cheerful scout plc / Index: AIM / Epic: CLS / Sector: Media

14 November 2011

cheerful scout plc ('cheerful' or 'the Company')

Final Results

Cheerful Scout plc, the AIM-traded multi-media specialist, is pleased to announce its results for the year ended 30 June 2011.

Overview

- 19% increase in revenues to £2,147,844 (2010: £1,809,757) and a healthy cash position of £528,415 (2010: £632,200)
- Continued cooperation between Cheerful Scout (Cheerful Scout Productions Limited) and Twentyfirst (nVision Technology Limited) to successfully provide high quality and all-encompassing brand and corporate communications on screen and through events
- Prestigious awards won over the period and post period end highlighting the effectiveness, innovation and talent of the Cheerful team
- Increasing blue-chip client roster across a range of sectors – Twentyfirst appointed to the events roster for a transport company for the next three years
- Strategy to add value through development into new dramatic areas of growth, including video online via PCs, tablets and mobiles
- Proposed change of Company name to Aeorema Communications Plc to provide flexibility to add other communication companies

Chairman's Statement

I am delighted to present Cheerful's final results to you in my first report since joining the Board as Chairman in September 2011 and to give you some insight into where we see the Company going in the coming year. Led by my predecessor, Stuart Appleton, cheerful enjoyed an encouraging year during which it focused on laying the foundations to bolster its position in the corporate communications and events space. The Company achieved a 19% increase in revenues to £2,147,844 (2010: £1,809,757). I would like to thank Stuart for his input and very significant contribution in building the Company to this stage.

Over the period the Company remained centred on its core strategy to deliver high quality, extremely effective and innovative brand and corporate communications and events through our award winning On Screen (Cheerful Scout) and Live Events (Twentyfirst) divisions. We will continue to build on this strategy to strengthen Cheerful's growth prospects. We will also build on our strengths to enter new emerging areas, particularly the dramatic growth area of video and film on the Internet, delivered not only via PCs but via tablets and mobiles. This is the fastest growing communication area in the world, providing us with an excellent opportunity to leverage our video and film skills and communication strategic abilities.

Cheerful Scout and Twentyfirst collaborated productively during the year, a trend we will continue to build on. This allows us to provide highly effective and all-encompassing packages to innovatively convey our clients' brands and corporate messages to their target audiences. We have worked with an excellent blue-chip client roster and continue to build new relationships. Key companies we have worked with include financial institutions, leading construction companies, legal firms and the public sector.

We were awarded accolades for the effectiveness, innovation and creativity of our work over the period and post period end. This included recognition from the most important organisations in our space; the New York Festivals® International Television & Film Awards, London's IVCA Awards and the Cannes Corporate Media & TV Awards where Peter Litten, our Creative Director, won the highly coveted best director award. In addition, we also won two other key awards at Cannes.

Twentyfirst's talented team has successfully produced a number of events for major companies in locations worldwide including Chicago, Panama and Berlin. Highlights include major events for Immarsat, a leading telecommunications company, creating a highly creative launch for one of the most valuable brands in the world, and staging a major event for an international accountancy firm. We have also been appointed to the events roster for a transport company for the next three years. We have a very strong team and we see this as an important growth area, particularly as clients are looking for innovation and new ways of creating impact. The market is worth over £2 billion and we are looking to drive into new areas that have strong margins and where we can leverage our skills.

The results for the year show a loss before taxation of £90,336 (2010: £1,144 profit before taxation). Revenue for the year was £2,147,844 (2010: £1,809,757). Due to the economic turmoil experienced over the period, margins were reduced, although we hope to improve upon this going forward. Gross profit was £639,327 (2010: £677,615). We remain cash positive with reserves of £528,415.

Although it has been a challenging year we have a strong core business. Importantly we have the skills and the commitment to drive into new growth areas. These developments will take time but we are convinced they will produce profitable revenue and significant growth. To help us have the flexibility to maximise these new areas, we propose changing the name of the company to Aeorema Communications Plc as announced in September 2011. Cheerful Scout and Twentyfirst will become divisions and we will have the flexibility to add other communication companies.

