

CHEERFUL SCOUT PLC

INTERIM REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

CHEERFUL SCOUT PLC
CHAIRMAN'S STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

Cheerful Scout plc, the AIM listed multi media specialist, announces its results for the six months ended 31 December 2005.

Overview

Turnover more than doubled to £1,120,320 (2004 £512,343)

Pre-tax profits of £73,903 (2004: loss of £133,886)

Cash at bank and in hand of £852,030 (2004: £405,463)

Cancellation of Share Premium account eliminates the negative balance on the Revenue Account, paving the way for dividends to be paid from future profits

Corporate and entertainment markets regaining momentum

Blue-chip client relationships stable and potential for increased activity from long standing contacts

nVision Presenter increasingly used by organisers of live events for major companies in conjunction with dedicated events team

nVision Strategy launched - working with a visualisation company that deals in strategy for large retail corporates to develop the product further

New business opportunities positive

Chairman's Statement

This has been a strong period for Cheerful where we have made very good progress in expanding our activity level. The Company has seen a marked improvement in the overall performance of the business which has translated into a resolute strengthening in its financial position. Although the business climate has remained competitive, your Company has benefited from an improvement in confidence within the media sector and demand for all its divisions' products. Significantly, the corporate and entertainment markets are regaining momentum and increasingly turning to sophisticated visual, audio, lighting and staging techniques - all areas where Cheerful excels

Financial Review

Our financial performance has improved dramatically with turnover during the period more than doubled to £1,120,320 (2004 £512,343) thanks to a considerable number of new blue-chip contract wins in our production business.

As a consequence, we are pleased to announce a profit on ordinary activities before taxation of £73,903 for the six months ended 31 December 2005 compared with a loss of £133,886 for the corresponding six month period of 2004. The Company has a healthy cash position with cash at bank and in hand of £852,030 (2004: £405,463).

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CHAIRMAN'S STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

Post Balance Sheet Events

We are also pleased to confirm that the High Court of Justice, Chancery Division confirmed the cancellation of the Company's Share Premium account on 15 February 2006. As a consequence, the negative balance on the Company's Revenue Account will be eliminated and this will pave the way for dividends to be paid from future profits.

Operations

Our production division, which builds entire projects such as Risk Management Training Tools for corporate clients, and DVD production for the retail sector including front end menu and navigation systems, remains a cornerstone of the Company. Our major client relationships remain stable and there is potential for increased activity from our long standing contacts.

The whole team's desire for ongoing success means the drive for new business continues and we are seeing an increase in the number of opportunities that we are being invited to pitch for. Importantly we have invested substantially in training our team and on the back of this we believe we now possess one of the most talented and innovative design and commissioning teams in the UK.

While the core production business is performing well, the market is also embracing our new nVision products. nVision Presenter, the high-end presentation software package which provides the seamless and high speed integration of several live event elements, is being increasingly used by organisers of live events for major companies in conjunction with our dedicated events team.

Furthermore, nVision Strategy, which is focussed at organisations requiring complex problem solving tools, has now also been launched and is also beginning to make inroads into the market.

Ongoing development is necessary to address the different markets requirements. In this respect I am pleased to report that we are working with a visualisation company that deals in strategy for large retail corporates to grow the product further.

Additionally, the opportunities for further expansion through acquisitions that enhance the services that Cheerful Scout can offer its clients are constantly being reviewed.

Prospects

New business opportunities remain positive, especially with regards to the n-Vision products and services. We have a team in place with the ability to grow the business organically and I am confident that Cheerful Scout is now positioned to increase the value of its business and enhance shareholder value. Finally, I would like to thank the staff for all their efforts over the last six months and hope that their continued enthusiasm will help Cheerful Scout achieve its long term ambitions.

Stuart Appleton
Chairman
27 February 2006

CHEERFUL SCOUT PLC
INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

	Unaudited 6 months to 31 December 2005			Unaudited 6 months to 31 December 2004			Audited Year to 30 June 2005		
	Pre goodwill amortisation and impairment £	Goodwill amortisation and impairment £	Total £	Pre goodwill amortisation and impairment £	Goodwill amortisation and impairment £	Total £	Pre goodwill amortisation and impairment £	Goodwill amortisation and impairment £	Total £
Turnover	1,120,320	-	1,120,320	512,343	-	512,343	898,492	-	898,492
Cost of sales	(739,820)	-	(739,820)	(271,836)	-	(271,836)	(631,550)	-	(631,550)
Gross Profit	380,500	-	380,500	240,507	-	240,507	266,942	-	266,942
Administrative expenses	(310,526)	(12,738)	(323,264)	(315,049)	(68,207)	(383,256)	(504,071)	(136,415)	(640,486)
Operating Profit/(Loss)	69,974	(12,738)	57,236	(74,542)	(68,207)	(142,749)	(237,129)	(136,415)	(373,544)
Exceptional item	-	-	-	-	-	-	-	(1,867,467)	(1,867,467)
Interest received	16,667	-	16,667	8,863	-	8,863	17,268	-	17,268
Interest payable	-	-	-	-	-	-	(4)	-	(4)
Profit/(Loss) on ordinary activities before taxation	86,641	(12,738)	73,903	(65,679)	(68,207)	(133,886)	(219,865)	(2,003,882)	(2,223,747)
Tax on Profit/(Loss) on Ordinary Activities	-	-	-	-	-	-	54,000	-	54,000
Retained Profit/(Loss) for the Period			73,903			(133,886)			(2,169,747)
Earnings per ordinary Shares – Basic			0.035616p			(0.068659)p			(1.045661)p
- Diluted			0.035616p			(0.068659)p			(1.045661)p

