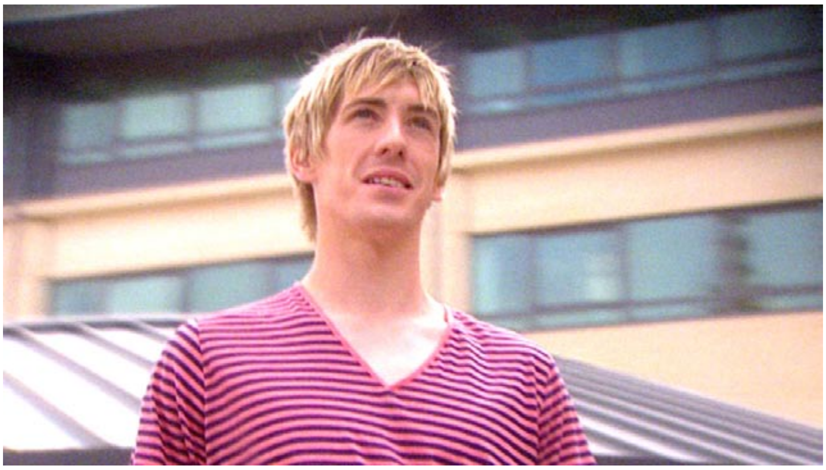
CHEERFUL SCOUT

Consolidated Directors' Report and Financial Statements for the Year Ended 30th June 2007


TV Commercial for University of Huddersfield


Bishops Square Launch Party Event for Allen & Overy

9th Company DVD Menus for Contender Entertainment Group

Talented
Innovative
Dedicated

Company Information

Directors	S Appleton	(Non-Executive Chairman)
	P Litten	(Chief Executive)
	N J Newman	
	R L Owen	
Secretary	N J Newman	
Company number	4314540	
Registered office	65 New Cavendish Street London W1G 7LS	
Financial advisers	Harris & Trotter LLP 65 New Cavendish Street London W1G 7LS	
Stockbrokers	Ellis Stockbrokers Limited Talisman House Jubilee Walk Three Bridges Crawley West Sussex RH10 1LQ	
Nominated adviser	Seymour Pierce Limited 20 Old Bailey London EC4M 7EN	
Auditors	HLB Vantis Audit plc 66 Wigmore Street London W1U 2SB	
Solicitors	Finers Stephens Innocent 179 Great Portland Street London W1W 5LS	
	Ross & Craig 12a Upper Berkeley Street London W1H 7PE	
Bankers	Barclays Bank plc P O Box 32106 London NW1 2ZH	
Registrar and transfer office	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 OLA	

Contents

Cheerful Scout plc

the AIM listed multi-media specialist, announces its results for the year ended 30 June 2007

Overview

• Focused on widening offering and building a broad based consultancy through organic growth or via acquisition

• Core DVD production and design division increased market share and delivered a number of diverse projects for a wide range of leading distributors

• Corporate creative consultancy going through a transitional period

• Film and video production team working with an increasing number of blue-chip companies including BP and BAA

• Events team slowed in the second half - examining how best to build on strengths in this area

• Established joint venture to fully utilise technology and creative abilities and take advantage of opportunities in the business intelligence market

• Won two awards at the New York Festivals International Film & Video Awards for films produced for the COI and the UK Home Office

• Profit before taxation and goodwill amortisation of £141,012 (2006: £259,032)

• Turnover of £2,085,367 (2006: £2,173,163)

• Gross profit of £867,360 (2006: £864,551) and cash balances stand at £1,039,275 (2006: £885,559)

Chairman's Statement

Stuart Appleton
Chairman, Cheerful Scout plc

We continue to make progress as we diversify into new complementary areas and build on our position as a leading multi-media creative consultancy. Our focus has primarily been orientated around establishing a wider offering for our clients and building a broad based consultancy, which has the ability to offer an all encompassing solution.

We have recognised that we need to expand our offering to maintain our profile in an ever-increasing competitive environment. The market has been tough but I feel that although we have remained relatively flat in terms of turnover, we have the ability and technical offering to fulfil our growth ambitions.

