cheerful scout

Consolidated Directors' Report and Financial Statements

for the Year Ended 30 June 2010

Contents

Cheerful Scout plc

Cheerful Scout Plc, the AIM-traded multi-media specialist, announces its results for the year ended 30 June 2010.

Overview

- Successfully established a new corporate events division to broaden current corporate communications offering
- Strengthened blue-chip client base and client sharing across divisions having recruited key team members from Twentyfirst Century Communications Limited
- Increased turnover of £1.8 million (2009: £1.3 million) and healthy cash position of £632,200 (2009: £831,491)
- Building reputation as innovative provider of corporate communications solutions particularly within the financial sector having won awards from IVCA and New York Festival
- Integration of DVD subsidiary into On Screen division to streamline offering and facilitate digital delivery to corporate clients

Chairman's Statement

Cheerful has made encouraging progress over the period, with an increased turnover of £1.8 million and a small operating profit from trading, further to acquiring assets from Twentyfirst Century Communications Limited ('Twentyfirst') in January 2010. We continue to maintain close relationships with our clients and have established a new corporate Events division enabling us to broaden our offering to both new and existing clients. We have been successful in implementing our core strategy focused on delivering high quality and innovative brand and corporate communications through our On Screen and Events divisions, something which has been recognised over the year through the winning of industry awards.

Our Events and On Screen divisions have been working together very effectively since the beginning of 2010, enabling us to successfully extend the scope of the Company. The relationship between the two has been highly productive and we are now able to offer a well-rounded service which combines events and on-screen communications to project our clients' brand and corporate message. Importantly, our On Screen division has been able to benefit from the Events division's strong established relationships with a range of blue-chip clients. We have been able to co-ordinate a range of projects for clients that have included input from both divisions, such as a leading mobile telecom company and an oil and gas major.

The On Screen division has continued to gain recognition for its work as a dedicated provider of cutting edge communications solutions. We continue to build upon our reputation, particularly amongst the financial services sector. Cheerful was recognised for its ingenuity and quality at both the IVCA and New York Festival Awards, winning gold for an internal communications video designed and produced for a leading international investment bank.

Importantly, Cheerful has successfully maintained strong relationships with its existing clients. We continue to work closely with government organisations including the Central Office of Information ('COI') and the Directorate of Optometric Continuing Education and Training ('DOCET') as training programmes and internal communications continue to be of high importance to these bodies.

I am pleased to report that our increased activities over the past year have strengthened our financials. We remain cash positive with reserves of £632,200. Importantly, the addition of the Twentyfirst Events division revenue, together with our increased client base and cost sharing, has enabled us to improve our operating performance. Revenue has increased to £1,809,757 with pre tax profits of £1,144.

From July 2010, we have integrated the DVD side of our business into the On Screen division of the Company. This has enabled us to offer digital delivery to our corporate clients. We continue to streamline our On Screen offering to evolve our business in line with the fast-moving media industry. The Board is of the opinion that market conditions are stabilising and that our focus on two operating divisions, On Screen and Events, together with our recognised creativity and innovation and our strong client relationships, will position us for further growth. In addition, we continue to assess various opportunities to complement our existing business, accelerate growth, and improve our financial performance.

Finally, I would like to thank the team for their hard work and dedication to the Company and to shareholders for their continued support.continued support.

S Appleton
Chairman

15 November 2010

Directors' Report

The directors present their annual report and financial statements for the year ended 30 June 2010.

Principal activities

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

Business review

The results for the year show a profit before taxation of £1,144 (2009: £245,478 loss before taxation). It is proposed that the retained profit after taxation of £50,226 (2009: £245,953 retained loss) is transferred to the Group's reserves. Revenue for the year was £1,809,757 (2009: £1,269,788). The gross profit margin increased by 2% to 37% and gross profit was £677,615 (2009: £449,762).

Key Financial Highlights

Year	**2010** **£**	**2009** **£**	**2008** **£**	**2007** **£**
Revenue	1,809,757	1,269,788	1,566,329	2,085,367
Profit / (loss)before impairment losses and write off of development costs	1,144	(245,478)	(206,884)	141,012

Further information can be found within the Chairman's statement on page 3.

Dividend

The Company has not declared or paid a dividend on its share capital (2009: £Nil).

Capital Expenditure

Total capital expenditure, including expenditure on intangible assets, was £36,799 compared with £82,382 last year.

Cashflows

Net cash outflow from operating activities was £133,650 compared with a net cash inflow of £13,248 for the year ended 30 June 2009. Total cashflow, representing operating cashflow after taxation, interest and capital expenditure decreased by £199,291 compared with a decrease of £153,456 last year.

Purchase of own shares

On 14 July 2009, the Company purchased 500,000 of its own Ordinary 12.5p shares for cancellation. The price paid per share amounted to 5p and the total consideration paid was £25,000. This represented 6% of the Company's original called up share capital. On 26 March 2010, the Company purchased 200,000 of its own Ordinary 12.5p shares for cancellation. The price paid per share amounted to 9p and the total consideration paid was £18,000. This represented 2% of the Company's original called up share capital.

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 20 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

During the year the Group made charitable donations of £Nil (2009: £500). The Group made no donations for political purposes.

Trade payables payment policy

The Company's and the Group's current policy concerning the payment of trade payables 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 payables at the year end represented 57 (2009: 72) days purchases.

Directors' Report *continued*

For the year ended 30 June 2010

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.

Details of the financial risks faced by the Group and its policies for managing these are given in note 22.

