

20 March 2008

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

Cheerful Scout Plc, the AIM-traded multi media specialist, announces its results for the six months ended 31st December 2007.

**Chairman's Statement**

As anticipated in the announcement made on 20th February 2008, we have experienced difficult trading conditions in the first half year ended 31st December 2007 as market conditions have become more difficult. The loss of two large contracts and a slowdown in corporate spending have led to a reduced turnover for the period of £695,839 (2006: £1,038,285) and an operating loss of £238,948 (2006: profit £101,283). However, our cash position remains healthy with cash balances at 31st December 2007 of £1,023,634 (2006: £1,020,866).

Our strategy for turning around the fortunes of the Company involve streamlining the business, reducing overheads and using our resources in a cost effective manner to deal more efficiently in the competitive sector in which we operate. This process is already underway and will continue throughout the financial year.

**Operations**

Our DVD division remains a stable and growing cornerstone of the Company. The drive for new business continues and we are seeing an increase in the number of opportunities that we are being invited to pitch for. Furthermore, our major client relationships remain healthy and stable and there is potential for increased activity from them.

The Film & Video division also continues to perform well, having invested in new talent and further defined our areas of strength. Our blue-chip client list includes BAA, Nationwide and the Central Office of Communication.

Our Corporate Events division has not delivered the results we anticipated and has had a disappointing first half year. However, we believe that it will benefit by drawing on the expertise of our joint venture company, Business Data Interactive Limited ('BDI'), which has developed business intelligence software that can enhance an event experience by combining conferencing techniques with corporate interactive debating facilities - something which we believe is not available from our competitors.

**Outlook**

Although the first half has been disappointing, we remain confident that the services we offer our clients are improving. Importantly, we have maintained our cash resources at more than £1m and we feel positive about the future direction of the Company.

Finally, I would like to thank the staff for all their efforts and hope that their continued enthusiasm and dedication will help Cheerful achieve its ambitions.

S Appleton  
Chairman  
20 March 2008

**Consolidated Income Statement  
for the six months ended 31 December 2007**

	Unaudited			Unaudited Six months to 31 December 2006			Audited Year ended 30 June 2007		
	Pre Goodwill impairment	Goodwill impairment	Total	Pre Goodwill impairment	Goodwill impairment	Total	Pre Goodwill impairment	Goodwill impairment	Total
	£	£	£	£	£	£	£	£	£
<b>Revenue</b>	<b>695,839</b>		<b>695,839</b>	1,038,285		1,038,285	2,085,367		2,085,367
Cost of sales	<u>(523,099)</u>		<u>(523,099)</u>	(554,797)		(554,797)	(1,218,007)		(1,218,007)
<b>Gross Profit</b>	<b>172,740</b>		<b>172,740</b>	483,488		483,488	867,360		867,360
Administrative expenses	<u>(391,389)</u>	<u>(20,299)</u>	<u>(411,688)</u>	(369,467)	(12,738)	(382,205)	(764,188)	(25,476)	(789,664)
<b>Operating (loss)/ profit</b>	<u>(218,649)</u>	<u>(20,299)</u>	<u>(238,948)</u>	114,021	(12,738)	101,283	103,172	(25,476)	77,696
Financial Income	<b>24,959</b>	-	<b>24,959</b>	15,546	-	15,546	37,840	-	37,840
Financial expenses	-	-	-	(8)	-	(8)	-	-	-
<b>Net Financing costs</b>	<u><b>24,959</b></u>	-	<u><b>24,959</b></u>	15,538	-	15,538	37,840	-	37,840
<b>(Loss)/Profit before tax</b>	<b>(193,690)</b>	<b>(20,299)</b>	<b>(213,989)</b>	129,559	(12,738)	116,821	141,012	(25,476)	115,536
Taxation									

		<b>3,036</b>	-	<b>3,036</b>	(12,288)		(12,288)	(3,036)	(3,036)	
<b>(Loss)/ profit for the period</b>		<b>(190,654)</b>	<b>(20,299)</b>	<b>(210,953)</b>	117,271	(12,738)	104,533	137,976	(25,476)	112,500
<b>Minority interest</b>		<b>44,911</b>	-	<b>44,911</b>	-	-	-	-	-	-
<b>(Loss)/profit for the period attributable to equity holders of</b>										
<b>the parent company</b>		<b>(145,743)</b>	(20,299)	<b>(166,042)</b>	117,271	(12,738)	104,533	137,976	(25,476)	112,500
<b>Basic earnings per share</b>	3			<b>(1.6943)p</b>			1.0667p			1.14796p
<b>Diluted earnings per share</b>	3			<b>(1.6815)p</b>			1.0586p			1.13929p

