Cheerful Scout Plc

CHEERFUL SCOUT

Consolidated Directors' Report and Financial Statements for the Year Ended 30 June 2009

Contents

Cheerful Scout plc

Cheerful Scout Plc, the AIM-traded multi-media specialist, announces its results for the year ended 30 June 2009.

Overview

- Cut costs reducing both headcount and operating expenses
- Reduction in loss for the year to £245,953 (2008: loss of £530,739) on lower revenues of £1,269,788 (2008: £1,566,329)
- Cash position remains healthy with cash reserves of £831,491 (2008: £984,947)
- Maintain two divisions which deliver corporate communications solutions and DVD oriented design and technical services to a growing list of blue-chip corporations
- Won a number of awards which demonstrate the breadth and depth of skill at Cheerful
- Seeing a tentative recovery in new business flow – good levels of activity in the current financial year

Chairman's Statement

This was a challenging year for your Company with events in the global markets having a material impact on our business. In the light of these conditions, we took immediate action to cut costs, reducing both our headcount and operating expenses and focusing the business on the key value drivers.

As our results demonstrate, these actions have proved beneficial to our financial position. Whilst revenues dropped to £1,269,788 for the year ended 30 June 2009 (2008: £1,566,329) the Board, considering the economic conditions, is pleased to report a reduction in loss for the year to £245,953 (2008: loss of £530,739). Furthermore, our cash position remains healthy with cash reserves of £831,491 (2008: £984,947). We see it as highly important to manage our cash and costs and in-line with this we undertook a capital reorganisation during the year to reduce the number of shareholders and ultimately reduce our costs on an ongoing basis. This saw shareholders holding fewer than 12,500 ordinary shares, amounting to almost 90% of the register, receive a cash payment free of dealing charges for their entire holdings. Since the year end, one further action undertaken was the buy-back of 500,000 of our own ordinary shares at 5p per share for cancellation. As a result, the number of ordinary shares currently in issue now amount to 7,937,500.

Operationally, we maintain two divisions which deliver corporate communications solutions and DVD oriented design and technical services to a growing list of blue-chip corporations, both in the public and private sectors. We are seeing a tentative recovery in new business flow in both divisions, so that caution may, we hope, shortly be replaced by optimism.

Our On Screen Communications division, incorporating film, graphics and interactive events, performed well during the year and we continue to strengthen our relationships with existing clients and also look for new relationships in this sector.

Importantly, we retained our place on a number of rosters, which have proved a valuable route to new business. We are now on two rosters for the Central Office of Information and have completed several film projects and interactive conference work for them over the past year. We have also completed our third project for The Directorate of Optometric Continuing Education and Training ('DOCET') and have successfully won two further commissions with them for new projects. Our place on the preferred supplier lists for BP plc ('BP'), BAA Limited and a large audit and accountancy firm, have also started to produce new work for us. We are currently at the post production stage on a large marketing film for the accountancy firm for its work in the sporting arena. We have also provided conference support for BP and the British Private Equity and Venture Capital Association over the past year and, moving forward, we would hope to extend our offering in conference support to these and some of our other clients.

Additionally, we have provided Pro Bono services to Allen & Overy LLP as part of its involvement in Smart Start, an exciting project developed to give young people a better start in life. As part of this, we have provided a week of filming and post production to create a film that will inspire and encourage other firms to start their own versions of Smart Start.

The excellent work of our team is not going unnoticed and during the year we have won a number of awards which demonstrate the breadth and depth of skill at Cheerful. These included awards for Rolls Royce Group plc and DOCET at the International Visual Communications Association awards, which are internationally recognised as setting the benchmark for corporate communications. We also won an award for our work for Alstom at the New York Film festival for a film we shot in Tennessee.

Our DVD division, however, did not perform as well as On Screen Communications. We lost a significant contract at the beginning of the year, which in turn meant that we had to reduce headcount in this division. However, on the positive side, we continued to work with some leading industry names including 2entertain, Universal, Icon, Classic Media, Freemantle and Eureka, and completed a number of large titles.