Financial Results

Whilst our trading subsidiary continues to be profitable, costs involved in running a public company have increased. Our focus on building a foundation for future growth has meant that our numbers are relatively static and as a result the Group is reporting a profit before taxation and goodwill amortisation of £141,012 (2006: £259,032) on a turnover of £2,085,367 (2006: £2,173,163) for the year ended 30 June 2007. Gross profit increased 1.81% to £867,360 (2006: £864,551) and cash balances stand at £1,039,275 (2006: £885,559). No dividend will be payable, but the Directors continue to review this position.

The financial results of the Group for the year ended 30 June 2007 have been prepared under United Kingdom Generally Accepted Accounting Principles (UK GAAP) and not International Financial Reporting Standard (IFRS). The Group will adopt IFRS principles with effect from 1 July 2007.

Operations

Cheerful Scout's two key divisions incorporate a corporate creative consultancy and a DVD production and design facility. Whilst we were pleased with the growth of our core DVD production and design division, which delivered a number of diverse projects for a wide range of leading distributors, our corporate creative consultancy has been going through a transitional period. We believe this division has a bright future but understand the need to increase investment and attract the right people to drive it forward.

Additionally, to fully utilise our technology and creative abilities and take advantage of opportunities in the rapidly maturing business intelligence market we have established a new joint venture company, which is breaking new ground and we hope will add significant turnover in the longer term.

Corporate Creative Consultancy Division

Film and Video Programme Production

Our production team, which conceives and produces unique films and videos for a wide range of corporations and organisations, continues to perform well. We are working with an increasing number of blue-chip companies and believe that our reputation is growing within the industry as a provider of choice.

We have added big names to add to our client list including BP, for whom we created an internal film working alongside BP's chief scientist Steve Koonin. Also, in addition to our COI and Centrica rosters, we have won a three year contract with BAA.

Other companies we have worked for during the year include the University of Huddersfield, the Royal Bank of Scotland and Allianz, for whom we produced two corporate films. Additionally, we further strengthened our relationship with the Department of Optometric Continuing Education & Training ('DOCET') when we were contracted to produce two videos as follow-on work from the video produced in August 2006.

I was particularly happy that our presentational abilities were recognised in the form of the two awards, which we won at the New York Festivals International Film & Video Awards for two films we produced for the COI and the UK Home Office. I remain confident that through investment the Company will thrive.

Life of an Electronic Payment Film for the Royal Bank of Scotland

Bishops Square Launch Party Event for Allen & Overy

Events

We devise and stage dynamic and engaging live events and conferences for corporate clients. These are truly interactive events and include high-impact 3D visual presentations in which live elements can be created and incorporated in real time, ultimately driving and shaping the outcome of a conference.

Earlier in the year, the team was very busy producing a number of major events in the UK and Europe including a week long event for Allen & Overy to mark the opening of the global law firm's new London headquarters and two events for top corporate communications professionals in the UK in partnership with CorpComms Magazine. However, in recent months the pace has slowed and we are now examining how best to build on our strengths in this area. Possibilities include acquiring a complementary outfit and additional experienced people.





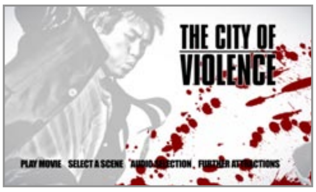



DVD Production and Design Division

Our DVD production and design facility has performed well this year, increasing its market share through the acquisition of new clients and work on numerous high-profile titles. This has been further strengthened by a two-year contract with Contender Entertainment Group.

We have created an extensive list of titles for the corporate and retail markets including a number of major features such as La Vie en Rose and City of Violence and various television series such as Life on Mars and Spooks. We are also working with a growing number of major distribution companies including FremantleMedia, 2 entertain, Icon, 16 Films, Clear Vision and Universal Pictures.

We now have a strong foothold in the sector and believe that with the right economic conditions we can gain even more market share. For this reason, we have invested in additional high-end equipment and expect to see further growth in this division.



A selection of our award winning DVD Menu Designs

Business Data Interactive
Joint Venture

In August 2007 we took the decision to form a new 60/40 joint venture company, Business Data Interactive ('BDI'), with Apperly & Associates Limited ('A&A'), to fully optimise the potential of our proprietary visualisation software package, which displays business data using real-time, 3D video graphics, allowing the user rapidly to assess and compare multiple business scenarios. By combining our technology with A&A's sophisticated analytics and advanced data mining capabilities, BDI aims to develop powerful, bespoke computer software programmes to analyse and display business data.