Details of other risks and uncertainties faced by the Group are included in the Chairman's Statement on page 3.

Financial instruments

Details of financial instruments are given in note 22 to the accounts.

Directors

The following directors have held office since 1 July 2009:

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.

Non-current assets

The significant changes in non-current assets during the year are explained in notes 10, 11 and 12 to the financial statements. As pioneers in visual technologies, the Group has utilised its resources to develop unique and highly innovative communications products.

Directors' interests

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

	Ordinary shares of 12.5p each	
	30 June 2010	1 July 2009
P Litten	4,400,000	4,400,000
S Appleton	112,500	112,500
N J Newman	275,000	275,000
R L Owen (see below)	–	–

None of the directors had any interest in the subsidiary companies or share based incentive schemes.

Directors’ Report *continued*

For the year ended 30 June 2010

Shareholdings

At 31 October 2010 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
P Litten	4,400,000	56.1
Reverse Take-Over Investments Plc	800,000	10.2
R Hodgson	387,500	4.9
N J Newman	275,000	3.5

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.

Events after the reporting date

After the reporting period, the Company granted a total of 1,200,000 share options to a number of employees. The options were granted at a price of 8.75 pence each. The options vest after 3 years and can be exercised in the period commencing on the third anniversary of the date of grant through until the tenth anniversary of the date of grant.

Directors' Report *continued*

For the year ended 30 June 2010

Statement of Disclosure to Auditor

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware. Additionally, they have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all the relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' Responsibilities

The directors 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 and as required by the AIM rules of the London Stock Exchange, the directors have prepared the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have also elected to prepare the Company financial statements in accordance with these standards. Under company law the directors must not approve the financial statements unless they are satisfied they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of 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 accounting estimates that are responsible and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the European Union;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the finance position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. 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. Legislation in the UK governing dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

N J Newman
Director
15 November 2010

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 2010 which comprise the Consolidated Statement of Comprehensive Income, the Group and Company Statements of Financial Position, the Group and Company Statements of Changes in Equity, the Group and Company Statements of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. This includes an assessment of; whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on the Financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 June 2010 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditors’ Report *continued*

To the shareholders of Cheerful Scout plc

Matters on Which we are Required to Report by Exception

We have nothing to report in respect of the following matters where the Companies Act 2006 required us to report to you if, in our opinion:

– adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

– the parent Company financial statements are not in agreement with the accounting records and returns; or

– certain disclosures of directors’ remuneration specified by law are not made; or

– we have not received all the information and explanations we require for our audit.

Alicia Slade
(Senior statutory auditor)

15 November 2010

for and on behalf of RSM Tenon Audit Limited

Statutory Auditor
66 Wigmore Street
London W1U 2SB

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2010

Continuing operations	Notes	2010 £	2009 £
Revenue	2	**1,809,757**	**1,269,788**
Cost of sales		(1,132,142)	(820,026)
Gross profit		**677,615**	**449,762**
Administrative expenses		(695,275)	(718,648)
Operating loss	3	**(17,660)**	**(268,886)**
Finance income	4	1,883	23,408
Other income	5	16,921	-
Profit / (loss) before taxation		**1,144**	**(245,478)**
Taxation	6	49,082	(475)
Total comprehensive income / (expense) for the year attributable to owners of the parent		**50,226**	**(245,953)**
Earnings / (loss) per ordinary share:			
Basic	9	0.63098p	(2.51451)p
Diluted	9	0.63098p	(2.51451)p

There were no other comprehensive income items.

Statement of Financial Position

As at 30 June 2010

	Notes	Group		Company	
		2010 £	2009 £	2010 £	2009 £
Non-current assets					
Intangible assets	**10**	365,154	365,154	–	–
Property, plant and equipment	**11**	133,375	165,484	–	–
Investments in subsidiaries	**12**	–	–	1,000,000	1,402,600
Deferred taxation	**7**	39,832	–	–	–
		538,361	**530,638**	**1,000,000**	**1,402,600**
Current assets					
Inventories		2,252	2,033	–	–
Trade and other receivables	**13**	506,592	209,894	187,443	45,201
Cash and cash equivalents	**14**	632,200	831,491	515,947	788,846
		1,141,044	**1,043,418**	**703,390**	**834,047**
Total assets		**1,679,405**	**1,574,056**	**1,703,390**	**2,236,647**
Current liabilities					
Trade and other payables	**15**	(386,226)	(300,378)	(37,636)	(175,867)
Net assets		**1,293,179**	**1,273,678**	**1,665,754**	**2,060,780**
Equity					
Share capital	**16**	979,688	1,054,688	979,688	1,054,688
Special reserves		–	–	–	–
Capital redemption reserve		257,812	170,312	257,812	170,312
Retained earnings		55,679	48,678	428,254	835,780
Equity attributable to equity holders of the parent		**1,293,179**	**1,273,678**	**1,665,754**	**2,060,780**

The financial statements were approved and authorised by the board of directors on 15 November 2010 and were signed on its behalf by

P Litten, *Director* N J Newman, *Director*

Company Registration No. 4314540

Statement of Changes in Equity

For the year ended 30 June 2010

Group	**Share capital £**	**Special reserves £**	**Capital redemption reserve £**	**Retained earnings £**	**Total equity £**
At 1 July 2008	1,225,000	1,747,416	-	(1,325,263)	1,647,153
Comprehensive expense for the year	-	-	-	(245,953)	(245,953)
Transfer of special reserves to retained earnings	-	(1,747,416)	-	1,747,416	-
Purchase of own shares	(170,312)	-	170,312	(127,522)	(127,522)
At 30 June 2009	1,054,688	-	170,312	48,678	1,273,678
At 1 July 2009	1,054,688	-	170,312	48,678	1,273,678
Comprehensive expense for the year	-	-	-	50,226	50,226
Purchase of own shares	(87,500)	-	87,500	(43,225)	(43,225)
Issue of new shares	12,500	-	-	-	12,500
At 30 June 2010	**979,688**	**-**	**257,812**	**55,679**	**1,293,179**