Chairman's Statement *continued*

Last year we invested heavily in Blu-ray technology to accommodate the DVD industry's growing demand for High Definition products. Blu-ray has been slower off the mark than anticipated although interest is now picking up, an upward trend that we expect to accelerate during 2010. We are in a good position to embrace this change without the need for further investment to take advantage of opportunities.

The Board is of the opinion that market conditions have now stabilised. Looking forward, Cheerful is strategically well placed to exploit any upturn and, indeed, levels of activity in the current financial year have already been good.

We believe that our creativity, technological innovation and in-depth understanding of the markets ideally position us to grow in the coming years and take advantage of opportunities to deliver sound profitable growth in the medium and long term. Furthermore, we continue to assess various opportunities which could complement our existing businesses and accelerate the growth of Cheerful.

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

S Appleton
Chairman

24 November 2009

Directors' Report

The directors present their annual report and financial statements for the year ended 30 June 2009.

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 loss before taxation of £245,478 (2008: £565,698). It is proposed that the retained loss after taxation of £245,953 (2008: £530,739) is transferred to the Group's reserves.

Revenue for the year was £1,269,788 (2008: £1,566,329). The gross profit margin increased by 1% to 35% and gross profit was £449,762 (2008: £536,866).

Key Financial Highlights

Year	2009 £	2008 £	2007 £	2006 £
Revenue	1,269,788	1,566,329	2,085,367	2,173,163
Operating (loss) / before impairment losses and write off of development costs	(268,886)	(252,754)	103,172	228,970
Operating profit margin before impairment losses and write off of development costs	N/A	N/A	4.95%	10.54%

Further information can be found within the Chairman's statement on pages 3 to 4.

Dividend

The Company has not declared or paid a dividend on its share capital (2008: £Nil).

Capital Expenditure

Total capital expenditure, including expenditure on intangible assets, was £82,832 compared with £125,955 last year.

Cashflows

Net cash inflow from operating activities was £13,248 compared with a net cash inflow of £1,923 for the year ended 30 June 2008. Free cashflow, representing operating cashflow after taxation, interest and capital expenditure decreased by £153,456 compared with a decrease of £54,328 last year.

Purchase of own shares

During the year, the Company purchased 1,362,500 of its own Ordinary 12.5p shares for cancellation. The price paid per share amounted to 5p and the total consideration paid was £68,100. This represents 14% of the Company's original called up share capital.

Directors' Report *continued*

For the year ended 30 June 2009

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 19 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 £500 (2008: £2,624). The charitable donation was to The Children of St Mary's Intensive Care. 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 72 (2008: 55) days purchases.

Directors' Report *continued*

For the year ended 30 June 2009

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 21.

Details of other risks and uncertainties faced by the Group are included in the Chairman's Statement on pages 4 to 5.

Financial instruments

Details of financial instruments are given in note 21 to the accounts.

Directors

The following directors have held office since 1 July 2008:

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 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.

Directors' interests

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

	Ordinary shares of 12.5p each	
	30 June 2009	1 July 2008
P Litten	4,400,000	4,407,840
S Appleton	112,500	132,320
N J Newman	275,000	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 19 to the financial statements.

Directors' Report *continued*

For the year ended 30 June 2009

Shareholdings

At 24 November 2009 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	55.43
Reverse Take-Over Investments Plc	800,000	10.08
R Hodgson	387,500	4.88
N J Newman	275,000	3.46

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.

Post Balance Sheet Events

After the year end, 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 represents 6% of the Company's called up share capital.

Directors’ Report *continued*

For the year ended 30 June 2009

Auditors

A resolution to re-appoint HLB Vantis Audit plc as the Company’s auditors will be proposed at the Annual General Meeting.

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. The financial statements are required by law to 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 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 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.

On behalf of the Board

N J Newman
Director
24 November 2009

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 2009 which comprise the Group income statement, the Group and Company balance sheets, the Group and Company cash flow statements 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.