We believe our technology is at the forefront of the vast business intelligence market and we are very excited about the opportunities presenting themselves to us.

Dr James Apperly, who is fronting the new joint venture company, has considerable experience and excellent contacts in the corporate arena. He previously worked at leading management consultancy, McKinsey & Company, after which he established A&A where he worked with a number of blue-chip companies including BP and Chevron-Texaco US designing and implementing business intelligence systems.

The Team

The team is naturally key to the success of the business and I am highly confident in each member's abilities to help Cheerful outshine its competitors. We use the best talent available and that includes the talent for working as a strategic partner with our clients as well as talent in the creative, technical and visual areas.

Our team members are dedicated to the job, expect the best of each other and believe in our business ethic which is based on one simple aim – to make every project the best it can be.

We have an active recruitment policy and are looking to further strengthen the team on both the creative and sales sides.

Outlook

Having established the areas within the business which need further development, the Company is focused on strengthening its offering through organic growth or via acquisition. I look forward to updating shareholders on our progress.

S Appleton
Chairman
29 October 2007

Directors' Report

The directors present their annual report and financial statements for the year ended 30 June 2007

Principal Activities

Cheerful Scout is a multidisciplinary creative consultancy that specialises in devising and delivering corporate communication solutions.

Performance Review – Results and Financial Position

Results

The results for the year show a profit before taxation and goodwill amortisation of £141,012 (2006: £259,032). It is proposed that the retained profit after taxation of £112,500 (2006: £154,533) is transferred to the Group's reserves.

Summary of Income Statement Total and Continuing Operations

Turnover for the year was £2,085,367 (2006: £2,173,163). The gross profit margin increased by 1.81% to £867,360 (2006: £864,551).

The net goodwill amortisation was £25,476 compared with goodwill amortisation and reorganisation costs of £50,499 in the previous year.

EBITDA (earnings before interest, tax, depreciation and goodwill amortisation) were £234,653 (2006: £389,378).

Dividend

The Company has not declared or paid a dividend on its share capital (2006: £Nil).

Capital Expenditure

Total capital expenditure, including expenditure on intangible assets, was £142,247 compared with £97,469 last year.

Cashflows

Net cash from operating activities was £258,123 compared with £231,209 for the year ended 30 June 2006. Free cashflow, representing operating cashflow after taxation, interest and capital expenditure increased by £153,716 compared with £163,802 last year.

Key Financial Highlights

Year	2007 £	2006 £	2005 £	2004 £
Turnover	2,085,367	2,173,163	898,492	607,042
Operating profit/(loss) before goodwill amortisation	103,172	228,970	(237,129)	(270,827)
Operating profit/(loss) margin before goodwill amortisation	4.95%	10.54%	N/A	N/A

Turnover is marginally below the level achieved in the prior year although gross profit percentage has increased. Operating profit has declined as new staff have been recruited in anticipation of future growth.

Further information can be found within the Chairman's statement on pages 2 to 6.

Share Consolidation

During the year every 25 issued and unissued ordinary share of 0.5 pence in the Company were consolidated into 1 ordinary share of 12.5 pence in the capital of the Company.

Employees

Our priority is to attract and retain talented employees and to harness their creativity to drive growth through development and delivery of services that bring value to our customers' business operations.

We continue to focus on ensuring that the performance of staff is measured against clear, business focused objectives and behavioural criteria through continuous appraisals.

Reward

The Group benchmarks employee salaries against the market and reviews salaries annually to ensure that we are paying at a level to attract and retain high-quality employees.

Key employees are offered access to a share option scheme further details of which are provided in Note 13 to the financial statements.

Equal Opportunities

We are committed to ensuring equal opportunities for our staff. We have introduced training which covers equal opportunities legislation and best practice. Our policy in respect of employment of disabled persons is the same as that relating to all other employees in matters of training, career development and promotion. Where employees become disabled during the course of their employment, we make every effort to make reasonable adjustments to their working environment to enable their continued employment.

Safety, Health and Environment

The commitment and participation of all employees is vital to efficient and effective occupational risk control. In order to meet our responsibility to protect the environment, staff and the business, the Group continues to focus on maintaining a risk aware culture.

We believe the Group maintains a low environmental impact. We therefore continue to work on the potential environmental impacts of energy consumption, waste and travel.