I would like to take the opportunity to thank shareholders for their support. I particularly want to thank the extremely committed team of talented and creative people we have working for us. They are our greatest asset and constantly tackle tough jobs and impossible deadlines with enthusiasm, innovation and creativity.

M Hale
Chairman

14 November 2011

**** ENDS ****

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Consolidated Statement of Comprehensive Income
For the year ended 30 June 2011

Continuing operations	**Notes**	**2011 £**	**2010 £**
Revenue	**2**	**2,147,844**	**1,809,757**
Cost of sales		(1,508,517)	(1,132,142)
Gross profit		**639,327**	**677,615**
Administrative expenses		(731,794)	(695,275)
Operating loss	**3**	**(92,467)**	**(17,660)**
Finance income	**4**	271	1,883
Other income	**5**	1,860	16,921
(Loss) / profit before		**(90,336)**	**1,144**

taxation			
Taxation	**6**	(17,778)	49,082
Total comprehensive (expense) / income for the year attributable to owners of the parent		**(108,114)**	**50,226**
(Loss) / earnings per ordinary share:			
Basic	**9**	(1.37944p)	0.63098p
Diluted	**9**	(1.31363p)	0.63098p

Statement of Financial Position

As at 30 June 2011

	Notes	Group		Company	
		2011	**2010**	**2011**	**2010**
		£	**£**	**£**	**£**
Non-current assets					
Intangible assets	**10**	365,154	365,154	-	-
Property, plant and equipment	**11**	107,188	133,375	-	-
Investments in subsidiaries	**12**	-	-	481,116	1,000,000
Deferred taxation	**7**	22,054	39,832	-	-
		494,396	**538,361**	**481,116**	**1,000,000**
Current assets					
Inventories		2,675	2,252	-	-
Trade and other receivables	**13**	517,461	506,592	122,959	187,443
Cash and cash equivalents	**14**	528,415	632,200	399,302	515,947
		1,048,551	**1,141,044**	**522,261**	**703,390**
Total assets		**1,542,947**	**1,679,405**	**1,003,377**	**1,703,390**
Current liabilities					
Trade and other payables	**15**	(326,766)	(386,226)	(12,553)	(37,636)
Net assets		**1,216,181**	**1,293,179**	**990,824**	**1,665,754**
Equity					
Share capital	**16**	979,688	979,688	979,688	979,688

Share-based payment reserve	31,116	-	31,116	-
Capital redemption reserve	257,812	257,812	257,812	257,812
Retained earnings	(52,435)	55,679	(277,792)	428,254
Equity attributable to owners of the parent	**1,216,181**	**1,293,179**	**990,824**	**1,665,754**

Statement of Changes in Equity

As at 30 June 2011-11-11

Group	**Share capital**	**Share-based payment reserve**	**Capital redemption reserve**	**Retained earnings**	**Total equity**
	£	**£**	**£**	**£**	**£**
At 1 July 2009	1,054,688	-	170,312	48,678	1,273,678
Comprehensive income for the year	-	-	-	50,226	50,226
Purchase of own shares	(87,500)	-	87,500	(43,225)	(43,225)
Issue of new shares	12,500	-	-	-	12,500
At 30 June 2010	**979,688**	**-**	**257,812**	**55,679**	**1,293,179**
At 1 July 2010	979,688	-	257,812	55,679	1,293,179
Comprehensive expense for the year	-	-	-	(108,114)	(108,114)
Share-based payments	-	31,116	-	-	31,116
At 30 June 2011	**979,688**	**31,116**	**257,812**	**(52,435)**	**1,216,181**

