

**CHEERFUL SCOUT PLC**

**INTERIM REPORT**

**FOR THE SIX MONTHS ENDED 31 DECEMBER 2006**

**CHEERFUL SCOUT PLC**  
**CHAIRMAN'S STATEMENT**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2006**

Cheerful Scout Plc, the AIM-traded multi media specialist, is pleased to announce its results for the six months ended 31 December 2006.

**Overview**

- Pre-tax profit up 57% to £116,281 (2005: £73,903)
- Cash at bank £1,020,866 (2005:£852,030)
- New contracts with existing and new clients
- nVision and Events division gaining momentum
- Team strengthened with appointment of new head of events
- Several prestigious awards recognising creative excellence, technology and innovation

**Chairman Statement**

It gives me great pleasure to report another set of positive results as Cheerful Scout continues to deliver creative corporate communication solutions to its expanding list of blue-chip clients. Following maiden profits for 31 June year end results, trading and turnover has continued to develop satisfactorily.

The corporate communications market in which the Company principally operates has seen an improved level of spend and Cheerful Scout is positioned to take advantage of this and is building its reputation as a provider of choice to many leading organisations. In line with this the Company has won a number of new contracts with blue-chip companies within its three main areas of business - Film & Video, nVision/Events and DVD - and it has been recognised through the winning of a number of significant industry awards.

**Financial Results**

Targeting of higher margined projects led to a reduction in turnover for the six months ended 31 December 2006 to £1,038,285 (2005: 1,120,320) and a 57% increase in pre-tax profit of £116,281 (2005: £73,903). Cash balances at 31 December 2006 were £1,020,866 (2005: £852,030).

The Company will not be declaring a dividend, but as a result of the continuing growth in profits and following the share consolidation in November 2006, we will continue to review our dividend policy.

**Consolidation of Share Capital**

During the period every 25 issued and unissued ordinary shares of .05 pence each in the capital of the Company were consolidated into 1 ordinary share of 12.5 pence in the capital of the Company.

**CHEERFUL SCOUT PLC**  
**CHAIRMAN'S STATEMENT (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2006**

**Operations**

Cheerful Scout has had a good start to 2007 with all three business divisions performing well. The Company has secured new pivotal contracts and continued to establish and build upon existing agreements across its business divisions. Recognition for its creative excellence, technology and innovation has been demonstrated by winning four prestigious awards. The Film & Video team won an award for Audio-Visual Communication at The Federation of European Business Communicators Association Grand Prix 2006 in Austria, as well as gold and silver medals at the International Film & Video Competition at the New York Festivals. The DVD team won an award for its creative excellence in Televisual magazine's 'Best of 2006' DVD showcase for the fourth consecutive year, while the nVision and Events team won the Award for Innovation for its new presentation software, nVision Presenter, at the International Visual Communication Association's LiveCom Awards 2006.

The Film & Video division has also been performing strongly. It recently secured a contract to produce an internal video for the Royal Bank of Scotland, designed to present the work of the bank's Electronic Payments Department. A contract with UK insurance giant Allianz Cornhill to produce an internal film to communicate the new FSA compliance regulations has been won - this is still in production.

Since first securing a contract with the Directorate of Optometric Continuing Education & Training 'DOCET' in August 2006, Cheerful Scout has continued to build upon this relationship and has recently been awarded a contract by DOCET to produce two further videos.

The DVD division maintains its strong performance. As recently announced, our relationship with Contender Entertainment Group has been strengthened following a new contract to provide DVD authoring services to its entire medium to high-end film and TV titles, such as BBC's Spooks, for two years.

The nVision and Events division is gaining momentum, recently producing two major events. In December 2006 it produced an awards ceremony for an audience of corporate communications directors (potential buyers for our products) in partnership with CorpComms magazine at the Royal Horticultural Halls in central London. Additionally, our production team was responsible for the Allen & Overy week long event entitled 'A World of Difference at Allen & Overy' to launch the legal firm's new state-of-the-art global headquarters in Bishops Square, London.

