

28 February 2011

**Cheerful Scout Plc ('Cheerful' or 'the Company')**  
**Interim Results**

Cheerful Scout Plc, the AIM-traded multi media specialist, announces its results for the six months ended 31 December 2010.

**Chairman's Statement**

The first six months of the year were very busy for the Company as we focussed on developing our client base in the private sector. Following the acquisition of Twentyfirst Century Communications Limited ('Twentyfirst') in January 2010, turnover has increased by 34 per cent. to £985,640 (2009: £736,664).

**Operations**

Cheerful provides high quality corporate communication solutions through two divisions - On Screen and Events.

Our On Screen division provides innovative and comprehensive visuals to convey corporate messages and strategy. Our team continues to gain recognition and we have been nominated for awards at the New York Film Festival for our work with an international law firm and a leading engineering company, the results of which will be announced in April 2011.

We have had success in broadening our client base within the private sector, which we anticipate will be reflected in our results during the second half of the year. This focus has provided some resilience to recent cuts in government spending which have naturally affected some contracts within the public sector, including the Central Office of Information. Although challenges remain, we are confident that our long term relationships with our public sector clients will maintain our position as their corporate communications company of choice, and that we can continue to make inroads into the private sector.

The Events division, which was created as a result of the acquisition of Twentyfirst in January 2010, is now fully integrated and performing well. During the period, we completed a number of exciting projects including a product launch for a leading software agency as well as a series of charity events for Trinity Hospice and Oasis, the Archant London Business Awards, the National Magazine Company awards gala, and the BVCA's annual gala dinner.

**Financial Results**

The Group is reporting a loss before tax of £84,552 (2009: loss of 21,789) on a turnover of £985,640 (2009: £736,664). The operating loss for the Group is £84,697 (2009: loss of £23,499). The Group's cash balance continues to be healthy at £681,756 (2009: £901,587).

## Outlook

Over the next six months we will focus on building relationships with our new clients and increasing our profile in the corporate communications arena. We expect gross margins to recover somewhat in the second half of the year, thus improving our full year financial performance.

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

S Appleton  
Chairman  
28 February 2011

**\*\* ENDS \*\***

For further information visit [www.cheerfulscout.com](http://www.cheerfulscout.com) or contact:

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## Condensed Consolidated Statement of Comprehensive Income

Six months ended 31 December 2010

	Notes	Unaudited Six months to 31 December 2010 £	Unaudited Six months to 31 December 2009 £	Audited Year ended 30 June 2010 £
<b>Continuing operations</b>				
<b>Revenue</b>		<b>985,640</b>	<b>736,664</b>	<b>1,809,757</b>
Cost of sales		(692,840)	(461,400)	(1,132,142)
<b>Gross profit</b>		<b>292,800</b>	<b>275,264</b>	<b>677,615</b>
Administrative expenses		(377,497)	(298,763)	(695,275)

<b>Operating loss</b>	<b>(84,697)</b>	<b>(23,499)</b>	<b>(17,660)</b>
Finance income	145	1,710	1,883
Other income	-	-	16,921
<b>(Loss) / profit before taxation</b>	<b>(84,552)</b>	<b>(21,789)</b>	<b>1,144</b>
Taxation	-	9,250	49,082
<b>Total comprehensive (loss) / income for the period attributable to owners of the parent</b>	<b>(84,552)</b>	<b>(12,539)</b>	<b>50,226</b>

Basic	5	(1.07881)p	(0.15695)p	0.63098p
Diluted	5	(1.07881)p	(0.15695)p	0.63098p

There are no other comprehensive income items.

#### Condensed Consolidated Statement of Financial Position

At 31 December 2010

	<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>Six months to</b>	<b>Six months</b>	<b>Year ended</b>
	<b>31 December</b>	<b>to</b>	<b>30 June</b>
	<b>2010</b>	<b>31</b>	<b>2010</b>
	<b>£</b>	<b>December</b>	<b>2010</b>
		<b>2009</b>	<b>£</b>
		<b>£</b>	
<b>Non-current assets</b>			
Intangible assets	365,154	365,154	365,154
Property, plant and equipment	111,618	155,847	133,375
Deferred taxation	39,832	-	39,832
	<b>516,604</b>	<b>521,001</b>	<b>538,361</b>
<b>Current assets</b>			
Inventories	2,674	2,167	2,252
Trade and other receivables	366,088	167,516	506,592
Current tax receivable	-	9,250	-
Cash and cash equivalents	681,756	901,587	632,200
	<b>1,050,518</b>	<b>1,080,520</b>	<b>1,141,044</b>
<b>Total assets</b>	<b>1,567,122</b>	<b>1,601,521</b>	<b>1,679,405</b>
<b>Current liabilities</b>			
Trade and other payables	(342,937)	(353,007)	(386,226)
	<b>(342,937)</b>	<b>(353,007)</b>	<b>(386,226)</b>