Company	**Share capital £**	**Special reserves £**	**Capital redemption reserve £**	**Retained earnings £**	**Total equity £**
At 1 July 2008	1,225,000	1,747,416	-	(192,072)	2,780,344
Comprehensive expense for the year	-	-	-	(592,042)	(592,042)
Transfer of special reserves to retained earnings	-	(1,747,416)	-	1,747,416	-
Purchase of own shares	(170,312)	-	170,312	(127,522)	(127,522)
At 30 June 2009	1,054,688	-	170,312	835,780	2,060,780
At 1 July 2009	1,054,688	-	170,312	835,780	2,060,780
Comprehensive expense for the year	-	-	-	(364,301)	(364,301)
Purchase of own shares	(87,500)	-	87,500	(43,225)	(43,225)
Issue of new shares	12,500	-	-	-	12,500
At 30 June 2010	**979,688**	**-**	**257,812**	**428,254**	**1,665,754**

Following a board resolution on 3 November 2009, the Company transferred its special reserves of £1,747,416 to retained earnings following the expiry of the undertaking given to the High Court of Justice in 2006.

Statement of Cash Flows

For the year ended 30 June 2010

	Notes	Group		Company	
		2010 £	2009 £	2010 £	2009 £
Cash flows from operating activities					
Profit / (loss) before taxation		1,144	(245,478)	(364,301)	(592,042)
Depreciation		68,908	71,259	–	–
Amortisation of intangibles		–	46,518	-	-
Gain on sale of property, plant and equipment		-	(20,242)	–	–
Impairment of investment in subsidiaries		–	-	401,908	500,000
Finance income		(1,883)	(23,408)	(1,823)	(22,866)
		68,169	**(171,351)**	**35,784**	**(114,908)**
Increase / (decrease) in trade and other payables		85,848	(72,743)	(138,231)	152,527
Decrease / (increase) in trade and other receivables		(296,698)	222,860	(142,242)	(33,703)
Decrease / (increase) in inventories		(219)	196	-	-
Taxation received		9,250	34,286	-	-
Cash (used) / generated from operating activities		**(133,650)**	**13,248**	**(244,689)**	**3,916**
Cash flows from investing activities					
Finance income		1,883	23,408	1,823	22,866
Purchase of property, plant and equipment	**11**	(36,799)	(82,832)	-	-
Proceeds from sale of property, plant and equipment		-	20,242	-	-
Investments in subsidiaries		-	-	692	(2,000)
Cash (used) / generated in investing activities		**(34,916)**	**(39,182)**	**2,515**	**20,866**
Cash flows from financing activities					
Purchase of own shares		(43,225)	(127,522)	(43,225)	(127,522)
Issue of shares		12,500	–	12,500	–
Cash used in financing activities		**(30,725)**	**(127,522)**	**(30,725)**	**(127,522)**
Net decrease in cash and cash equivalents		**(199,291)**	**(153,456)**	**(272,899)**	**(102,740)**
Cash and cash equivalents at beginning of year		831,491	984,947	788,846	891,586
Cash and cash equivalents at end of year	**14**	**632,200**	**831,491**	**515,947**	**788,846**

1 Accounting policies

Cheerful Scout plc is a public limited company incorporated in the United Kingdom. The Company is domiciled in the United Kingdom and its principal place of business is 25/27 Riding House Street, London, W1P 7PB. The Company's Ordinary Shares are traded on the Alternative Investment Market.

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Going concern

The Group's business activities, together with the factors likely to affect its future development and performance are set out in the review of business contained in the Chairman's Statement. The Group's financial statements show details of its financial position including, in note 22, details of its financial instruments and exposure to risk.

After reviewing the Group's budget for the next financial year, other medium term plans and considering the risks outlined in note 22, the Directors, at the time of approving the financial statements, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and have therefore used the going concern basis in preparing the financial statements.

Basis of Preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The following new standards, amendments to standards and interpretations, applied for the first time from 1 July 2009.

- IAS 1 (Revised) 'Presentation of Financial Statements'. The revised standard has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
- IFRS 8 'Operating segments'. IFRS 8 replaces IAS 14 'Segment Reporting'. The Group concluded that its operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14.
- IFRS 2 (Amended) 'Share based payments'. The amendment to IFRS 2 clarifies the definition of vesting conditions and prescribes the treatment for an award that is cancelled. This amendment did not have an impact on the financial position or performance of the group.

Adopted IFRSs not yet applied

At the date of authorisation of this report, the following standards, which have not been applied in this report, were issued but not yet effective.

- IFRS 1 (Amended) 'First time adoption of International Financial Reporting Standards', effective 1 January 2010.
- IFRS 2 (Amended) 'Share-based payments', effective 1 January 2010.
- IFRS 3 (Amended) 'Business Combinations', effective 1 July 2010.
- IFRS 5 (Amended) 'Non-current assets held for sale and discontinued operations', effective 1 January 2010.
- IFRS 9 'Financial Instruments', effective 1 January 2013.
- IAS 7 (Revised) 'Statement of cash flows', effective 1 January 2010.