**People**

We always maintain that our continued success can be attributed to the excellent team that Cheerful Scout has behind it. We are pleased to announce that this has been further strengthened with the appointment of a new head of events. Furthermore, I intend to take a more active role as Chairman as from May 2007 as I finish my full time executive duties as a Member of the Board of Management of Getronics NV.

**CHEERFUL SCOUT PLC**  
**CHAIRMAN'S STATEMENT (CONTINUED)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2006**

Additionally, congratulations to our Managing Director, Gary Fitzpatrick, who has been named one of the top 100 audio visual people in the UK by Audio Visual magazine.

**Outlook**

Throughout our 10 year history we have focused on producing unique, creative and high-quality work. We are now a recognised leader in our field, with the business gaining upward momentum and our blue-chip client base growing rapidly. The strength of our client base and the strong foundations that we have built gives us confidence of continued growth and that profits for the year will be in line with market expectations.

S Appleton  
Chairman  
5 March 2007

**CHEERFUL SCOUT PLC**  
**INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2006**

	Unaudited 6 months to 31 December 2006			Unaudited 6 months to 31 December 2005			Audited Year to 30 June 2006		
	Pre goodwill amortisation and reorganisation costs	Goodwill amortisation and reorganisation costs	Total	Pre goodwill amortisation and reorganisation costs	Goodwill amortisation and reorganisation costs	Total	Pre goodwill amortisation and reorganisation costs	Goodwill amortisation and reorganisation costs	Total
	£	£	£	£	£	£	£	£	£
<b>Turnover</b>	1,038,285		1,038,285	1,120,320	-	1,120,320	2,173,163	-	2,173,163
Cost of sales	(554,797)		(554,797)	(739,820)	-	(739,820)	(1,308,612)	-	(1,308,612)
<b>Gross Profit</b>	<b>483,488</b>		<b>483,488</b>	<b>380,500</b>	<b>-</b>	<b>380,500</b>	<b>864,551</b>	<b>-</b>	<b>864,551</b>
Administrative expenses	(369,467)	(12,738)	(382,205)	(310,526)	(12,738)	(323,264)	(635,581)	(50,499)	(686,080)
<b>Operating Profit/(Loss)</b>	<b>114,021</b>	<b>(12,738)</b>	<b>101,283</b>	<b>69,974</b>	<b>(12,738)</b>	<b>57,236</b>	<b>228,970</b>	<b>(50,499)</b>	<b>178,471</b>
Interest received	15,546	-	15,546	16,667	-	16,667	30,104	-	30,104
Interest payable	(8)	-	(8)	-	-	-	(42)	-	(42)
<b>Profit/(Loss) on ordinary activities before taxation</b>	<b>129,559</b>	<b>(12,738)</b>	<b>116,281</b>	<b>86,641</b>	<b>(12,738)</b>	<b>73,903</b>	<b>259,032</b>	<b>(50,499)</b>	<b>208,533</b>
Tax on Profit on Ordinary Activities			(12,288)	-	-	-	-	-	(54,000)
<b>Retained Profit for the Period</b>			<b>104,533</b>			<b>73,903</b>			<b>154,533</b>
Earnings per ordinary Shares – Basic			<b>1.0667p</b>			<b>0.7541p</b>			<b>1.5769p</b>
- Diluted			<b>1.0623p</b>			<b>0.7510p</b>			<b>1.5704p</b>