This report is made solely to the Company's members, as a body, in accordance with sections 495 and 496 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 9, 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 2009 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- 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)

24 November 2009

for and on behalf of HLB Vantis Audit plc

Chartered Accountants
Statutory Auditor
66 Wigmore Street
London W1U 2SB

Consolidated Income Statement

For the year ended 30 June 2009

Continuing operations	**Notes**	**2009 £**	**2008 £**
Revenue	**2**	**1,269,788**	**1,566,329**
Cost of sales		(820,026)	(1,029,463)
Gross profit		449,762	536,866
Administrative expenses		(718,648)	(802,358)
Development costs written off	**8**	–	(346,076)
Operating loss	**3**	**(268,886)**	**(611,568)**
Finance income	**4**	23,408	45,870
Loss before taxation		**(245,478)**	**(565,698)**
Taxation	**5**	(475)	34,959
Loss for the year	**15**	**(245,953)**	**(530,739)**
Attributable to:			
Minority interests		-	(400)
Equity holders of parent		(245,953)	(530,339)
Loss for the financial year		**(245,953)**	**(530,739)**
Loss per ordinary share:			
Basic	**7**	(2.51451)p	(5.41162)p
Diluted	**7**	(2.51451)p	(5.41162)p

There are no recognised gains or losses other than those passing through the income statement.

Balance Sheet

As at 30 June 2009

	Notes	Group		Company	
		2009	**2008**	**2009**	**2008**
		£	**£**	**£**	**£**
Non-current assets					
Intangible assets	**8**	365,154	411,672	–	–
Property, plant and equipment	**9**	165,484	153,911	–	–
Investments in subsidiaries	**10**	–	–	1,402,600	1,900,600
		530,638	**565,583**	**1,402,600**	**1,900,600**
Current assets					
Inventories		2,033	2,229	–	–
Trade and other receivables	**11**	209,894	432,754	45,201	11,498
Current tax receivable		–	34,761	–	–
Cash and cash equivalents	**12**	831,491	984,947	788,846	891,586
		1,043,418	**1,454,691**	**834,047**	**903,084**
Total assets		**1,574,056**	**2,020,274**	**2,236,647**	**2,803,684**
Current liabilities					
Trade and other payables	**13**	(300,378)	(373,121)	(175,867)	(23,340)
Net assets		**1,273,678**	**1,647,153**	**2,060,780**	**2,780,344**
Equity					
Share capital	**14**	1,054,688	1,225,000	1,054,688	1,225,000
Special reserves	**15**	–	1,747,416	–	1,747,416
Capital redemption reserve	**15**	170,312	–	170,312	–
Retained earnings	**15**	48,678	(1,325,263)	835,780	(192,072)
Equity attributable to equity holders of the parent		**1,273,678**	**1,647,153**	**2,060,780**	**2,780,344**
Minority interest		–	–	–	–
Total equity		**1,273,678**	**1,647,153**	**2,060,780**	**2,780,344**

The financial statements were approved and authorised by the board of directors on 24 November 2009 and were signed on its behalf by

P Litten, *Director* N J Newman, *Director*
Company Registration No. 4314540

Consolidated Cash Flow Statement

For the year ended 30 June 2009

	Notes	Group		Company	
		2009 £	2008 £	2009 £	2008 £
Cash flows from operating activities					
Loss before taxation		(245,478)	(565,698)	(592,042)	(72,717)
Depreciation		71,259	63,203	–	–
Amortisation of intangibles		46,518	46,517	–	–
Impairment losses		–	12,738	–	–
Gain on sale of property, plant and equipment		(20,242)	(23,834)	–	–
Development costs written off		–	346,076	–	–
Impairment of investment in subsidiaries		–	–	500,000	–
Finance income		(23,408)	(45,870)	(22,866)	(42,981)
		(171,351)	**(166,868)**	**(114,908)**	**(115,698)**
Increase / (decrease) in trade and other payables		(72,743)	138,988	152,527	238,036
Decrease / (increase) in trade and other receivables		222,860	32,585	(33,703)	7,884
Decrease in inventories		196	56	–	–
Taxation received / (paid)		34,286	(2,838)	–	–
Cash generated from operating activities		**13,248**	**1,923**	**3,916**	**130,222**
Cash flows from investing activities					
Finance income		23,408	45,870	22,866	42,981
Purchase of property, plant and equipment	9	(82,832)	(125,955)	–	–
Proceeds from sale of property, plant and equipment		20,242	23,834	–	–
Investments in subsidiaries		–	–	(2,000)	(200,600)
Cash (used) / generated in investing activities		**(39,182)**	**(56,251)**	**20,866**	**(157,619)**
Cash flows from financing activities					
Purchase of own shares		(127,522)	–	(127,522)	–
Cash used in financing activities		**(127,522)**	**–**	**(127,522)**	**–**
Net decrease in cash and cash equivalents		**(153,456)**	**(54,328)**	**(102,740)**	**(27,397)**
Cash and cash equivalents at beginning of year		984,947	1,039,275	891,586	918,983
Cash and cash equivalents at end of year	12	**831,491**	**984,947**	**788,846**	**891,586**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