Company	**Share capital**	**Share-based payment reserve**	**Capital redemption reserve**	**Retained earnings**	**Total equity**
	£	**£**	**£**	**£**	**£**
At 1 July 2009	1,054,688	-	170,312	835,780	2,060,780
Comprehensive expense for the year	-	-	-	(364,301)	(364,301)
Purchase of own shares	(87,500)	-	87,500	(43,225)	(43,225)
Issue of shares	12,500	-	-	-	12,500
At 30 June 2010	**979,688**	**-**	**257,812**	**428,254**	**1,665,754**
At 1 July 2010	979,688	-	257,812	428,254	1,665,754
Comprehensive expense for the year	-	-	-	(706,046)	(706,046)
Share-based payments	-	31,116	-	-	31,116

At 30 June 2011	**979,688**	**31,116**	**257,812**	**(277,792)**	**990,824**

Statement of Cash Flows

For the year ended 30 June 2011

	Notes	Group		Company	
		2011	**2010**	**2011**	**2010**
		£	**£**	**£**	**£**
Cash flows from operating activities					
(Loss) / profit before taxation		(90,336)	1,144	(706,046)	(364,301)
Depreciation		72,193	68,908	-	-
Profit on disposal of property, plant and equipment		(23,496)	-	-	-
Share-based payment		31,116	-	-	-
Impairment of investment in subsidiaries		-	-	550,000	401,908
Finance income		(271)	(1,883)	(229)	(1,823)
		(10,794)	**68,169**	**(156,275)**	**35,784**
(Decrease) / increase in trade and other payables		(59,460)	85,848	(25,083)	(138,231)
(Increase) / decrease in trade and other receivables		(10,869)	(296,698)	64,484	(142,242)
Increase in inventories		(423)	(219)	-	-
Taxation received		-	9,250	-	-
Cash used from operating activities		**(81,546)**	**(133,650)**	**(116,874)**	**(244,689)**
Cash flows from investing activities					
Finance income		271	1,883	229	1,823
Purchase of property, plant and equipment	**11**	(47,022)	(36,799)	-	-
Proceeds from sale of property, plant and equipment		24,512	-	-	-
Investments in subsidiaries		-	-	-	692
Cash (used) / generated in investing activities		**(22,239)**	**(34,916)**	**229**	**2,515**
Cash flows from financing activities					
Purchase of own shares		-	(43,225)	-	(43,225)
Issue of shares		-	12,500	-	12,500
Cash used in financing activities		**-**	**(30,725)**	**-**	**(30,725)**
Net decrease in cash and cash		**(103,785)**	**(199,291)**	**(116,645)**	**(272,899)**

equivalents					
Cash and cash equivalents at beginning of year		632,200	831,491	515,947	788,846
Cash and cash equivalents at end of year	**14**	**528,415**	**632,200**	**399,302**	**515,947**

Notes to the consolidated financial statements

For the year ended 30 June 2011

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 AIM Market.

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

Going concern

The Group's business activities, together with the factors likely to affect its future development and performance are set out in the review of business contained in the Chairman's Statement. The Group's financial statements show details of its financial position including, in note 22, details of its financial instruments and exposure to risk. After reviewing the Group's budget for the next financial year, other medium term plans and considering the risks outlined in note 22, the Directors, at the time of approving the financial statements, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and have therefore used the going concern basis in preparing the financial statements.

Basis of Preparation

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

The following new standards, amendments to standards and interpretations, applied for the first time from 1 July 2010.

- IFRS 2 (Amended) ‘Share-based payments’, effective 1 January 2010.
- IAS 17 (Revised) ‘Leases’, effective 1 January 2010.
- IAS 27 (Amended) ‘Consolidated and separate financial statements’, effective 1 July 2010.
- IAS 32 (Amended) ‘Financial instruments’, effective 1 February 2010.
- IAS 36 (Revised) ‘Impairment of assets’, effective 1 January 2010.

The adoption of these revised and amended standards has not impacted on the Annual Report and Financial Statements.