**CHEERFUL SCOUT PLC  
CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2006**

	Unaudited	Unaudited	Audited
	31 December 2006	31 December 2005	30 June 2006
	£	£	£
<b>Fixed assets</b>			
Intangible assets	806,506	741,726	793,194
Tangible assets	100,017	174,549	129,678
	<b>906,523</b>	<b>916,275</b>	<b>922,872</b>
 <b>Current assets</b>			
Stock	2,757	2,094	2,268
Debtors	443,530	379,287	615,914
Deposits and cash at bank & in hand	1,020,866	852,030	885,559
	<b>1,467,153</b>	<b>1,233,411</b>	<b>1,503,741</b>
 <b>Creditors:</b>			
Amounts falling due within one year	(204,151)	(165,324)	(361,621)
 <b>Net current assets</b>	<b>1,263,002</b>	<b>1,068,087</b>	<b>1,142,120</b>
 <b>Total assets less current liabilities</b>	<b>2,169,525</b>	<b>1,984,362</b>	<b>2,064,992</b>
 <b>Capital &amp; reserves</b>			
Share capital	1,225,000	1,225,000	1,225,000
Share premium	-	3,360,169	-
Special reserves	1,747,416	-	1,747,416
Profit & loss account	(802,891)	(2,600,807)	(907,424)
 <b>Shareholders' funds</b>	<b>2,169,525</b>	<b>1,984,362</b>	<b>2,064,992</b>

The accounts were approved by the board on 5 March 2007 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 2006**

	<b>Unaudited 6 months to 31 December 2006 £</b>	<b>Unaudited 6 months to 31 December 2005 £</b>	<b>Audited Year to 30 June 2006 £</b>
Net cash inflow/(outflow) from operating activities	179,994	133,615	231,209
<b>Returns on investments and servicing of finance</b>			
Interest received	15,546	16,667	30,104
Interest paid	(8)	-	(42)
<b>Net cash inflow for returns on investments and servicing of finance</b>	<b>15, 538</b>	<b>16,667</b>	<b>30,062</b>
<b>Taxation</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Capital expenditure and financial investment</b>			
Payments to acquire intangible assets	(49,308)	-	(66,052)
Payments to acquire tangible assets	(10,917)	(20,009)	(31,417)
<b>Net cash outflow for capital expenditure</b>	<b>(60,225)</b>	<b>(20,009)</b>	<b>(97,469)</b>
<b>Net cash inflow/(outflow) before management of liquid resources and financing</b>	<b>135,307</b>	<b>130,273</b>	<b>163,802</b>
<b>Increase in cash in the year</b>	<b>135,307</b>	<b>130,273</b>	<b>163,802</b>

**CHEERFUL SCOUT PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2006**

**1 FINANCIAL INFORMATION**

The interim results for the six months ended 31 December 2006 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 2006. A copy of the 2006 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 figure of 9,800,000 (2005: 9,800,000) Ordinary Shares in issue during the period after the share consolidation.

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 period. These adjustments give rise to an increase of 40,632 ordinary shares.

**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 2006**

	Unaudited 6 months to 31 December 2006 £	Unaudited 6 months to 31 December 2005 £	Audited Year to 30 June 2006 £
<b>5</b>	<b>Reconciliation of operating profit/(loss) to net cash inflow from operating activities</b>		
	101,283	57,236	178,471
	40,578	55,766	113,891
	35,996	59,255	71,993
	172,384	(83,341)	(373,968)
	(169,758)	45,582	241,879
	(489)	(883)	(1,057)
	<b>179,994</b>	<b>133,615</b>	<b>231,209</b>
<b>6</b>	<b>Analysis of net funds</b>		
	<b>At 1 July 2006</b>	<b>Cash Flow</b>	<b>At 31 December 2006</b>
	£	£	£
	Net cash:		
	158,916	108,736	267,652
	Liquid resources:		
	726,643	26,571	753,214
	<b>885,559</b>	<b>135,307</b>	<b>1,020,866</b>
	<b>Unaudited 6 months to 31 December 2006 £</b>	<b>Unaudited 6 months to 31 December 2005 £</b>	<b>Audited Year to 30 June 2006 £</b>
<b>7</b>	<b>Reconciliation of net cash flow to movement in net funds</b>		
	108,736	5,727	158,916
	26,571	124,546	4,886
	135,307	130,273	163,802
	<b>135,307</b>	<b>130,273</b>	<b>163,802</b>
	885,559	721,757	721,757
	<b>1,020,866</b>	<b>852,030</b>	<b>885,559</b>