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.

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.

Adopted IFRSs not yet applied

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective. The Group has not chosen to adopt early any of the pronouncements. The new standards and interpretations that are expected to be relevant to the Group's financial statements are as follows:

- IAS 1 Presentation of Financial Statements (Revised 2007), applicable for reporting periods commencing on or after 1 January 2009.
- IFRS 2 (Revised 2009) Share-based payments, applicable for reporting periods commencing on or after 1 January 2010.
- IFRS 3 (Revised 2008) Business combinations, applicable for combinations on or after 1 July 2009.
- IFRS 8 Operating segments, applicable for reporting period commencing on or after 1 January 2009

The Group plans to adopt the above standards in the period in which they become applicable. The directors do not consider that the adoption of these standards will have a material impact on the consolidated financial statements in the period of initial application. Other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

Basis of Consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 30 June 2009. 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.

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2009

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 (10 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.

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.

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2009

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 19 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 19. 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.

2 Revenue and Segment Information

Segment information is presented in respect of the Group's business and geographical segments.

The primary format, business segments, is based on the Group's management and internal reporting structure. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

	On Screen 2009 £	On Screen 2008 £	DVD & Interactive 2009 £	DVD & Interactive 2008 £	Events 2009 £	Events 2008 £	Total 2009 £	Total 2008 £
Revenue	**885,240**	**892,968**	**384,548**	**468,854**	**–**	**204,507**	**1,269,788**	**1,566,329**
Segment results	(62,668)	32,463	(91,310)	30,621	–	(101,661)	(153,978)	(38,577)
Unallocated expenses							(114,908)	(226,915)
Development costs written off							–	(346,076)
Operating loss							(268,886)	(611,568)
Finance income							23,408	45,870
Taxation							(475)	34,959
Loss for the year							**(245,953)**	**(530,739)**
Segment assets	410,494	656,842	359,497	461,247	–	–	769,991	1,118,089
Unallocated assets							804,065	902,185
Total assets	**410,494**	**656,842**	**359,497**	**461,247**	–	–	**1,574,056**	**2,020,274**
Segment liabilities	(59,991)	(177,944)	(24,367)	(123,319)	–	(4,423)	(84,358)	(305,686)
Unallocated liabilities							(216,020)	(67,435)
Total liabilities	**(59,991)**	**(177,944)**	**(24,367)**	**(123,319)**	–	**(4,423)**	**(300,378)**	**(373,121)**
Capital expenditure	**41,416**	**62,978**	**41,416**	**62,977**	–	–	**82,832**	**125,955**
Depreciation and amortisation	**82,147**	**48,715**	**35,630**	**48,715**	–	**12,290**	**117,777**	**109,720**
Impairment loses	–	**6,369**	–	**6,369**	–	–	–	**12,738**

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2009

Secondary reporting of external revenue by location of customer is stated below. Whilst customers may be operating in different geographical locations, the Group operates from the United Kingdom.