Adopted IFRSs not yet applied

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 July 2010 and have not been early adopted by the group:

- IFRS 7 (Amended) ‘Financial Instruments: Disclosures’, effective 1 January 2011.
- IFRS 9 ‘Financial Instruments’, effective 1 January 2013.
- IFRS 10 ‘Consolidated Financial Statements’, effective 1 January 2013.
- IFRS 11 ‘Joint Arrangements’, effective 1 January 2013.
- IFRS 12 ‘Disclosure of Interests in Other Entities’, effective 1 January 2013.
- IFRS 13 ‘Fair Value Measurement’, effective 1 January 2013.
- IAS 12 ‘Income Taxes’, effective 1 January 2010.
- IAS 19 ‘Employee Benefits’, effective 1 January 2013.
- IAS 24 (Amended) ‘Related Party Disclosures', effective 1 January 2011.
- IAS 28 (Revised) ‘Investments in Associates and Joint Ventures’, effective 1 January 2013.

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

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 30 June 2011. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. Subsidiaries are fully consolidated from the date on which control is transferred until the date that such control ceases.

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

Revenue

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

Intangible assets - goodwill

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

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

Intangible assets - development costs

Development expenditure is written off to the income statement in the year in which it is incurred, unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the Company is expected to benefit. Development costs of current projects is amortised over 4 years.

Property, plant and equipment

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

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

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

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

Impairment

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

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

Operating leases

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

Investments

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

Inventories

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

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

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

Finance income

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

Taxation

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

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

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

Pension costs

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

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

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the income statement.

Share-based payments

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

The fair value of equity rights is estimated using option pricing models at the date of grant to key employees and is dependent on factors such as the exercise price, expected volatility, option price and risk free interest rate. The fair value is then amortised through the Income Statement on a straight-line basis over the vesting period. Expected volatility is determined based on the historical share price volatility for the Company. Further information is given in note 20 to the financial statements.

Significant judgements and estimates

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

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

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

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

2. Revenue and segment information

Revenue and segmental results have been disclosed by two operating segments of On Screen and Live Events in the manner that the information is presented to the Board of Directors, being the Chief Operating Decision Makers, in accordance with IFRS 8. 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.

	On Screen 2011	**On Screen 2010**	**Live Events 2011**	**Live Events 2010**	**Total 2011**	**Total 2010**
	£	**£**	**£**	**£**	**£**	**£**
Revenue	**1,151,574**	**1,257,979**	**996,270**	**551,778**	**2,147,844**	**1,809,757**
Segment results	47,038	23,903	17,784	58,711	64,822	82,614
Unallocated expenses					(157,289)	(100,274)
Operating loss					(92,467)	(17,660)
Finance income					271	1,883
Other income					1,860	16,921
Taxation					(17,778)	49,082
(Loss) / profit for the year					**(108,114)**	**50,226**
Segment assets	532,224	825,254	242,254	293,507	774,478	1,118,761
Unallocated assets					768,469	560,644
Total assets	**532,224**	**825,254**	**242,254**	**293,507**	**1,542,947**	**1,679,405**
Segment liabilities	(207,423)	(196,609)	(106,789)	(81,178)	(314,212)	(277,787)
Unallocated liabilities					(12,554)	(108,439)

Total liabilities	**(207,423)**	**(196,609)**	**(106,789)**	**(81,178)**	**(326,766)**	**(386,226)**
Capital expenditure	**44,039**	**34,472**	**2,983**	**2,327**	**47,022**	**36,799**
Depreciation and amortisation	**71,345**	**67,898**	**848**	**1,010**	**72,193**	**68,908**

All revenue represents sales to external customers. Two customers (2010: Four) are defined as major customers by revenue, each contributing more than 10% of the Group revenue.