Charitable and Political Donations

The Group made no charitable donations (2006: £3,095). The Group made no donations for political purposes.

Creditor payment policy

The Company's and the Group's current policy concerning the payment of trade creditors is to:-

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the Company's contractual and other legal obligations.

On average, trade creditors at the year end represented 29 (2006: 49) days purchases.

Directors' Policies for Managing Principal Risks

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the business. Risk reviews are undertaken regularly by the respective business areas throughout the year to identify and assess the key risks associated with the achievement of our business objective.

Financial instruments

Details of financial instruments are given in note 20 to the accounts.

Directors

The following directors have held office since 1 July 2006:

P Litten
S Appleton
N J Newman
R L Owen

In accordance with regulation 122 of the Company's Articles of Association, one third of the directors retire by rotation, or if their number is not three, or a multiple of three, the nearest to but not exceeding one third, and, being eligible, offer themselves for re-election.

Directors' Report (cont)

Fixed assets

The significant changes in fixed assets during the year are explained in notes 8, 9 and 10 to the financial statements.

As pioneers in visual technologies, the Group has utilised its resources to develop unique and highly innovative communications products. Expenditure relating to the development of these products have been capitalised as development costs.

Directors' interests

The directors' interests in the shares of the Company were as stated below:

	Ordinary shares of 12.5p each	
	30 June 2007	1 July 2006
P Litten	4,407,840	4,407,840
S Appleton	132,320	132,320
N J Newman	279,840	279,840
R L Owen (see below)	–	–

None of the directors had any interest in the subsidiary companies.

Details of share options granted are given in note 13 to the financial statements.

Shareholdings

At 29 October 2007 the directors were aware that the following were the beneficial owners of 3% or more of the Company's issued share capital:

	Number of shares	Percentages held
Reverse Take-Over Investments Plc	800,000	8.16
Addworth Plc	486,000	4.96
Richard Hodson	301,012	3.07

R L Owen is a director and has an interest in Reverse Take-Over Investments Plc through its parent company Westside Acquisitions Plc.

Corporate governance

Although not required to do so, the Company seeks within the practical confines of being a small company to act in compliance with the principles of good governance and the code of best practice (the "Combined Code") appended to the Listing Rules of the Financial Services Authority.

The Board

The aim of the Board is to function at the head of the Company's management structures, leading and controlling its activities and setting a strategy for enhancing shareholder value.

The Board currently consists of one executive director and three non-executive directors. The Company does not have a Nomination Committee as such; the Board collectively undertakes the functions of such a committee.

Internal control

The Board has overall responsibility for ensuring that the Group maintains systems and internal financial controls that provide them with reasonable assurance regarding the financial information both for use within the business and for external publication and that the assets are safeguarded.

Audit Committee

There is an Audit Committee consisting of the Chairman, for the time being, and a non-executive director. The terms of reference of the Audit Committee are to assist the Board in the discharge of its responsibilities for corporate governance, financial reporting and internal control. Its duties include maintaining an appropriate relationship with the Company's auditors, keeping under review the scope and the results of the audit and its effectiveness.

Going concern

After making appropriate enquiries, the directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group's financial statements.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that HLB Vantis Audit plc be re-appointed as the auditors, will be put to the Annual General Meeting.

Statement of Disclosure To Auditor

The directors who held office at the date of approval of this Directors' report confirm that:

(a) So far as the directors are aware, there is no relevant information of which the Company's auditors are unaware; and

(b) They have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' responsibilities

The director's are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom General Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company and the Group for that year. In preparing those financial statements, the directors are required to:-

- select suitable accounting policies and then apply them consistently;

- make judgements and estimates that are responsible and prudent;

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the maintenance of the corporate and financial information within the Company and the Group's website.

The maintenance and the integrity of the website is the responsibility of the directors; the work carried out by the Auditors does not involve consideration of these matters and accordingly, the Auditors accept no responsibility for any changes that may have occurred to the information contained in the financial statements since they were presented on the Company and the Group's website.

On behalf of the Board

N J Newman
Director

29 October 2007

Independent Auditors' Report

To the shareholders of Cheerful Scout plc

We have audited the Group and parent company financial statements (the "financial statements") of Cheerful Scout Plc for the year ended 30 June 2007 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement and the related notes 1 to 23. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities on page 10, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements.