<b>Net assets</b>	<b>1,224,185</b>	<b>1,248,514</b>	<b>1,293,179</b>
<b>Equity</b>			
Share capital	979,688	1,004,688	979,688
Capital redemption reserve	257,812	232,812	257,812
Retained earnings	(28,873)	11,014	55,679
Share based payment reserve	15,558	-	-
<b>Equity attributable to equity holders of the parent</b>	<b>1,224,185</b>	<b>1,248,514</b>	<b>1,293,179</b>

### Condensed Consolidated Statement of Changes in Equity

At 31 December 2010

	Share capital £	Capital redemption reserve £	Retained earnings £	Share based payment reserve £	Total equity £
<b>At 1 July 2009</b>	<b>1,054,688</b>	<b>170,312</b>	<b>48,678</b>	<b>-</b>	<b>1,273,678</b>
Comprehensive expense for the period	-	-	(12,539)	-	(12,539)
Purchase of own shares	(62,500)	62,500	(25,125)	-	(25,125)
Issue of shares	12,500	-	-	-	12,500
<b>At 31 December 2009</b>	<b>1,004,668</b>	<b>232,812</b>	<b>11,014</b>	<b>-</b>	<b>1,248,514</b>
<b>At 1 July 2009</b>	<b>1,054,688</b>	<b>170,312</b>	<b>48,678</b>	<b>-</b>	<b>1,273,678</b>
Comprehensive income for the period	-	-	50,226	-	50,226
Purchase of own shares	(87,500)	87,500	(43,225)	-	(43,225)
Issue of new shares	12,500	-	-	-	12,500
<b>At 30 June 2010</b>	<b>979,688</b>	<b>257,812</b>	<b>55,679</b>	<b>-</b>	<b>1,293,179</b>
<b>At 1 July 2010</b>	<b>979,688</b>	<b>257,812</b>	<b>55,679</b>	<b>-</b>	<b>1,293,179</b>
Comprehensive expense for the period	-	-	(84,552)	-	(84,552)
Share based payments	-	-	-	15,558	15,558
<b>At 31 December 2010</b>	<b>979,688</b>	<b>257,812</b>	<b>(28,873)</b>	<b>15,558</b>	<b>1,224,185</b>

### Condensed Consolidated Statement of Cash Flows

Six months ended 31 December 2010

Unaudited      Unaudited      Audited

	Six months to 31 December 2010 £	Six months to 31 December 2009 £	Year ended 30 June 2010 £
<b>Cash flows from operating activities</b>			
(Loss) / profit before taxation	(84,552)	(21,789)	1,144
Depreciation	35,607	32,821	68,908
Gain on sale of property, plant and equipment	(15,000)	-	-
Share based payment	15,558	-	-
Finance income	(145)	(1,710)	(1,883)
	<b>(48,532)</b>	<b>9,322</b>	<b>68,169</b>
Increase in trade and other payables (Increase) / decrease in trade and other receivables	140,504 (43,289)	52,629 42,378	85,848 (296,698)
Increase in inventories	(422)	(134)	(219)
Taxation	-	-	9,250
<b>Cash generated / (used) in operating activities</b>	<b>48,261</b>	<b>104,195</b>	<b>(133,650)</b>
<b>Cash flows from investing activities</b>			
Finance income	145	1,710	1,883
Purchase of property, plant and equipment	(13,850)	(23,184)	(36,799)
Proceeds from sale of property, plant and equipment	15,000	-	-
<b>Cash generated / (used) in investing activities</b>	<b>1,295</b>	<b>(21,474)</b>	<b>(34,916)</b>
<b>Cash flows from financing activities</b>			
Purchase of own shares	-	(25,125)	(43,225)
Issue of new shares	-	12,500	12,500
<b>Cash used in financing activities</b>	<b>-</b>	<b>(12,625)</b>	<b>(30,725)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>49,556</b>	<b>70,096</b>	<b>(199,291)</b>
Cash and cash equivalents at beginning of period	632,200	831,491	831,491
<b>Cash and cash equivalents at end of period</b>	<b>681,756</b>	<b>901,587</b>	<b>632,200</b>

## **Notes to the Interim Condensed Financial Statements**

Six months ended 31 December 2010

### **1 General information**

Cheerful Scout Plc is a public limited company incorporated in the United Kingdom under the Companies Act 1985. The Company is domiciled in the United Kingdom and its principal place of business in 25-27 Riding House Street, London, W1P 7PB. The Company's Ordinary Shares are traded on the AIM market of the London Stock Exchange.

These condensed consolidated interim financial statements for the period ended 31 December 2010 (including the comparatives for the periods ended 31 December 2009 and 30 June 2010) were approved by the board of directors on 28 February 2011.

The financial information set out in this interim report does not constitute statutory accounts for the purposes of section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 30 June 2010, prepared under International Financial Reporting Standards (IFRS), have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under either Section 498 (2) or Section 498 (3) of the Companies Act 2006.

The interim financial statements have been prepared using the accounting policies set out in the Group's 2010 statutory accounts and have not been audited.