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2010

- IAS 17 (Revised) 'Leases', effective 1 January 2010.
- IAS 24 (Revised) 'Related Party Disclosures', effective 1 January 2011.
- IAS 27 (Amended) 'Consolidated and separate financial statements', effective 1 July 2010.
- IAS 32 (Amended) 'Financial instruments', effective 1 February 2010.
- IAS 36 (Revised) 'Impairment of assets', effective 1 January 2010

Management does not believe that the application of these standards, where applicable, will have an impact on the financial statements, except for the requirement of additional disclosures.

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 30 June 2010. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. Subsidiaries are fully consolidated from the date on which control is transferred until the date that such control ceases.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated.

Revenue

Revenue represents amounts (excluding value added tax) derived from the provision of services to third party customers in the course of the Group's ordinary activities. Revenue is measured at the fair value of consideration received taking into account any trade discounts and volume rebates. Revenue for all business segments is recognised when the Group has earned the right to receive consideration for its services.

Intangible assets - goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill acquired represents the excess of the fair value of the consideration and associated costs over the fair value of the identifiable net assets acquired.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. At the date of acquisition, the goodwill is allocated to cash generating units, usually at business segment level or statutory company level as the case may be, for the purpose of impairment testing and is tested at least annually for impairment. On subsequent disposal or termination of a business acquired, the profit or loss on termination is calculated after charging the carrying value of any related goodwill.

Intangible assets - development costs

Development expenditure is written off to the income statement 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 is amortised over 4 years.

Property, plant and equipment

Property, plant and equipment is stated in the financial statements at cost less accumulated depreciation and any impairment value. Depreciation is provided to write off the cost less estimated residual value of property, plant and equipment over its expected useful life (which is reviewed at least at each financial year end), as follows:

Leasehold land and buildings	straight line over the life of the lease (5 years)
Fixtures, fittings and equipment	25% straight line

Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year that the asset is derecognised.

Fully depreciated assets still in use are retained in the financial statements.

Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. For goodwill and intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each annual balance sheet date and whenever there is an indication of impairment.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

Operating leases

Rentals under operating leases are charged to the Income Statement on a straight line basis over the period of the lease.

Investments

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

Inventories

Inventories are stated at the lower of cost and net realisable value.

Trade and other receivables

Trade and other receivables are stated initially at fair value and subsequently measured at amortised cost less any provision for impairment.

Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2010

Cash and cash equivalents

Cash comprises, for the purpose of the Cash Flow Statement, cash in hand and deposits payable on demand and bank overdrafts. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Cash equivalents normally have a date of maturity of 3 months or less from the acquisition date.

Finance income

Financial income consists of interest receivable on funds invested. It is recognised in the Income Statement as it accrues.

Taxation

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using rates enacted or subsequently enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; the differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or subsequently enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised.

Pension costs

The Group does not operate a pension scheme for its employees. It does however, make contributions to the private pension arrangements of certain employees. These arrangements are of the money purchase type and the amount charged to the income statement represents the contributions payable by the Group for the period.

Financial instruments

The Group does not enter into derivative transactions and does not trade in financial instruments. Financial assets and liabilities are recognised on the Balance Sheet when the Group becomes a party to the contractual provision of the instrument.

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 the income statement.

Share-based payments

The Group has applied the transitional provisions of IFRS 2 only to awards of equity instruments made after 7 November 2002 that had not vested by 1 July 2006.

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 20 to the financial statements.

Significant judgements and estimates

The preparation of the Group's financial statements in conforming with IFRS required management to make judgements, estimates and assumptions that effect the application of policies and reported amounts in the financial statements. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances. Information about such judgements and estimation is contained in the accounting policies and / or notes to the financial statements and the key areas are summarised below:

a) Depreciation rates are based on the estimated useful lives and residual value of the assets involved.

b) The impairment review of goodwill is based on the estimation of future cash flows and discount rates in order to calculate the present value of the cash flows.

c) The Group operates share incentive schemes as detailed in note 20. In order to calculate the annual charge in accordance with IFRS 2, management are required to make a number of assumptions and include, amongst others, volatility and expected life of options.

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2010

2 Revenue and segment information

Revenue and segmental profit has been disclosed by three operating segments of On Screen, DVD & Interactive and Events in the manner that the information is presented to the Board of Directors, being the Chief Operating Decision Makers, in accordance with IFRS 8.

	On Screen 2010 £	**On Screen 2009 £**	**DVD & Interactive 2010 £**	**DVD & Interactive 2009 £**	**Events 2010 £**	**Events 2009 £**	**Total 2010 £**	**Total 2009 £**
Revenue	**979,859**	**885,240**	**278,120**	**384,548**	**551,778**	–	**1,809,757**	**1,269,788**
Segment results	117,758	(62,668)	(93,855)	(91,310)	58,711	–	82,614	(153,978)
Unallocated expenses							(100,274)	(114,908)
Operating loss							(17,660)	(268,886)
Finance income							1,883	23,408
Other income							16,921	-
Taxation							49,082	(475)
Profit / (loss) for the year							**50,226**	**(245,953)**
Segment assets	446,047	410,494	379,207	359,497	293,507	–	1,118,761	769,991
Unallocated assets							560,644	804,065
Total assets	**446,047**	**410,494**	**379,207**	**359,497**	**293,507**	–	**1,679,405**	**1,574,056**
Segment liabilities	(149,298)	(59,991)	(47,311)	(24,367)	(81,178)	–	(277,787)	(84,358)
Unallocated liabilities							(108,439)	(216,020)
Total liabilities	**(149,298)**	**(59,991)**	**(47,311)**	**(24,367)**	**(81,178)**	–	**(386,226)**	**(300,378)**
Capital expenditure	**17,236**	**41,416**	**17,236**	**41,416**	**2,327**	–	**36,799**	**82,832**
Depreciation and amortisation	**33,949**	**82,147**	**33,949**	**35,630**	**1,010**	–	**68,908**	**117,777**