This other information comprises only the Chairman's Statement and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:-

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's and the group's affairs as at 30 June 2007 and of the Group's profit for the year then ended;

- have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the directors' report is consistent with the financial statement.

HLB Vantis Audit plc, 29 October 2007

Chartered Accountants, Registered Auditor
66 Wigmore Street, London W1U 2SB

Consolidated profit and loss account

For the year ended 30 June 2007

	Notes	Pre goodwill amortisation £	2007 Goodwill amortisation £	2007 Total £	Pre goodwill amortisation and reorganisation costs £	Goodwill amortisation and reorganisation costs £	2006 Total £
Turnover	2	2,085,367	-	2,085,367	2,173,163	-	2,173,163
Cost of sales		(1,218,007)	-	(1,218,007)	(1,308,612)	-	(1,308,612)
Gross profit		867,360	-	867,360	864,551	-	864,551
Administrative expenses		(764,188)	(25,476)	(789,664)	(635,581)	(50,499)	(686,080)
Operating Profit	3	103,172	(25,476)	77,696	228,970	(50,499)	178,471
Interest receivable		37,840	-	37,840	30,104	-	30,104
Interest payable and similar charges	4	-	-	-	(42)	-	(42)
Profit on ordinary activities before taxation		141,012	(25,476)	115,536	259,032	(50,499)	208,533
Tax on profit on ordinary activities	5	(3,036)	-	(3,036)	(54,000)	-	(54,000)
Retained profit for the year	14	137,976	(25,476)	112,500	205,032	(50,499)	154,533
Earnings per ordinary shares:							
Basic	7			1.14796p			1.57687p
Diluted	7			1.13929p			1.56932p

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 Sheets

As at 30 June 2007

	Notes	Group		Company	
		2007	2006	2007	2006
		£	£	£	£
Fixed assets					
Intangible assets	8	817,003	793,194	-	-
Tangible assets	9	91,159	129,678	-	-
Investments	10	-	-	1,700,000	1,700,000
		908,162	922,872	1,700,000	1,700,000
Current assets					
Stock		2,285	2,268	-	-
Debtors	11	465,339	615,914	249,534	519,669
Cash at bank and in hand		1,039,275	885,559	918,983	742,811
		1,506,899	1,503,741	1,168,517	1,262,480
Creditors: amounts falling due within one year	12	(237,569)	(361,621)	(15,456)	(11,276)
Net current assets		1,269,330	1,142,120	1,153,061	1,251,204
Total assets less current liabilities		2,177,492	2,064,992	2,853,061	2,951,204
Net assets		2,177,492	2,064,992	2,853,061	2,951,204
Capital and Reserves					
Called up share capital	13	1,225,000	1,225,000	1,225,000	1,225,000
Special reserves	14	1,747,416	1,747,416	1,747,416	1,747,416
Profit and loss account	14	(794,924)	(907,424)	(119,355)	(21,212)
Total capital employed	15	2,177,492	2,064,992	2,853,061	2,951,204

Approved by the Board and authorised for issue on 29 October 2007.

P Litten, Director
N J Newman, Director

Consolidated cash flow statement

For the year ended 30 June 2007

	2007		2006	
	£	£	£	£
Net cash inflow from operating activities		258,123		231,209
Returns on investments and servicing of finance				
Interest received	37,840		30,104	
Interest paid	-		(42)	
Net cash inflow for returns on investments and servicing of finance		37,840		30,062
Taxation		-		-
Capital expenditure and financial investment				
Payments to acquire intangible assets	(95,802)		(66,052)	
Payments to acquire tangible assets	(46,445)		(31,417)	
Net cash outflow for capital expenditure		(142,247)		(97,469)
Increase in cash in the year		153,716		163,802

Notes to the consolidated cash flow statement

For the year ended 30 June 2007

1) Reconciliation of operating profit to net cash inflow from operating activities	2007 £	2006 £
Operating profit	77,696	178,471
Depreciation of tangible assets	84,964	113,891
Amortisation of intangible assets	71,993	71,993
Increase/(decrease) in debtors	150,575	(373,968)
(Decrease)/increase in creditors within one year	(127,088)	241,879
(Increase) in stock	(17)	(1,057)
Net cash inflow from operating activities	258,123	231,209