	Segment	**2011**	**2010**
		£	**£**
Major customer	Live Events	252,877	218,343
Major customer	On Screen	241,506	
Major customer	On Screen		235,565
Major customer	On Screen		186,530
Major customer	On Screen		186,180

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

Geographical market	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
	UK	**UK**	**Europe**	**Europe**	**USA**	**USA**	**Total**	**Total**
	£	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Revenue	**2,120,900**	**1,789,719**	**20,159**	**-**	**6,785**	**20,038**	**2,147,844**	**1,809,757**
Segment assets	405,296	361,760	-	-	3,730	-	409,026	361,760
Unallocated assets							1,133,921	1,317,645
Total assets							**1,542,947**	**1,679,405**
Capital expenditure – unallocated							**47,022**	**36,799**

3. Operating loss

Operating loss is stated after charging:	**2011**	**2010**
	£	**£**
Depreciation of property, plant and equipment	72,193	68,908
Profit on disposal of property, plant and equipment	23,496	-
Fees payable to the Company's auditor in respect of:		
Audit of the Company's annual accounts	10,650	6,000

Audit of the Company's subsidiaries	8,850	12,000
Staff costs (see note 19)	888,254	673,919
Operating leases – land and buildings	105,068	97,245

4. Finance income

	2011	**2010**
	£	**£**
Interest income	271	1,883

5. Other income

	2011	**2010**
	£	**£**
Rental income	1,860	16,921

6. Taxation

	2011	**2010**
	£	**£**
The tax charge / (credit) comprises:		
Current tax		
Adjustment to prior years	-	(9,250)
	-	**(9,250)**
Deferred tax		
Current year	17,778	(39,832)
	17,778	**(39,832)**
Total tax charge / (credit) in the statement of comprehensive income	**17,778**	**(49,082)**
Factors affecting the tax charge / (credit) for the year		
(Loss) / profit on ordinary activities before taxation	(90,336)	1,144
(Loss) / profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.75% (2010: 21%)	(18,745)	240
Effects of:		
Non deductible expenses	(429)	8,043
Depreciation, impairment losses and disposals	9,895	14,471
Capital allowances	(13,481)	(13,772)
Share-based payment	6,457	-

Losses utilised	(7,503)	(13,165)
Losses carried forward	23,806	4,183
Deferred tax asset recognition	17,778	(39,832)
Adjustment to prior years	-	(9,250)
	36,523	**(49,322)**
Total taxation charge / (credit)	**17,778**	**(49,082)**

The weighted average corporation tax rate applied was 20.75% (2010: 21%). This reduced as a result of a reduction in the UK corporation tax rate from 21% to 20% from 1 April 2011. The Group has estimated losses of £525,872 (2010: £647,885) available to carry forward against future trading profits.

7. Deferred taxation

	2011	2010
	£	**£**
Property, plant and equipment temporary differences	(5,326)	(2,450)
Temporary differences	1,733	2,624
Losses	25,647	39,658
	22,054	**39,832**
At 1 July	39,832	-
Transfer to statement of comprehensive income	(17,778)	39,832
At 30 June	**22,054**	**39,832**

A deferred tax asset is expected to be utilised given the expected return to profitability and future trading prospects. The deferred tax asset is expected to be realised after more than one year.

8. Loss attributable to members of the parent company

As permitted by section 408 of the Companies Act 2006, the parent Company's Statement of Comprehensive Income has not been included in these financial statements. The retained loss for the financial year of the holding company was £706,046 (2010: £364,301).

9. (Loss) / earnings per ordinary share

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

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

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

	2011 £	2010 £
(Loss) / profit attributable to owners of the parent	**(108,114)**	**50,226**
Basic weighted average number of shares	**7,837,500**	**7,959,966**
Dilutive potential ordinary shares:		
Employee share options	392,702	-
Diluted weighted average number of shares	**8,230,202**	**7,959,966**

10. Intangible fixed assets

Group	**Goodwill** **£**	**Development Costs** **£**	**Total** **£**
Cost			
At 1 July 2009	2,728,292	186,069	2,914,361
Development costs written off	-	(186,069)	(186,069)
At 30 June 2010	2,728,292	-	2,728,292
At 1 July 2010	2,728,292	-	2,728,292
At 30 June 2011	**2,728,292**	**-**	**2,728,292**
Impairment and amortisation			
At 1 July 2009	2,363,138	186,069	2,549,207
Development costs written off	-	(186,069)	(186,069)
At 30 June 2010	2,363,138	-	2,363,138
At 1 July 2010	2,363,138	-	2,363,138
At 30 June 2011	**2,363,138**	**-**	**2,363,138**
Net book value			