The geographical analysis of turnover and assets by geographical location of customer is as follows:

Geographical market	**2010 UK £**	**2009 UK £**	**2010 Europe £**	**2009 Europe £**	**2010 USA £**	**2009 USA £**	**2010 Total £**	**2009 Total £**
Revenue	**1,789,719**	**1,216,687**	–	**53,101**	**20,038**	–	**1,809,757**	**1,269,788**
Segment assets	361,760	100,839	–	56	–	–	361,760	100,895
Unallocated assets							1,317,645	1,473,161
Total assets							**1,679,405**	**1,574,056**
Capital expenditure – unallocated							**36,799**	**82,832**

3 Operating loss

Operating loss is stated after charging:	**2010 £**	**2009 £**
Amortisation of intangible assets	–	46,518
Depreciation of property, plant and equipment	68,908	71,259
Fees payable to the Company's auditor in respect of:		
Audit of the Company's annual accounts	6,000	5,000
Audit of the Company's subsidiaries	12,000	10,000
Operating leases	97,245	109,233

4 Financial Income

	2010 £	**2009 £**
Interest income	1,883	23,408

5 Other income

	2010 £	**2009 £**
Rental income	16,921	–

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2010

6 Taxation

	2010 £	2009 £
The tax (credit) / charge comprises:		
Current tax		
Adjustment to prior years	(9,250)	475
	(9,250)	**475**
Deferred tax		
Current year	(39,832)	–
	(39,832)	–
Total tax (credit) / charge in the statement of comprehensive income	**(49,082)**	**475**
Factors affecting the tax (credit) / charge for the year		
Profit / (loss) on ordinary activities before taxation	1,144	(245,478)
Profit / (loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 21% (2009: 21%)	240	(51,550)
Effects of:		
Non deductible expenses	8,043	81
Depreciation and impairment losses	14,471	14,914
Capital allowances	(13,772)	(18,055)
Research and development	–	8,093
Other tax adjustments	–	(4,146)
Losses utilised	(13,165)	–
Losses carried forward	4,183	50,663
Deferred tax asset recognition	(39,832)	–
Adjustment to prior years	(9,250)	475
	(49,322)	**52,025**
Total taxation (credit) / charge	**(49,082)**	**475**

The Group has estimated losses of £647,885 (2009 : £691,027) available to carry forward against future trading profits.

7 Deferred taxation

	2010 £	2009 £
Property, plant and equipment temporary differences	(2,450)	–
Temporary differences	2,624	–
Losses	39,658	–
	39,832	–
At 1 July	–	–
Transfer to statement of comprehensive income	39,832	–
At 30 June	**39,832**	**–**

A deferred tax asset has been recognised in respect of previously unrecognised trading losses. These are expected to be utilised given the return to profitability and future trading prospects. The deferred tax asset is expected to be realised after more than one year.

8 Loss attributable to members of the parent company

As permitted by section 408 of the Companies Act 2006, the parent Company's Statement of Comprehensive Income has not been included in these financial statements. The retained loss for the financial year of the holding company was £364,301 (2009: £592,042).

9 Earnings / (loss) per ordinary share

Basic earnings per share are calculated by dividing the profit or loss attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the profit or loss attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would have been issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used and dilutive earnings per share computations:

	2010 £	2009 £
Profit / (loss) attributable to owners of the parent	**50,226**	**(245,953)**
Basic weighted average number of shares	**7,959,966**	**9,781,336**
Dilutive potential ordinary shares:		
Employee share options	–	–
Diluted weighted average number of shares	**7,959,966**	**9,781,336**

Employee share options do not have a dilutive effect on the weighted average number of shares in 2009 and 2010 as the exercise price of the share options is in excess of the average market price of the ordinary shares.

After the reporting period, the Company granted a total of 1,200,000 share options to a number of employees. The options were granted at a price of 8.75 pence each. The options vest after 3 years and can be exercised in the period commencing on the third anniversary of the date of grant through until the tenth anniversary of the date of grant.

10 Intangible Fixed Assets

Group	Goodwill £	Development Costs £	Total £
Cost			
At 1 July 2008	2,728,292	186,069	2,914,361
At 30 June 2009	2,728,292	186,069	2,914,361
At 1 July 2009	2,728,292	186,069	2,914,361
Development costs written off	–	(186,069)	(186,069)
At 30 June 2010	**2,728,292**	–	**2,728,292**
Impairment and amortisation			
At 1 July 2008	2,363,138	139,551	2,502,689
Amortisation	–	46,518	46,518
At 30 June 2009	2,363,138	186,069	2,549,207
At 1 July 2009	2,363,138	186,069	2,549,207
Development costs written off	–	(186,069)	(186,069)
At 30 June 2010	**2,363,138**	–	**2,363,138**
Net book value			
At 1 July 2008	365,154	46,518	411,672
At 30 June 2009	365,154	–	365,154
At 1 July 2009	365,154	–	365,154
At 30 June 2009	**365,154**	–	**365,154**

Development Costs

Development costs in relation to the Group's nVision Presenter product have been amortised over its expected useful life of four years. As this product is no longer in use, the development costs have been written off in full during the year.