**Consolidated Balance Sheet  
at 31 December 2007**

	<b>Unaudited Six months to 31 December 2007</b>	Unaudited Six months to 31 December 2006	Audited Year ended 30 June 2007
<b>Non-current assets</b>			
Intangible assets	<b>781,005</b>	806,506	817,003
Property, plant and equipment	<b>102,062</b>	100,017	91,159
	<hr/>	<hr/>	<hr/>
<b>Total non-current assets</b>	<b>883,067</b>	906,523	908,162
<b>Current assets</b>			
Inventories	<b>2,632</b>	2,757	2,285
Trade and other receivables	<b>265,576</b>	443,530	465,339
Cash and cash equivalents	<b>1,023,634</b>	1,020,866	1,039,275
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<b>Total Current assets</b>	<b>1,291,842</b>	1,467,153	1,506,899
	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	<b>2,174,909</b>	2,373,676	2,415,061
<b>Current liabilities</b>			
Trade and other payables	<b>(108,736)</b>	(76,023)	(98,113)
Current tax payable	<b>(40,058)</b>	(66,252)	(70,595)
Accruals and deferred income	<b>(59,176)</b>	(61,876)	(68,861)
	<hr/>	<hr/>	<hr/>
<b>Total Current liabilities</b>	<b>(207,970)</b>	(204,151)	(237,569)
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<b>Net assets</b>	<b>1,966,939</b>	2,169,525	2,177,492
<b>Equity</b>			
Share capital	<b>1,225,000</b>	1,225,000	1,225,000

Special reserves	<b>1,747,416</b>	1,747,416	1,747,416
Retained earnings	<b>(960,966)</b>	(802,891)	(794,924)
	<hr/>	<hr/>	<hr/>
<b>Total equity attributable to equity shareholders of the parent company</b>	<b>2,011,450</b>	2,169,525	2,177,492
Minority interest	<b>(44,511)</b>	-	-
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<b>Total equity</b>	<b>1,966,939</b>	2,169,525	2,177,492
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**Consolidated Cash Flow Statement  
for the six months ended 31 December 2007**

	Unaudited Six months to 31 December 2007 £' 000	Unaudited Six months to 31 December 2006 £' 000	Audited Year ended 30 June 2007 £' 000
<b>Cash flows from operating activities</b>			
(Loss)/profit for the period/year:	(166,042)	104,533	112,500
Adjustments for:			
Depreciation	37,359	40,578	84,964
Amortisation	35,998	35,996	71,993
Profit on sale of equipment	(22,538)	-	-
Taxation	(3,036)	12,288	3,036
Financial income	(24,959)	(15,546)	(37,840)
Financial expense	-	8	-
	<b>(143,218)</b>	<b>177,857</b>	<b>234,653</b>
Decrease in trade and other receivables	155,252	172,384	150,575
(Increase) in inventories	(347)	(489)	(17)
Decrease in trade and other payables	(26,563)	(169,758)	(127,088)
<b>Cash generated by the operations</b>	<b>(14,876)</b>	179,994	258,123
Tax paid	-	-	-
<b>Net cash inflow from operating activities</b>	<b>(14,876)</b>	179,994	258,123
<b>Cash flows from investing activities</b>			
Financial income	24,959	15,546	37,840
Acquisition of property, fixtures and equipment	(48,262)	(10,917)	(46,445)
Acquisition of intangible assets	-	(49,308)	(95,802)

Proceeds from sale of equipment	22,538	-	-
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	(765)	(44,679)	(104,407)
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<b>Cash flows from financing activities</b>			
Financial expense	-	(8)	-
	<hr/>	<hr/>	<hr/>
<b>Net cash (outflow) from financing activities</b>	-	(8)	-
	<hr/>	<hr/>	<hr/>
Net (decrease)/ increase in cash and cash equivalents	(15,641)	135,307	153,716
Opening cash and cash equivalents	1,039,275	885,559	885,559
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<b>Cash and cash equivalents held</b>	1,023,634	1,020,866	1,039,275
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### Statement of Recognised Income and Expense

	<b>Unaudited</b> Six months to 31 December 2007 £' 000	Unaudited Six months to 31 December 2006 £' 000	Audited Year ended 30 June 2007 £' 000
<b>Net expense recognised directly in equity</b> (Loss)/profit for the period/year	<b>(166,042)</b>	104,533	112,500
<b>Total recognised income and expense for the period/year</b>	<b>(166,042)</b>	<b>104,533</b>	<b>112,500</b>