2) Analysis of net funds	1 July 2006 £	Cash flow £	30 June 2007 £
Net cash: Cash at bank and in hand	158,916	(29,051)	129,865
Liquid resources: Bank deposits	726,643	182,767	909,410
Net funds	885,559	153,716	1,039,275

3) Reconciliation of net cash flow to movement in net funds	2007 £	2006 £
(Decrease)/Increase in cash in the year	(29,051)	158,916
Cash inflow from movement in liquid resources	182,767	4,886
Change in net funds resulting from cash flows	153,716	163,802
Movement in net funds in the year	153,716	163,802
Opening net funds	885,559	721,757
Closing net funds	1,039,275	885,559

Notes to the consolidated financial statements

For the year ended 30 June 2007

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 2007. 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 Group 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 20, 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.

1.15 Share-based payment schemes

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.

2 Turnover

Geographical market	2007 £	2006 £
United Kingdom	1,923,918	2,008,332
Europe	161,449	144,061
Rest of the world	-	20,770
	2,085,367	2,173,163

3 Operating profit

Operating profit is stated after charging:	2007 £	2006 £
Amortisation of intangible assets	71,993	71,993
Depreciation of tangible assets	84,964	113,891
Auditors' remuneration (Company £4,750) - statutory audit	13,000	13,000
Operating leases	84,232	83,545

4 Interest Payable

	2007 £	2006 £
Other Interest	–	42

5 Taxation

	2007 £	2006 £
Current year tax	3,036	-
Deferred tax		
Deferred tax charge for the year	-	54,000
Factors affecting the tax charge for the year Profit on ordinary activities before taxation	115,536	208,533
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19% (2006 – 19%)	21,952	39,621
Effects of:		
Non deductible expenses	753	232
Depreciation add back	21,027	21,683
Capital allowances	(11,408)	(12,140)
Research and development allowances	(28,338)	(20,825)
Other tax adjustments	(950)	(28,571)
	(18,916)	(39,621)
Current tax charge	3,036	-

The Company has estimated losses of £156,329 (2006: £154,329) available for carry forward against future trading profits.

6 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:-

	2007 £	2006 £
Holding company's loss for the financial year	(98,143)	(53,453)
Transfer to special reserves (See Note 14)	-	32,241
Retained loss for the year	(98,143)	(21,212)

7 Earnings per ordinary share

Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders of £112,500 (2006: £154,533) using a weighted average of 9,800,000 (2006: 9,800,000) ordinary shares in issue during the year.

Diluted earnings per share are adjusted for 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 74,597 (2006: 47,162) ordinary shares.

8 Intangible fixed assets

Group	Goodwill £	Development Costs £	Total £
Cost			
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
Amortisation			
At 1 July 2006	2,324,924	46,517	2,371,441
Charge for the year	25,476	46,517	71,993
At 30 June 2007	2,350,400	93,034	2,443,434
Net book value			
At 30 June 2007	377,892	439,111	817,003
At 30 June 2006	403,368	389,826	793,194

9 Tangible fixed assets

Group	Leasehold land and buildings £	Fixtures, fittings and equipment £	Total £
Cost			
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
Depreciation			
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
Net book value			
At 30 June 2007	13,506	77,653	91,159
At 30 June 2006	37,457	92,221	129,678

10 Fixed asset investments

Company	Shares in subsidiary £
Cost At 1 July 2006 and 30 June 2007	3,144,213
Impairment At 1 July 2006 and 30 June 2007	(1,444,213)
Valuation as at 30 June 2007	1,700,000

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:

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

11 Debtors

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Trade debtors	363,333	516,023	-	-
Amounts owed by group undertakings	-	-	241,117	511,681
Other debtors	37,250	39,014	-	-
Prepayments and accrued income	64,756	60,877	8,417	7,988
	465,339	615,914	249,534	519,669

Other debtors include £35,473 (2006: £35,473) rental deposit which is secured by a charge in favour of the landlords.

12 Creditors: amounts falling due within one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Trade creditors	98,113	170,593	-	-
Amounts due to group undertakings	-	-	1	1
Taxes and social security costs	70,595	76,126	-	-
Accruals and deferred income	68,861	114,902	15,455	11,275
	237,569	361,621	15,456	11,276

13 Share capital

	2007	2006
	£	£
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

13 Share capital (continued)

During the year every 25 issued and unissued ordinary shares of 0.5 pence were consolidated into 1 ordinary share of 12.5 pence in the capital of the Company.