Impairment

The impairment test for goodwill involved the determination of recoverable amounts based upon cash flow projections, the annual business plan and directors' long term estimates based on past experience and external estimates related to market growth. The key assumptions used are as follows: -

Discount rate	3.1%
Year on year growth	3.0% (on projected figures for 2011)
Number of annual cash flows considered	5

There was no impairment in the year.

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2010

11 Property, Plant and Equipment

Group	Leasehold land and buildings £	Fixtures, fittings and equipment £	Total £
Cost			
At 1 July 2008	146,578	843,397	989,975
Additions	10,485	72,347	82,832
Disposals	–	(100,428)	(100,428)
At 30 June 2009	157,063	815,316	972,379
At 1 July 2009	157,063	815,316	972,379
Additions	–	36,799	36,799
At 30 June 2010	**157,063**	**852,115**	**1,009,178**
Depreciation			
At 1 July 2008	146,578	689,486	836,064
Charge for the year	988	70,271	71,259
Disposals	–	(100,428)	(100,428)
At 30 June 2009	147,566	659,329	806,895
At 1 July 2009	147,566	659,329	806,895
Charge for the year	2,072	66,836	68,908
At 30 June 2009	**149,638**	**726,165**	**875,803**
Net book value			
At 1 July 2008	–	153,911	153,911
At 30 June 2009	9,497	155,987	165,484
At 1 July 2009	9,497	155,987	165,484
At 30 June 2010	**7,425**	**125,950**	**133,375**

The gross carrying amount of fully depreciated property, plant and equipment still in use is as follows:

Cost	2010 £	2009 £
Leasehold land and buildings	146,578	146,578
Fixtures, fittings and equipment	577,459	695,724
	724,037	**842,302**

12 Non-Current Assets – Investments

Company	Shares in subsidiary £	Loans to subsidiary £	Total £
Cost			
At 1 July 2008	3,144,813	200,000	3,344,813
Additions	–	2,000	2,000
At 30 June 2009	3,144,813	202,000	3,346,813
At 1 July 2009	3,144,813	202,000	3,346,813
Repayment	–	(692)	(692)
At 30 June 2010	**3,144,813**	**201,308**	**3,346,121**
Provision			
At 1 July 2008	1,444,213	–	1,444,213
Impairment	300,000	200,000	500,000
At 30 June 2009	1,744,213	200,000	1,944,213
At 1 July 2009	1,744,213	200,000	1,944,213
Impairment	400,600	1,308	401,908
At 30 June 2010	**2,144,813**	**201,308**	**2,346,121**
Net book value			
At 1 July 2008	1,700,600	200,000	1,900,600
At 30 June 2009	1,400,600	2,000	1,402,600
At 1 July 2009	1,400,600	2,000	1,402,600
At 30 June 2010	**1,000,000**	–	**1,000,000**

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2010

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			
Cheerful Scout Productions Limited (formerly Centralfix Limited)	England and Wales	Ordinary	100
nVision Technology Limited	England and Wales	Ordinary	100
Business Data Interactive Limited	England and Wales	Ordinary	60

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

Company	Principal activity
Cheerful Scout Productions Limited	Provision of business communication services
nVision Technology Limited	Provision of event management services
Business Data Interactive Limited	Development of business gaming software

13 Trade and Other Receivables

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Trade receivables	361,760	100,895	–	–
Related party receivables	–	–	179,756	15,238
Other receivables	35,722	36,864	2,821	14,744
Prepayments and accrued income	109,110	72,135	4,866	15,219
	506,592	**209,894**	**187,443**	**45,201**

Other receivables include £34,543 (2009: £34,543) for a rental deposit which is secured by a charge in favour of the landlords. All trade and other receivables are expected to be recovered within 12 months of the balance sheet date. The fair value of trade and other receivables is the same as the carrying values shown above.

14 Cash and Cash Equivalents

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Bank balances	632,200	831,491	515,947	788,846
Cash and cash equivalents	**632,200**	**831,491**	**515,947**	**788,846**
Cash and cash equivalents in the statement of cash flows	**632,200**	**831,491**	**515,947**	**788,846**

15 Trade and Other Payables

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Trade payables	176,205	160,796	27,005	149,166
Related party payable	_	_	1	1
Taxes and social security costs	22,355	15,133	250	-
Other payables	57,534	69,599	-	-
Accruals and deferred income	130,132	54,850	10,380	26,700
	386,226	**300,378**	**37,636**	**175,867**

All trade and other payables are expected to be settled within 12 months of the balance sheet date. The fair value of trade and other payables is the same as the carrying values shown above.

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2010

16 Share Capital

	2010 £	2009 £
Authorised		
28,000,000 Ordinary shares of 12.5p each	3,500,000	3,500,000

Allotted, called up and fully paid	**Number**	**Ordinary shares £**
At 1 July 2008	9,800,000	1,225,000
Purchase of own shares	(1,362,500)	(170,312)
At 30 June 2009	8,437,500	1,054,688
Purchase of own shares	(700,000)	(87,500)
Issue of shares	100,000	12,500
At 30 June 2010	**7,837,500**	**979,688**

On 14 July 2009, the Company purchased 500,000 of its own Ordinary 12.5p shares for cancellation. The price paid per share amounted to 5p and the total consideration paid was £25,000. On 26 March 2010, the Company purchased 200,000 of its own Ordinary 12.5p shares for cancellation. The price paid per share amounted to 9p and the total consideration paid was £18,000. Total transaction costs amounted to £225.