### Statement of Changes in Shareholders' Equity

	<b>Unaudited</b> Six months to 31 December 2007 £' 000	Unaudited Six months to 31 December 2006 £' 000	Audited Year ended 30 June 2007 £' 000
Total equity at beginning of period	<b>2,177,492</b>	2,064,992	2,064,992
Total recognised income and expense	<b>(166,042)</b>	104,533	112,500
<b>Total equity at end of period attributable to equity holders of the parent company</b>	<b>2,011,450</b>	2,169,525	2,177,492
Minority interest	<b>(44,511)</b>	-	-
<b>Total equity at end of period</b>	<b>1,966,939</b>	2,169,525	2,177,492

## **NOTES TO THE FINANCIAL INFORMATION**

### **1. Accounting Policies**

#### Basis of preparation

The Group's financial statements were prepared in accordance with UK GAAP until 30 June 2007. From 1st July 2007 the Group will prepare its consolidated financial statements in accordance with IFRS as adopted for use in the EU.

The next annual financial statements of Cheerful Scout plc will be prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU applied in accordance with provisions of the Companies Act 1985.

#### IFRS transition

The Group's results for the half year ended 31 December 2007 are the first results to be reported under IFRS.

#### Basis of consolidation

The consolidated financial statements incorporate the results of the Company and all of its subsidiary undertakings as at 31 December 2007 using the acquisition method of accounting. Under the acquisition method the results of subsidiary undertakings are included from the date of acquisition.

#### Impairment of assets

The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill the recoverable amount is estimated at each balance sheet date.

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.

Goodwill was tested for impairment at 1 July 2006, the date of transition to Adopted IFRS.

## Investments

There has been no change to the value of investments as a result of moving to IFRS. Any change in fair values will be shown in the Income Statement in the calculation of profit or loss.

## Non-statutory accounts:

The half-year figures for the period ended 31 December 2007 and the full year figures for the year ended 30 June 2007 do not constitute statutory accounts for the purposes of section 240 of the Companies Act 1985. A copy of the statutory accounts for that year under UK GAAP has been filed with the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain a statement under either Section 237 (2) or Section 237 (3) of the Companies Act 1985. Reconciliations and descriptions of the effect of the transition from UK GAAP to IFRS on the Group's Equity and its net income are provided in Note 5.

## **2. Taxation**

The taxation charge has been estimated by the Company based on adjustments to tax payable in respect of previous years and the tax rate for the year ended 30 June 2008.

### 3. Earnings per share

The calculation of the basic earnings per share is based on the profit after taxation divided by the weighted average number of shares in issue, being 9,800,000 (period ended 31 December 2006: 9,800,000; year ended 30 June 2007: 9,800,0000).

The diluted earnings per share takes the weighted average number of ordinary shares in issue during the period and adjusts this for dilutive share options existing at the period end. The diluted weighted average number of shares in the period ended 31 December 2007 was 9,874,578 (period ended 31 December 2006: 9,874,578; year ended 30 June 2007: 9,874,578).

	<b>Unaudited Six months to 31 December 2007</b>	Unaudited Six months to 31 December 2006	Audited Year ended 30 June 2007
(Loss)/profit after taxation	<u>(166,042)</u>	<u>104,533</u>	<u>112,500</u>
Basic (loss)/earnings per share	<u>(1.6943)p</u>	<u>1.0667p</u>	<u>1.14796p</u>
Diluted (loss)/earnings per share	<u>(1.6815)p</u>	<u>1.0586p</u>	<u>1.13929p</u>

### 4. Operating Segment Analysis

#### Analysis by geographical market

	6 months ended 31 December 2007	6 months ended 31 December 2006	Year ended 30 June 2007
	£	£	£
United Kingdom	693,814	940,117	1,923,918
Europe	2,025	98,168	161,449
Total revenue	<u>695,839</u>	<u>1,038,285</u>	<u>2,085,367</u>

## **5. Transition to IFRS**

The date of transition from UK GAAP to IFRS is 1 July 2006. Cheerful Scout PLC reported under UK GAAP in its previously published financial statements for the year ended 30 June 2007. Analysis of the financial statements as at 1 July 2006, and subsequent periods shows that no adjustments are required to equity or profit as a result of the transition to IFRS for the statements at the date of transition, the six months ended 31 December 2006 or the full year ended 30 June 2007. There are however significant presentational changes to the results for each of the periods and these adjustments have been made.

## **6. Other**

Copies of the unaudited half-yearly results have not been sent to the shareholders, however copies are available 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.