At 1 July 2009	365,154	-	365,154
At 30 June 2010	365,154	-	365,154
At 1 July 2010	365,154	-	365,154
At 30 June 2011	**365,154**	**-**	**365,154**

Development costs

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

Impairment

Goodwill has been tested for impairment based on its future value in use. Future value has been calculated on a discounted cash flow basis using the 2012 budgeted figures as approved by the Board of Directors extended for a period of 5 years and discounted at a rate of 4.2%. It has been assumed that future growth will be at 2%. Based upon these assumptions, there was no impairment in the year.

Management has assessed the sensitivity of the recoverable amounts in the key assumptions to be as follows: a five percentage increase in the discount rate would reduce the recoverable amount by £30,000 and a one percentage fall in future growth would reduce the recoverable amount by £97,000.

11 Property, plant and equipment

Group	**Leasehold land and buildings**	**Fixtures, fittings and equipment**	**Total**
	£	**£**	**£**
Cost			
At 1 July 2009	157,063	815,316	972,379
Additions	-	36,799	36,799
At 30 June 2010	157,063	852,115	1,009,178
At 1 July 2010	157,063	852,115	1,009,178
Additions	-	47,022	47,022
Disposals	-	(28,154)	(28,154)

At 30 June 2011	**157,063**	**870,983**	**1,028,046**
Depreciation			
At 1 July 2009	147,566	659,329	806,895
Charge for the year	2,072	66,836	68,908
At 30 June 2010	149,638	726,165	875,803
At 1 July 2010	149,638	726,165	875,803
Charge for the year	2,100	70,093	72,193
Disposals	-	(27,138)	(27,138)
At 30 June 2011	**151,738**	**769,120**	**920,858**
Net book value			
At 1 July 2009	9,497	155,987	165,484
At 30 June 2010	7,425	125,950	133,375
At 1 July 2010	7,425	125,950	133,375
At 30 June 2011	**5,325**	**101,863**	**107,188**

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

Cost	**2011** **£**	**2010** **£**
Leasehold land and buildings	146,578	146,578
Fixtures, fittings and equipment	601,550	577,459
	748,128	**724,037**

12. Non-current assets – Investments

Company	**Shares in subsidiary** **£**	**Loans to subsidiary** **£**	**Total** **£**
Cost			
At 1 July 2009	3,144,813	202,000	3,346,813
Repayment	-	(692)	(692)

At 30 June 2010	3,144,813	201,308	3,346,121
At 1 July 2010	3,144,813	201,308	3,346,121
Additions	31,116	-	31,116
Loan to subsidiary written off	-	(201,308)	(201,308)
At 30 June 2011	**3,175,929**	**-**	**3,175,929**
Provision			
At 1 July 2009	1,744,213	200,000	1,944,213
Impairment	400,600	1,308	401,908
At 30 June 2010	2,144,813	201,308	2,346,121
At 1 July 2010	2,144,813	201,308	2,346,121
Impairment	550,000	-	550,000
Loan to subsidiary written off	-	(201,308)	(201,308)
At 30 June 2011	**2,694,813**	**-**	**2,694,813**
Net book value			
At 1 July 2009	1,400,600	2,000	1,402,600
At 30 June 2010	1,000,000	-	1,000,000
At 1 July 2010	1,000,000	-	1,000,000
At 30 June 2011	**481,116**	**-**	**481,116**

Holdings of more than 20%

The Company holds more than 20% of the share capital of the following companies:

Subsidiary undertakings	**Country of registration or incorporation**	**Shares held Class**	**%**
Cheerful Scout Productions Limited	England and Wales	Ordinary	100
nVision Technology Limited	England and Wales	Ordinary	100
Business Data Interactive Limited	England and Wales	Ordinary	60

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

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

Subsequent to the year end, the company's subsidiary, Business Data Interactive Limited, was dissolved.