On 2 December 2009, the Company issued 100,000 Ordinary 12.5p shares at par value.

See note 20 for details of share options outstanding.

17 Financial Commitments

Total future minimum lease payments under non-cancellable operating lease rentals are payable as follows:

	Land and Buildings	
	2010 £	2009 £
Not later than one year	110,000	110,000
Later than one year and not later than five years	174,167	284,167

18 Directors' Emoluments

The remuneration of Directors of the Company is set out below.

	Salary or fees 2010 £	Salary or fees 2009 £	Pensions 2010 £	Pensions 2009 £	Total 2010 £	Total 2009 £
P Litten	50,000	75,000	26,250	–	76,250	75,000
S Appleton	10,000	8,000	–	–	10,000	8,000
NJ Newman	1,500	1,500	–	–	1,500	1,500
R L Owen	7,500	7,500	–	–	7,500	7,500
	69,000	**92,000**	**26,250**	**–**	**95,250**	**92,000**

Fees for N J Newman are charged by Harris & Trotter LLP, a firm in which he is a member. See note 21.

No directors had interests in share based incentive schemes.

19 Employees

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

Number of employees	**2010 Number**	**2009 Number**
Production	14	13
Administration	6	4
	20	**17**

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2010

The aggregate payroll costs of these employees charged in the Statement of Comprehensive Income was as follows:

Employment costs	**2010** £	**2009** £
Wages and salaries	559,299	553,021
Social security costs	61,948	60,715
Pension costs	52,672	172
	673,919	**613,908**

20 Share based payments

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.

Details of the number of share options and the weighted average exercise price outstanding during the year are as follows:

	Number of options 2010 £	**Weighted average exercise price 2010** £	**Number of options 2009** £	**Weighted average exercise price 2009** £
Outstanding at beginning of the year	249,600	0.31	249,600	0.31
Lapsed during the year	(14,000)	(0.19)	–	–
Outstanding at end of the year	235,600	0.32	249,600	0.31

The exercise price of options outstanding at the year-end ranged between £0.1875 and £0.625 (2009: £0.1875 and £0.625) and their weighted average contractual life was 4 years (2009: 4 years).

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. The fair value of the options is calculated using the Binomial model making 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

No expense has been recognised in the Consolidated Statement of Comprehensive Income for share based payments in respect of employee share options as, in the opinion of the directors, the amounts are considered immaterial.

After the reporting period, the Company granted a total of 1,200,000 share options to a number of employees. The options were granted at a price of 8.75 pence each. The options vest after 3 years and can be exercised in the period commencing on the third anniversary of the date of grant through until the tenth anniversary of the date of grant.

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2010

21 Related Party Transactions

The Group has a related party relationship with its subsidiaries and its directors.

Details of transactions between the Company and its subsidiaries are as follows:

	2010 £	2009 £
Management fees charged to subsidiaries		
Cheerful Scout Productions Limited	100,000	–
nVision Technology Limited	35,000	–
	135,000	–
Amounts owed by subsidiaries		
Total amount owed by subsidiaries	381,064	202,000
Less provision	(201,308)	(200,000)
	179,756	**2,000**
Amounts owed to subsidiaries	**–**	**15,238**

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

During the year, the Company's investment in its subsidiary, Cheerful Scout Productions Limited, was impaired by £400,000 (2009: £300,000).

Harris and Trotter LLP is a firm in which N J Newman is a member. The amounts charged to the Group for professional services and the balance outstanding at the reporting date is as follows:

Harris and Trotter LLP – charged during the year	2010 £	2009 £
Cheerful Scout plc	13,745	25,750
Cheerful Scout Productions Limited	17,380	7,100
nVision Technology Limited	3,273	**–**
	34,398	**32,850**

Harris and Trotter LLP – balance outstanding at the reporting date	2010 £	2009 £
Cheerful Scout plc	1,763	16,963
Cheerful Scout Productions Limited	8,072	**–**
	9,835	**16,963**

The compensation of key management (including directors) of the Group is as follows:

	2010 £	2009 £
Short-term employee benefits	115,778	167,737
Post-employee benefits	52,500	–
	168,278	**167,737**

At the reporting date, the following amounts are due to directors:

	2010 £	2009 £
S Appleton	10,000	–

22 Financial Instruments

The Group is exposed to risks that arise from its use of financial instruments. There have been no significant changes in the Group's exposure to financial instrument risk, its objectives, policies and processes for managing those from previous periods. The principal financial instruments used by the Group, from which financial instrument risk arises, are trade receivables, cash and cash equivalents and trade and other payables.

Credit risk

Credit risk arises principally from the Group's trade receivables. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument. The maximum exposure to credit risk at 30 June 2010 was £361,760 (2009: £100,895). Trade receivables are managed by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits. At the year end, the credit quality of trade receivables is considered to be satisfactory.

Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to meet its liabilities when they fall due. The Group monitors cash flow on a regular basis. At the year end, the Group has sufficient liquid resources to meets its obligations of £386,226 (2009: £300,378).

Market risk

Market risk arises from the Group's use of interest bearing financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate. At the year end, the cash and cash equivalents of the Group was £632,200 (2009: £831,491). The Group ensures that its cash deposits earn interest at a reasonable rate.

Fair value of financial assets

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

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2010

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 £52,672 (2009: £172).

24 Control

The Company is controlled by P Litten.

