207) | (142,749) | (169,423) | (68,207) | (237,630) | (270,827) | (136,415) | (407,242) |
| Interest received | 8,863 | - | 8,863 | 8,360 | - | 8,360 | 21,284 | - | 21,284 |
| Interest payable | - | - | - | - | - | - | (93) | - | (93) |
| (Loss) on ordinary activities before taxation | (65,679) | (68,207) | (133,886) | (161,063) | (68,207) | (229,270) | (249,636) | (136,415) | (386,051) |
| Tax on (loss) on ordinary Activities | - | - | - | - | - | - | 16,946 | - | 16,946 |
| Retained (Loss) for the Period | | | (133,886) | | | (229,270) | | | (369,105) |
| Earnings per ordinary Shares – Basic | | | (0.0687) p | | | (0.1292) p | | | (0.1982) p |
| - Diluted | | | (0.0679) p | | | (0.1292) p | | | (0.1982) p |

CHEERFUL SCOUT PLC
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2004

| | Unaudited | Unaudited | Audited |
|--|---------------------|---------------------|------------------|
| | 31 December 2004 | 31 December 2003 | 30 June 2004 |
| | £ | £ | £ |
| Fixed assets | | | |
| Intangible assets | 2,628,823 | 2,500,935 | 2,611,152 |
| Tangible assets | 272,747 | 398,387 | 294,136 |
| | 2,901,570 | 2,899,322 | 2,905,288 |
| Current assets | | | |
| Debtors | 246,043 | 181,126 | 226,369 |
| Stock | 1,516 | 957 | 1,472 |
| Deposits and cash at bank & in hand | 405,463 | 754,766 | 585,965 |
| | 653,022 | 936,849 | 813,806 |
| Creditors: | | | |
| Amounts falling due within one year | (107,022) | (97,934) | (137,638) |
| Net current assets | 546,000 | 838,915 | 676,168 |
| Provision for liabilities and charges | - | (16,946) | - |
| Total assets less current liabilities | 3,447,570 | 3,721,291 | 3,581,456 |
| Capital & reserves | | | |
| Share capital | 975,000 | 975,000 | 975,000 |
| Share premium | 3,111,419 | 3,111,419 | 3,111,419 |
| Profit & loss account | (638,849) | (365,128) | (504,963) |
| Shareholders' funds | 3,447,570 | 3,721,291 | 3,581,456 |

The accounts were approved by the board on 24 March 2005 and signed on its behalf:-

P Litten
Director

N J Newman
Director

CHEERFUL SCOUT PLC
CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2004

| | Unaudited 6 months to 31 December 2004 £ | Unaudited 6 months to 31 December 2003 £ | Audited Year to 30 June 2004 £ |
|---|---|---|---|
| Net cash (outflow) from operating activities | (58,202) | (28,522) | (71,311) |
| Returns on investments and servicing of finance | | | |
| Interest received | 8,863 | 8,360 | 21,284 |
| Interest paid | - | - | (93) |
| Net cash inflow for returns on investments and servicing of finance | 8,863 | 8,360 | 21,191 |
| Taxation | - | - | 17,375 |
| Capital expenditure and financial investment | | | |
| Payments to acquire intangible assets | (85,878) | (56,229) | (178,426) |
| Payments to acquire tangible assets | (45,285) | (19,214) | (53,235) |
| Net cash outflow for capital expenditure | (131,163) | (75,443) | (231,661) |
| Net cash outflow before management of liquid resources and financing | (180,502) | (95,605) | (264,406) |
| Management of liquid resources | | | |
| Bank deposits | - | (235,442) | - |
| Financing | | | |
| Net proceeds from issue of ordinary share capital | - | 292,819 | 301,875 |
| Expenses relating to issue of share capital | - | - | (9,056) |
| Net cash inflow from financing | - | 292,819 | 292,819 |
| (Decrease)/increase in cash in the year | (180,502) | (38,228) | 28,413 |

CHEERFUL SCOUT PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

1 FINANCIAL INFORMATION

The interim results for the six months ended 31 December 2004 are un-audited and do not constitute accounts within the meaning of section 240 of the Companies Act 1985. They have been drawn up using accounting policies and presentation consistent with those applied in the audited accounts for the year ended 30 June 2004. A copy of the 2004 Accounts have been filed with the Registrar of Companies. The Auditors opinion on these Accounts was unqualified.

2 SHARE CAPITAL

During the period, options over a total of 6,905,000 ordinary shares of 0.5p each have been granted at an exercise price of 0.75p per share exercisable between 3 and 10 years after the date of grant, which was 28 October 2004.

3 EARNINGS PER ORDINARY SHARES

Basic earnings per share are calculated using the weighted average of 195,000,000 (2003: 178,596,000) Ordinary Shares in issue during the period. Diluted earnings per share are calculated assuming conversion of all outstanding dilutive share options and warrants. These adjustments give rise to an increased weighted average ordinary shares of 197,301,667.

4 RESPONSIBILITY

The directors of the company accept responsibility for the information contained in this document and to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained is in accordance with the facts and does not omit anything to affect the import of such information.

Copies of this report are available to the public at the registered office at 65 New Cavendish Street, London W1G 7LS.

5 DIVIDEND

No interim dividend is declared on the ordinary shares.

CHEERFUL SCOUT PLC
CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2004

| | Unaudited 6 months to 31 December 2004 £ | Unaudited 6 months to 31 December 2003 £ | Audited Year to 30 June 2004 £ |
|----------|--|---|---|
| 6 | Reconciliation of operating (loss) to net cash inflow from operating activities | | |
| | (142,749) | (237,630) | (407,242) |
| | 66,674 | 79,740 | 161,783 |
| | 68,207 | 68,207 | 136,415 |
| | (19,674) | 64,073 | 1,074 |
| | (30,616) | (2,912) | 36,793 |
| | (44) | - | (134) |
| | (58,202) | (28,522) | (71,311) |
| 7 | Analysis of net funds | | |
| | At 1 July 2004 | Cash Flow | At 31 December 2004 |
| | £ | £ | £ |
| | Net cash: | | |
| | (26,087) | (16,677) | (42,764) |
| | Liquid resources: | | |
| | 612,052 | (163,825) | 448,227 |
| | 585,965 | (180,502) | 405,463 |
| | Unaudited 6 months to 31 December 2004 £ | Unaudited 6 months to 31 December 2003 £ | Audited Year to 30 June 2004 £ |
| 8 | Reconciliation of net cash flow to movement in net funds | | |
| | (16,677) | (38,228) | (27,929) |
| | (163,825) | 235,442 | 56,342 |
| | (180,502) | 197,214 | 28,413 |
| | (180,502) | 197,214 | 28,413 |
| | 585,965 | 557,552 | 557,552 |
| | 405,463 | 754,766 | 585,965 |