Copies of the annual statutory accounts and the interim report can be found on our website at [www.cheerfulscout.com](http://www.cheerfulscout.com) or can be requested from the Company Secretary at the Company's Registered Office: 65 New Cavendish Street, London, W1G 7LS.

### **2 Basis of preparation**

These condensed consolidated interim financial statements for the period ended 31 December 2010 have been prepared in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 30 June 2010, which have been prepared in accordance with IFRS's as adopted by the European Union.

### **3 Accounting policies**

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 June 2010, as described in those annual financial

statements. There has been no impact on the Group's financial position or performance from new and amended IFRS and IFRIC interpretations mandatory as of 1 July 2010.

#### 4 Revenue and segment information

Revenue and segmental results have been disclosed by two operating segments of On Screen and Events in the manner that the information is presented to the Board of Directors, being the Chief Operating Decision Makers. From 1 July 2010, the company's DVD & Interactive segment has been incorporated into the On Screen segment. Comparative figures for On Screen include DVD & Interactive.

	<b>On Screen</b>	<b>On Screen</b>	<b>Events</b>	<b>Events</b>	<b>Total 6 months to 31 Dec 2010 £</b>	<b>Total 6 months to 31 Dec 2009 £</b>
<b>Revenue</b>	<b>482,625</b>	<b>736,664</b>	<b>503,015</b>	<b>-</b>	<b>985,640</b>	<b>736,664</b>
Segment results	(36,765)	41,880	31,943	(16,586)	(4,822)	25,294
Unallocated expenses					(79,875)	(48,793)
<b>Operating loss</b>					<b>(84,697)</b>	<b>(23,499)</b>
Finance income					145	1,710
Taxation					-	9,250
<b>Total comprehensive expense for the period</b>					<b>(84,552)</b>	<b>(12,539)</b>
Segment assets	521,759	677,886	258,482	-	780,241	677,886
Unallocated assets					786,881	923,635
<b>Total assets</b>	<b>521,759</b>	<b>677,886</b>	<b>258,482</b>	<b>-</b>	<b>1,567,122</b>	<b>1,601,521</b>
Segment liabilities	(176,722)	(268,219)	(136,394)	(16,584)	(313,116)	(284,803)
Unallocated liabilities					(29,821)	(68,204)
<b>Total liabilities</b>	<b>(176,722)</b>	<b>(268,219)</b>	<b>(136,394)</b>	<b>(16,584)</b>	<b>(342,937)</b>	<b>(353,007)</b>
<b>Capital expenditure</b>	<b>10,868</b>	<b>23,184</b>	<b>2,983</b>	<b>-</b>	<b>13,851</b>	<b>23,184</b>
<b>Depreciation &amp; amortisation</b>	<b>35,247</b>	<b>32,821</b>	<b>360</b>	<b>-</b>	<b>35,607</b>	<b>32,821</b>

#### 5 Earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary 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 ordinary 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 in ordinary shares.

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

	<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>Six months to</b>	<b>Six months to</b>	<b>Year ended</b>
	<b>31</b>	<b>31 December</b>	<b>to</b>
	<b>December</b>	<b>31 December</b>	<b>30 June</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>(Loss) / profit attributable to owners of parent</b>	<b>(84,552)</b>	<b>(12,539)</b>	<b>50,226</b>
	<b>Shares</b>	<b>Shares</b>	<b>Shares</b>
<b>Basic and diluted weighted average number of shares</b>	<b>7,837,500</b>	<b>7,989,130</b>	<b>7,959,966</b>

## **6 Capital expenditure**

During the period, the Group acquired property, plant and equipment with a cost of £13,851 (2009: £23,184). During the period, the Group disposed of property, plant and equipment for proceeds of £15,000 (2009: £Nil).

## **7 Related party transactions**

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

Transactions between Group companies, which are related parties, have been eliminated on consolidation and are therefore not included in these consolidated interim financial statements.

	<b>Unaudited</b>	<b>Unaudited</b>
	<b>Six months to</b>	<b>Six months to</b>
	<b>31 December</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
<b>Subsidiaries</b>		



Amounts owed by subsidiaries	396,423	226,272
Less provision	(201,308)	(200,000)
<b>Amounts owed by subsidiaries</b>	<b>195,115</b>	<b>26,272</b>
<b>Amounts owed to subsidiaries</b>	<b>-</b>	<b>1</b>

Cheerful Scout Plc is a guarantor for a lease entered into by Cheerful Scout Productions Limited (formerly known as Centralfix Limited), its subsidiary undertaking.

Harris and Trotter LLP is a firm in which N J Newman is a member. The following was charged to the Group in respect of professional services.

<b>Harris and Trotter LLP</b>	<b>£</b>	<b>£</b>
Cheerful Scout plc	8,008	6,225
Cheerful Scout Productions Limited	4,017	4,880
nVision Technology Limited	2,800	-
	<b>14,825</b>	<b>11,105</b>

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

	<b>£</b>	<b>£</b>
Short-term employee benefits	60,150	75,000
Post-employee benefits	26,492	-
	<b>86,642</b>	<b>75,000</b>