13. Trade and other receivables

	Group		**Company**	
	2011	**2010**	**2011**	**2010**
	£	**£**	**£**	**£**
Trade receivables	405,296	361,760	-	-
Related party receivables	-	-	118,946	179,756
Other receivables	37,303	35,722	-	2,821
Prepayments and accrued income	74,862	109,110	4,013	4,866
	517,461	**506,592**	**122,959**	**187,443**

Other receivables include £34,543 (2010: £34,543) for a rental deposit which is secured by a charge in favour of the landlords. All trade and other receivables are expected to be recovered within 12 months of the balance sheet date. The fair value of trade and other receivables is the same as the carrying values shown above.

14. Cash and cash equivalents

	Group		**Company**	
	2011	**2010**	**2011**	**2010**
	£	**£**	**£**	**£**
Bank balances	528,415	632,200	399,302	515,947
Cash and cash equivalents	**528,415**	**632,200**	**399,302**	**515,947**
Cash and cash equivalents in the statement of cash flows	**528,415**	**632,200**	**399,302**	**515,947**

15 Trade and other payables

	Group		Company	
	2011	**2010**	**2011**	**2010**
	£	**£**	**£**	**£**
Trade payables	194,533	176,205	3,792	27,005
Related party payables	-	-	-	1
Taxes and social security costs	73,391	22,355	250	250
Other payables	12,656	57,534	375	-
Accruals and deferred income	46,186	130,132	8,136	10,380
	326,766	**386,226**	**12,553**	**37,636**

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.

16 Share capital

	2011	**2010**
	£	**£**
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 2009	8,437,500	1,054,688
Purchase of own shares	(700,000)	(87,500)
Issue of shares	100,000	12,500
At 30 June 2010	7,837,500	979,688
At 1 July 2010	7,837,500	979,688
At 30 June 2011	**7,837,500**	**979,688**

See note 20 for details of share options outstanding

17 Financial commitments

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

Land and Buildings

	2011	2010
	£	£
Not later than one year	110,000	110,000
Later than one year and not later than five years	64,167	174,167

18 Directors' emoluments

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

	Salary or fees 2011	Salary or fees 2010	Pensions 2011	Pensions 2010	Total 2011	Total 2010
	£	£	£	£	£	£
P Litten	50,000	50,000	26,242	26,250	76,242	76,250
S Appleton	10,000	10,000	-	-	10,000	10,000
N J Newman	1,500	1,500	-	-	1,500	1,500
R L Owen	7,500	7,500	-	-	7,500	7,500
	69,000	**69,000**	**26,242**	**26,250**	**95,242**	**95,250**

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

No directors had interests in share-based incentive schemes.

19. Employee information

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

Number of employees	**2011**	**2010**
	Number	**Number**
Production	15	14
Administration	6	6
	21	**20**

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

Employment costs	**2011**	**2010**

	£	£
Wages and salaries	725,268	559,299
Social security costs	79,214	61,948
Pension costs	52,656	52,672
Share-based payments	31,116	-
	888,254	**673,919**

20. Share-based payments

The Group operates an EMI Share option scheme for key employees. Options are granted to key employees at an exercise price equal to the market price of the Company's shares at the date of grant. Options are exercisable from the third anniversary of the date of grant and lapse if they remain unexercised at the tenth anniversary or upon cessation of employment. The following option arrangements exist over the Company's shares:

Date of grant	**Exercise price**	**Exercise period From**	**To**	**Number of options 2011**	**Number of options 2010**
1 May 2002	62.50p	1 May 2005	30 April 2012	72,000	72,000
28 October 2004	18.75p	28 October 2007	27 October 2014	143,000	163,600
20 July 2010	8.75p	20 July 2013	19 July 2020	1,200,000	-
				1,415,000	**235,600**

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

	Number of options 2011	**Weighted average exercise price 2011 £**	**Number of options 2010**	**Weighted average exercise price 2010 £**
Outstanding at beginning of the year	235,600	0.32	249,600	0.31
Lapsed during the year	(20,600)	(0.19)	(14,000)	(0.19)
Granted during the year	1,200,000	0.09	-	-
Outstanding at end of the year	1,415,000	0.12	235,600	0.32
Exercisable at the end of the year	215,000		235,600	

The exercise price of options outstanding at the year-end ranged between £0.0875 and £0.625 (2010: £0.1875 and £0.625) and their weighted average contractual life was 9.7 years (2010: 4.0 years).