Geographical market	2009 UK £	2008 UK £	2009 Europe £	2008 Europe £	2009 Total £	2008 Total £
Revenue	**1,216,687**	**1,411,524**	**53,101**	**154,805**	**1,269,788**	**1,566,329**
Segment assets	100,839	337,622	56	3,255	100,895	340,877
Unallocated assets					1,473,161	1,679,397
Total assets					**1,574,056**	**2,020,274**
Capital expenditure – unallocated					**82,832**	**125,955**

3 Operating loss

Operating loss is stated after charging:	2009 £	2008 £
Amortisation of intangible assets	46,518	46,517
Impairment losses	–	12,738
Depreciation of property, plant and equipment	71,259	63,203
Fees payable to the Company's auditor in respect of:		
Audit of the Company's annual accounts	5,000	3,485
Audit of the Company's subsidiaries	10,000	12,502
Operating leases	109,233	92,212

4 Financial Income

	2009 £	2008 £
Interest income	23,408	45,870

5 Taxation

	2009 £	2008 £
Current year tax		
UK corporation tax	–	(34,761)
Adjustment to prior years	475	(198)
	475	**(34,959)**
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(245,478)	(565,698)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 21% (2008: 20%)	(51,550)	(113,140)
Effects of:		
Non deductible expenses	81	(4,140)
Depreciation and impairment losses	14,914	15,236
Capital allowances	(18,055)	(15,844)
Research and development	8,093	21,012
Other tax adjustments	(4,146)	525
Losses carried back to prior years	-	2,903
Losses carried forward	50,663	58,687
Adjustment to prior years	475	(198)
	52,025	**78,181**
Current tax charge	**475**	**(34,959)**

The Group has estimated losses of £691,027 (2008: £418,973) available to carry forward against future trading profits.

Unrecognised deferred tax assets in respect of tax losses amount to £142,580 (2008: £92,997). These deferred tax assets have not been recognised as the timing of recovery is uncertain.

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2009

6 Loss Attributable to Members of the Parent Company

As permitted by section 408 of the Companies Act 2006, the parent Company's income statement has not been included in these financial statements. The retained loss for the financial year of the holding company was £592,042 (2008: £72,717).

7 Earnings per Ordinary Share

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

Diluted earnings per share are calculated by dividing the loss attributable to ordinary equity shareholders 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:

	2009 £	2008 £
Loss for the year	245,953	530,739
Adjusted for minority interests	–	(400)
Loss attributable to equity holders of the parent	**245,953**	**530,339**
Basic weighted average number of shares	**9,781,336**	**9,800,000**
Dilutive potential ordinary shares:		
Employee share options	–	-
Diluted weighted average number of shares	**9,781,336**	**9,800,000**

Employee share options do not have a dilutive effect on the weighted average number of shares in 2008 and 2009 as the exercise price of the share options is in excess of the average market price of the ordinary shares.

After the year end, 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.

8 Intangible Fixed Assets

Group	Goodwill £	Development Costs £	Total £
Cost			
At 1 July 2007	2,728,292	532,145	3,260,437
Development costs written off	–	(346,076)	(346,076)
At 30 June 2008	2,728,292	186,069	2,914,361
At 1 July 2008	2,728,292	186,069	2,914,361
At 30 June 2009	**2,728,292**	**186,069**	**2,914,361**
Impairment and amortisation			
At 1 July 2007	2,350,400	93,034	2,443,434
Amortisation	–	46,517	46,517
Impairment losses	12,738	–	12,738
At 30 June 2008	2,363,138	139,551	2,502,689
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**
Net book value			
At 1 July 2007	377,892	439,111	817,003
At 30 June 2008	365,154	46,518	411,672
At 1 July 2008	365,154	46,518	411,672
At 30 June 2009	**365,154**	–	**365,154**

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	2.8%
Year on year growth	3.0% (on projected figures for 2010)
Number of annual cash flows considered	5

There was no impairment in the year.

Development Costs

Development costs in relation to the Group's nVision Presenter product are amortised over its expected useful life of four years.