**CHEERFUL SCOUT PLC
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2005**

	Unaudited	Unaudited	Audited
	31 December 2005	31 December 2004	30 June 2005
	£	£	£
Fixed assets			
Intangible assets	741,726	2,628,823	799,135
Tangible assets	174,549	272,747	212,152
	916,275	2,901,570	1,011,287
 Current assets			
Debtors	379,287	246,043	295,946
Stock	2,094	1,516	1,211
Deposits and cash at bank & in hand	852,030	405,463	721,757
	1,233,411	653,022	1,018,914
 Creditors:			
Amounts falling due within one year	(165,324)	(107,022)	(119,742)
 Net current assets	1,068,087	546,000	899,172
 Total assets less current liabilities	1,984,362	3,447,570	1,910,459
 Capital & reserves			
Share capital	1,225,000	975,000	1,225,000
Share premium	3,360,169	3,111,419	3,360,169
Profit & loss account	(2,600,807)	(638,849)	(2,674,710)
 Shareholders' funds	1,984,362	3,447,570	1,910,459

The accounts were approved by the board on 27 February 2006 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 2005

	Unaudited 6 months to 31 December 2005 £	Unaudited 6 months to 31 December 2004 £	Audited Year to 30 June 2005 £
Net cash inflow/(outflow) from operating activities	133,615	(58,202)	(136,242)
Returns on investments and servicing of finance			
Interest received	16,667	8,863	17,268
Interest paid	-	-	(4)
Net cash inflow for returns on investments and servicing of finance	16,667	8,863	17,264
Taxation	-	-	-
Capital expenditure and financial investment			
Payments to acquire intangible assets	-	(85,878)	(191,865)
Payments to acquire tangible assets	(20,009)	(45,285)	(52,115)
Net cash outflow for capital expenditure	(20,009)	(131,163)	(243,980)
Net cash inflow/(outflow) before management of liquid resources and financing	130,273	(180,502)	(362,958)
Financing			
Net proceeds from issue of ordinary share capital	-	-	525,000
Expenses relating to issue of share capital	-	-	(26,250)
Net cash inflow from financing	-	-	498,750
Increase/(decrease) in cash in the year	130,273	(180,502)	135,792

CHEERFUL SCOUT PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

1 FINANCIAL INFORMATION

The interim results for the six months ended 31 December 2005 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 2005. A copy of the 2005 Accounts have been filed with the Registrar of Companies. The Auditors opinion on these Accounts was unqualified.

2 EARNINGS PER ORDINARY SHARES

Basic earnings per share are calculated using the weighted average of 207,500,000 (2004: 195,000,000) Ordinary Shares in issue during the period.

3 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.

4 DIVIDEND

No interim dividend is declared on the ordinary shares.

CHEERFUL SCOUT PLC
CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2005

	Unaudited 6 months to 31 December 2005 £	Unaudited 6 months to 31 December 2004 £	Audited Year to 30 June 2005 £
5	Reconciliation of operating profit/(loss) to net cash inflow from operating activities		
	57,236	(142,749)	(373,544)
	102,283	66,674	134,099
	12,738	68,207	136,415
	(83,341)	(19,674)	(15,577)
	45,582	(30,616)	(17,896)
	(883)	(44)	261
	133,615	(58,202)	(136,242)
6	Analysis of net funds		
	At 1 July 2005	Cash Flow	At 31 December 2005
	£	£	£
	Net cash:		
	-	5,727	5,727
	Liquid resources:		
	721,757	124,546	846,303
	721,757	130,273	852,030
	Unaudited	Unaudited	Audited
	6 months to	6 months to	Year to
	31 December 2005	31 December 2004	30 June 2005
	£	£	£
7	Reconciliation of net cash flow to movement in net funds		
	5,727	(16,677)	26,087
	124,546	(163,825)	109,705
	130,273	(180,502)	135,792
	130,273	(180,502)	135,792
	721,757	585,965	585,965
	852,030	405,463	721,757