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. The estimated fair value of the options is measured using an option pricing model. The inputs into the model are as follows:

Grant date	28 October 2004	20 July 2010
Model used	Binomial	Black-Scholes
Share price at grant date	16.25p	8.75p
Exercise price	18.75p	8.75p
Contractual life	10 years	10 years
Risk free rate	6%	0.5%
Expected volatility	43%	100%
Expected dividend rate	0%	0%
Fair value option	5.9868p	7.779p

The expected volatility is determined by calculating the historical volatility of the company's share price over the last three years. The risk free rate is the office Bank of England base rate. The expected dividend rate is zero as the company has not paid dividends in the past.

The Group recognised the following charges in the Statement of Comprehensive Income in respect of its share-based payment plans:

	2011	**2010**
	£	**£**
Share-based payment charge	31,116	-

21 Related party transactions

The Group has a related party relationship with its subsidiaries and its directors. Details of transactions between the Company and its subsidiaries are as follows:

	2011	**2010**
	£	**£**
Management fees charged to subsidiaries by Cheerful Scout plc		
Cheerful Scout Productions Limited	-	100,000

nVision Technology Limited	-	35,000
	-	**135,000**
Management fees charged by subsidiaries to Cheerful Scout plc		
Cheerful Scout Productions Limited	81,790	-
Amounts owed by subsidiaries		
Total amount owed by subsidiaries	118,946	381,064
Less provision	-	(201,308)
	118,946	**179,756**

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

	2011	**2010**
	£	**£**
Short-term employee benefits	118,828	115,778
Post-employment benefits	52,484	52,500
	171,312	**168,278**

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

	2011	**2010**
	£	**£**
S Appleton	**-**	**10,000**

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

During the year, the Company’s investment in its subsidiary, Cheerful Scout Productions Limited, was impaired by £550,000 (2010: £400,000).

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

Harris and Trotter LLP – charged during the year	**2011**	**2010**
	£	**£**
Cheerful Scout plc	13,478	13,745
Cheerful Scout Productions Limited	11,514	17,380
nVision Technology Limited	4,975	3,273
	29,967	**34,398**

Harris and Trotter LLP – balance outstanding at the reporting date	**2011**	**2010**
	£	**£**

Cheerful Scout plc	1,800	1,763
Cheerful Scout Productions Limited	7,476	8,072
	9,276	**9,835**

22 Financial instruments

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

Credit risk

Credit risk arises principally from the Group's trade receivables. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument. The maximum exposure to credit risk at 30 June 2011 was £405,296 (2010: £361,760). 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 £326,766 (2010: £386,226).

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 £528,415 (2010: £632,200). The Group ensures that its cash deposits earn interest at a reasonable rate.

Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern while maximising the return to stakeholders. The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the Group Statement of Changes in Equity. At the year end, total equity was £1,216,181 (2010: £1,293,179).

Fair value of financial assets

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

23 Pension costs defined contribution

The Group makes pre-defined contributions to employees' personal pension plans. Contributions payable by the Group for the year were £52,656 (2010: £52,672).

24 Control

During the year, the Company was controlled by P Litten. Subsequent to the year end, control has changed and there is now no overall controlling party.

26. Notice of AGM

The Annual General Meeting of Cheerful Scout Plc will be held at 25-27 Riding House Street, London W1W 7DU on 12 December 2010 at 10.00 a.m. A formal notice of AGM along with the Annual Report and Accounts for the year ended 30 June 2011 will be sent to shareholders and will be available on the Company's website www.cheerfulscout.com.