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2009

9 Property, Plant and Equipment

Group	Leasehold land and buildings £	Fixtures, fittings and equipment £	Total £
Cost			
At 1 July 2007	146,578	769,227	915,805
Additions	–	125,955	125,955
Disposals	–	(51,785)	(51,785)
At 30 June 2008	146,578	843,397	989,975
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**
Depreciation			
At 1 July 2007	133,072	691,574	824,646
Charge for the year	13,506	49,697	63,203
Disposals	–	(51,785)	(51,785)
At 30 June 2008	146,578	689,486	836,064
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**
Net book value			
At 1 July 2007	13,506	77,653	91,159
At 30 June 2008	–	153,911	153,911
At 1 July 2008	–	153,911	153,911
At 30 June 2009	**9,497**	**155,987**	**165,484**

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

Cost	**2009** **£**	**2008** **£**
Leasehold land and buildings	146,578	146,578
Fixtures, fittings and equipment	695,724	643,641
	842,302	**790,219**

10 Non-Current Assets – Investments

Company	**Shares in subsidiary £**	**Loans to subsidiary £**	**Total £**
Cost			
At 1 July 2007	3,144,213	–	3,144,213
Additions	600	200,000	200,600
At 30 June 2008	3,144,813	200,000	3,344,813
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**
Provision			
At 1 July 2007	1,444,213	–	1,444,213
At 30 June 2008	1,444,213	–	1,444,213
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**
Net book value			
At 1 July 2007	1,700,000	–	1,700,000
At 30 June 2008	1,700,600	200,000	1,900,600
At 1 July 2008	1,700,600	200,000	1,900,600
At 30 June 2009	**1,400,600**	**2,000**	**1,402,600**

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2009

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
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
Centralfix Limited	Provision of business communication services
nVision Technology Limited	Dormant
Business Data Interactive Limited	Development of business gaming software

11 Trade and Other Receivables

	Group		Company	
	2009 £	2008 £	2009 £	2008 £
Trade receivables	100,895	340,877	–	–
Related party receivables	–	–	15,238	–
Other receivables	36,864	36,404	14,744	896
Prepayments and accrued income	72,135	55,473	15,219	10,602
	209,894	**432,754**	**45,201**	**11,498**

Other receivables include £34,543 (2008: £34,473) 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.

12 Cash and Equivalents

	Group		Company	
	2009 £	**2008 £**	**2009 £**	**2008 £**
Bank balances	831,491	984,947	788,846	891,586
Cash and cash equivalents	**831,491**	**984,947**	**788,846**	**891,586**
Cash and cash equivalents in the Cash Flow Statement	**831,491**	**984,947**	**788,846**	**891,586**

13 Trade and Other Payables

	Group		Company	
	2009 £	**2008 £**	**2009 £**	**2008 £**
Trade payables	160,796	157,637	149,166	–
Related party payable	_	_	1	8,230
Taxes and social security costs	15,133	62,022	-	-
Other payables	69,599	11,433	-	-
Accruals and deferred income	54,850	142,029	26,700	15,110
	300,378	**373,121**	**175,867**	**23,340**

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 2009

14 Share Capital

	2009 £	2008 £
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 2007	9,800,000	1,225,000
At 30 June 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**

On 26 June 2009, a reorganisation of the Company's share capital took place. The Company purchased 1,362,500 of its own Ordinary 12.5p shares for cancellation. The price paid per share amounted to 5p and the total consideration paid was £68,100. Transaction costs amounted to £59,422.

See note 19 for details of share options outstanding.

15 Statement of Changes in Equity

Group	Share capital £	Special reserves £	Capital redemption reserve £	Retained earnings £	Total £	Minority interest £	Total equity £
At 1 July 2007	1,225,000	1,747,416	–	(794,924)	2,177,492	–	2,177,492
Retained loss for the year	–	–	–	(530,339)	(530,339)	(400)	(530,739)
Group contributions to minority	–	–	–	–	–	400	400
At 30 June 2008	1,225,000	1,747,416	–	(1,325,263)	1,647,153	–	1,646,153
At 1 July 2008	1,225,000	1,747,416	–	(1,325,263)	1,647,153	–	1,646,153
Retained loss for the year	–	–	–	(245,953)	(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)	–	(127,522)
At 30 June 2009	**1,054,688**	**–**	**170,312**	**48,678**	**1,273,678**	**–**	**1,273,678**