25 Events after the reporting date

After the reporting period, the Company granted a total of 1,200,000 share options to a number of employees. The options were granted at a price of 8.75 pence each. The options vest after 3 years and can be exercised in the period commencing on the third anniversary of the date of grant through until the tenth anniversary of the date of grant.

Notice of Annual General Meeting

Cheerful Scout plc (Incorporated and registered in England and Wales with company number 4314540)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Cheerful Scout Plc will be held at 25-27 Riding House Street, London W1W 7DU on 13 December 2010 at 10.30 a.m. for the transaction of the following business:

As Ordinary Business to consider and, if thought fit, pass the following resolutions which will be proposed as Ordinary Resolutions:

1. To receive and adopt the report of the directors of the Company and the audited accounts for the Company for the year ended 30 June 2010.
2. To re-appoint Neville Newman as a Director of the Company, who retires in accordance with the Company's Articles of Association.
3. To appoint RSM Tenon Audit Limited as auditors of the Company and to authorise the Directors to fix their remuneration.

As Special Business to consider and, if thought fit, pass the following resolutions of which Resolutions 4 and 5 will be proposed as Ordinary Resolutions and Resolution 6 will be proposed as a Special Resolution:

4. That the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693(3) of the Act) on the AIM Market of the London Stock Exchange plc of ordinary shares of 12.5 pence each in the capital of the Company ("Ordinary Shares") provided that:

   (i) the maximum number of Ordinary Shares hereby authorised to be purchased is 1,190,625 Ordinary Shares;

   (ii) the minimum price which may be paid for an Ordinary Share is 1p;

   (iii) the maximum price which shall be paid for an Ordinary Share shall be an amount equal to 105 per cent of the average middle market quotations taken from the AIM Appendix to the Daily Official List of the UKLA for the five business days immediately preceding the day on which the Ordinary Share is contracted to be purchased;

   (iv) unless renewed the authority hereby conferred shall expire on the earlier of the Company's Annual General Meeting in 2011 or eighteen months from the passing of this resolution unless such authority is renewed, varied or revoked prior to such time; and

   (v) the Company may make a contract or contracts to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

5. That the directors of the Company be generally and unconditionally authorised pursuant to and in accordance with section 551 of the Act to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ("Rights") up to a maximum nominal amount of £1,000,000, provided that this authority shall expire at the end of the next annual general meeting of the Company to be held after the date of the passing of this Resolution or, if earlier, fifteen months from the date of the passing of this Resolution save that the Company may prior to the expiry of such period make any offer or agreement which would or might require shares to be allotted or Rights to be granted after such expiry and the directors of the Company shall be entitled to allot shares and to grant Rights pursuant to any such offer or agreement as if this authority had not expired.
6. That, subject to the passing of Resolution 5 set out above, the directors of the Company be empowered pursuant to section 570 and section 573 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred on them by Resolution 5 above, as if section 561(1) of the Act did not apply to such allotment provided this power shall be limited to:

Notice of Annual General Meeting *continued*

Cheerful Scout plc (Incorporated and registered in England and Wales with company number 4314540)

(i) the allotment of equity securities in connection with a rights issue, open offer or other offer of equity securities open for acceptance for a period fixed by the directors of the Company to holders of equity securities on the register on a fixed record date where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as may be practicable) to their respective holdings of such equity securities or in accordance with the rights attached thereto (but subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to treasury shares, fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised body or stock exchange in, any territory or by virtue of shares being represented by depositary receipts or any other matter); and

(ii) the allotment to any person or persons (otherwise than pursuant to sub-paragraph (i) of this Resolution above) of equity securities up to an aggregate nominal amount of £1,000,000;

provided that the power given by this Resolution shall expire at the end of the next annual general meeting of the Company to be held after the date of the passing of this Resolution or, if earlier, fifteen months from the date of the passing of this Resolution, save that the directors of the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the directors of the Company shall be entitled to allot equity securities pursuant to any such offers or agreements as if the power conferred hereby had not expired.

By order of the Board

N J Newman
Company Secretary

Registered Office:
65 New Cavendish Street
London W1G 7LS
Dated 15 November 2010

Notes:

(1) A member entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies to exercise any or all of his rights to attend, speak and vote at the meeting instead of him. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. If a member wishes to appoint a proxy other than the Chairman, delete the words "the Chairman of the Meeting or," initial the alteration and insert the name of the person you wish to appoint as your proxy. All members are entitled to attend and vote at the meeting, whether or not they have returned a form of proxy.

(2) A Form of Proxy is enclosed for your use, if desired. The instrument appointing a proxy must reach the Company's Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than 48 hours before the time of holding of the meeting.

(3) Pursuant to Regulation 41 of The Uncertificated Securities Regulations 2001, the Company specifies that only those Shareholders of the Company on the register at 6.00 pm on 11 December 2010 shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at the time. Changes to the register of members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

(4) A copy of the register of Directors' interests in shares in the Company and copies of the Directors' service contracts of more than one year's duration will be available for inspection at the registered office of the Company during office hours only on any weekday (excluding Saturdays, Sundays and public holidays) from the date of this Notice until the date of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting.

Company Information

Directors	S Appleton	(Non-Executive Chairman)
	P Litten	(Chief Executive)
	N J Newman	(Non-Executive)
	R L Owen	(Non-Executive)
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	Seymour Pierce Limited 20 Old Bailey London, EC4M 7EN	
Nominated adviser	Seymour Pierce Limited 20 Old Bailey London, EC4M 7EN	
Auditors	RSM Tenon Audit Limited 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 0LA	