The Company has entered into a scheme to provide share option incentives for key employees. A total of 72,000 ordinary shares of 12.5p each have been offered at an option price of 62.5p per share exercisable between 3 and 10 years after the date of grant, which was 1 May 2002. An additional 244,200 ordinary shares of 12.5p each have been offered at an option price of 18.75p per share exercisable between 3 and 10 years after the date of grant, which was 28 October 2004. During the year 22,600 (2006: 32,000) options to subscribe for ordinary shares lapsed.

Further information can be found in note 19.

14 Statement of movements on reserves

Group	Special reserves £	Profit and loss account £
Balance at 1 July 2006	1,747,416	(907,424)
Retained profit for the year	-	112,500
Balance at 30 June 2007	1,747,416	(794,924)

Company	Special Reserves £	Profit and loss account £
Balance at 1 July 2006	1,747,416	(21,212)
Retained loss for the year	-	(98,143)
Balance at 30 June 2007	1,747,416	(119,355)

In the previous year 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 30th November 2005 were also transferred to the special reserve with the approval of the High Court of Justice.

15 Reconciliation of total capital employed

Group	2007 £
Profit for the financial year	112,500
Opening shareholders' funds	2,064,992
Closing shareholders' funds	2,177,492
Company	**2007 £**
Loss for the financial year	(98,143)
Opening shareholders' funds	2,951,204
Closing shareholders' funds	2,853,061

16 Financial commitments

At 30 June 2007 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and Building	
	2007 £	2006 £
Expiry date:		
In over five years	84,232	83,545

17 Directors' emoluments

	2007 £	2006 £
Emoluments for qualifying services	150,000	127,500

Directors' remuneration includes £15,000 (2006: £12,750) which has been capitalised as development costs.

18 Related party transactions

During the year, £37,595 (2006: £21,715) 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.

19 Employees

Number of employees The average monthly number of employees (including directors) during the year was:	2007 Number	2006 Number
Production	17	13
Administration	4	4
	21	17

Employment costs	2007 £	2006 £
Wages and salaries	596,140	498,535
Social security costs	69,305	53,091
Pension costs	1,172	172
	666,617	551,798

Share options incentives

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.

At 30 June 2007, the following share options have not been exercised:

Date of Grant	Number of shares	Exercise price per share
1 May 2002	72,000	62.50p
28 October 2004	221,600	18.75p

19 Employees (continued)

Changes in accounting policies

In line with the requirements of FRS 20 share-based payments, the Group has changed its policy on the accounting of share options issued as detailed below. There is no adjustment required to prior years as this was not material.

Share-based payments

The Group has applied the requirements of FRS 20 share-based payments from 1 July 2006. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 July 2006.

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.

This is the first year of adoption of FRS 20 share-based payments.

The fair value of the options is calculated using the Binomial model assuming 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

The fair value calculated gives rise to a potential adjustment in the accounts of £3,943 for the current year and £6,572 for the prior year. In the opinion of the directors, no adjustment to the financial statements is required as the amounts are considered to be immaterial.

20 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 2007 is as follows:

	Financial assets on which no interest is earned	Floating rate financial assets	Total
	£	£	£
Sterling	5,000	1,034,275	1,039,275

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.

21 Pension costs Defined contribution

The Group makes pre-defined contributions to employees' personal pension plans.

Contributions payable by the Group for the year were £1,172 (2006: £172).

22 Post Balance Sheet Events

Subsequent to the year end, Cheerful Scout Plc formed a new company, Business Data Interactive Limited, in a joint venture with Apperly & Associates Limited, to take advantage of opportunities in the fast growing Business intelligence market.

Under the terms of the agreement, Cheerful Scout Plc, which will own 60% of Business Data Interactive Limited, will invest £200,000 and licence the intellectual property for its proprietary visualisation software products to the new business.

23 Control

There is no overall controlling party.

25 - 27 Riding House Street
London W1W 7DU
United Kingdom

t : +44 (0)207291 0444
f : +44 (0)207291 0445
e : info@cheerfulscout.com
w : www.cheerfulscout.com

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