Company	Share capital £	Special reserves £	Capital redemption reserve £	Retained earnings £	Total £	Minority interest £	Total equity £
At 1 July 2007	1,225,000	1,747,416	–	(119,355)	2,853,061	–	2,853,061
Retained loss for the year	–	–	–	(72,717)	(72,717)	–	(72,717)
At 30 June 2008	1,225,000	1,747,416	–	(192,072)	2,780,344	–	2,780,344
At 1 July 2008	1,225,000	1,747,416	–	(192,072)	2,780,344	–	2,780,344
Retained loss for the year	–	–	–	(592,042)	(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)	–	(127,522)
At 30 June 2009	**1,054,688**	–	**170,312**	**835,780**	**2,060,780**	–	**2,060,780**

Following a board resolution on 3 November 2008, 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.

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2009

16 Financial Commitments

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

	Land and Buildings	
	2009	**2008**
	£	**£**
Not later than one year	110,000	110,000
Later than one year and not later than five years	284,167	394,167

17 Directors' Emoluments

The directors' aggregate emoluments in respect of qualifying service was:

	2009	**2008**
	£	**£**
Emoluments receivable	150,000	150,000

18 Employees

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

Number of employees	**2009**	**2008**
	Number	**Number**
Production	13	16
Administration	4	4
	17	**20**

The aggregate payroll costs of these employees charged to the income statement was as follows:

Employment costs	**2009**	**2008**
	£	**£**
Wages and salaries	553,021	559,590
Social security costs	60,715	65,167
Pension costs	172	172
	613,908	**624,929**

19 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 2009 £	Weighted average exercise price 2009 £	Number of options 2008 £	Weighted average exercise price 2008 £
Outstanding at beginning of the year	249,600	0.31	293,600	0.29
Lapsed during the year	-	-	(44,000)	0.19
Outstanding at end of the year	249,600	0.31	249,600	0.31

The exercise price of options outstanding at the year-end ranged between £0.1875 and £0.625 (2008: £0.1875 and £0.625) and their weighted average contractual life was 4 years (2008: 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 income statement for share based payments in respect of employee share options as, in the opinion of the directors, the amounts are considered immaterial.

Notes to the Consolidated Financial Statements *continued*

For the year ended 30 June 2009

20 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:

Subsidiaries	**2009 £**	**2008 £**
Amounts owed by subsidiaries	202,000	200,000
Less provision in year	(200,000)	–
	2,000	**200,000**
Amounts owed to subsidiaries	**15,238**	**8,230**

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

During the year, the Company's investment in its subsidiary, Centralfix Limited, was impaired by £300,000 (2008: £Nil).

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:

Harris and Trotter LLP	**2009 £**	**2008 £**
Cheerful Scout plc	25,750	20,950
Centralfix Limited	7,100	13,400
	32,850	**34,350**

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

	2009 £	**2008 £**
Short-term employee benefits	167,737	167,809

During the year, the Company purchased its own 12.5p Ordinary Shares from the following key management of the Company:

	Number of shares £	**Total consideration £**
P Litten	7,840	392
S Appleton	19,820	991
N J Newman	4,840	242

21 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 2009 was £100,895 (2008: £340,877). 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 £300,378 (2008: £373,121).

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 £831,491 (2008: £984,947). 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.

22 Pension Costs Defined Contribution

The Group makes pre-defined contributions to employees' personal pension plans. Contributions payable by the Group for the year were £172 (2008: £172).

23 Control

The Company is controlled by P Litten.

24 Post Balance Sheet Events

After the year end, 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.

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 18 December 2009 at 10.00 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 2009.
2. To re-appoint Richard Owen as a Director of the Company, who retires in accordance with the Company's Articles of Association.
3. To re-appoint HLB Vantis Audit plc 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 12.5p;
   (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 2010 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:

(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
24 November 2009

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.

(2) A Form of Proxy is enclosed for your use, if desired. The instrument appointing a proxy must reach the Company's Registrars; Capita Registrars, PXS, 34 Beckenham Road, Beckenham, 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 10.00 a.m. on 16 December 2009 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	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	PXS 34 Beckenham Road Beckenham BR3 4TU	