

**Regulatory Announcement**

Go to market news section

Company	Media Steps Group PLC
TIDM	STEP
Headline	Preliminary Results
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**Media Steps Groups Plc (the "Company")****Preliminary Statement for the 14 month period ending 31 March 2006****Chairmans Statement**

This report covers the 14 month period ending 31 March 2006.

**INTRODUCTION**

The Company was incorporated on 4 February 2005 and on 15 February 2005 acquired Media Steps (UK) Limited in return for the allotment of ordinary shares. On 16<sup>th</sup> February 2005, in order to assist with the Company's working capital requirements, the Company issued £225,000 loan notes ("the Pre Admission Loan Notes").

In June 2005 the entire issued share capital of the Company was admitted to trading ("Admission") to AIM when it raised £1,500,000 before expenses by way of a placing of 25 million new ordinary shares at £0.06 per share. Upon Admission the Pre Admission Loan Notes were converted into 5,000,000 ordinary shares.

As the amount raised fell considerably short of the original plan it was necessary to issue £330,000 of Series B Convertible Loan Notes to satisfy creditor obligations including certain advisory fees incurred in relation to Admission.

**RESULTS**

The results for the period from 4 February 2005 to 31 March 2006 show an Operating Loss, before taxation, of £906,081 based on a Turnover of £172,949. Losses on ordinary activities, before taxation, after provisions for the sale of Media Steps (UK) Limited and Media Steps (Sports) Limited (the "Subsidiaries") were £2,126,099.

**TRADING**

Following Admission, the Company began installing the Media Steps innovative 'StepLok' system in railway stations throughout the South East of England. At the same time a sales team was recruited to sell these poster sites to the major outdoor advertising companies.

Unfortunately the Group found it impossible to attract major advertisers to its sites and by early 2006 it became evident that the Company would not have sufficient financial resources to see it through to profitability.

It also became clear that it was not possible to attract additional investment given the Group's poor sales performance. It was therefore decided to seek either a commercial partner for the business or a buyer. Following a number of unsuccessful discussions the Company announced, on 3 July 2006, that it had completed the disposal of the Subsidiaries for a total consideration of £1 to an unconnected party, with the purchaser agreeing to assume debts of approximately £145,000. The profit and loss account for the period from 4 February 2005 to 31 March 2006 reflects these trading losses and the losses incurred on the disposal of the Subsidiaries.

**CURRENT POSITION**

Once it became clear that a further fundraising for the Group was impossible and following the sale of the Subsidiaries, measures were taken to reduce outgoings including a waiver of salary entitlements by all the Directors with the exception of James Farmer, the Commercial Director at the time.

In order to reduce further cash outgoings Mr Farmer's contract was terminated on 31 July 2006 and he subsequently resigned as a Director.

While to date no claim arising from the termination of Mr Farmer's contract has been received, a provision has been made in the accounts to cover any such claim. Mr Farmer had two years of his contract outstanding at the date of termination, which included a salary of £60,000 per annum plus other allowances. In the event a claim is received the Directors intend to dispute it forcefully, but shareholders should be aware that were Mr Farmer to institute proceedings and be successful it would inevitably cause the Company to become insolvent.

Further, as a consequence of the disposal of the Subsidiaries the Company is in default of the terms of the Series B Loan Notes. Were the Series B Loan Note holders to call for repayment it would again cause the Company to become insolvent.

At present the Company has net cash of approximately £90,000 with outstanding creditors of approximately £45,000.

**THE FUTURE**

The Board is intent on securing a profitable future for the Company and at an Extraordinary General Meeting on 21 August 2006 shareholders approved the new strategy for the Company which is to seek a reverse takeover of the Company at the same time as raising additional equity finance.

A proposal has been received which would include a substantial cash injection into the Company and further discussions are being undertaken by the Company. The Directors anticipate that further proposals may also be received and the Board will evaluate these on their merits with a view to ensuring the best possible outcome for shareholders. The Directors are currently considering the terms and conditions attached to the current proposal which includes a resolution of any possible claim that may be made by James Farmer and a solution for dealing with the default on the Series B Loan Notes.

As detailed above a failure to resolve either or both of these issues quickly will probably make any further fundraising impossible. The Directors are therefore seeking to resolve these positions quickly and I will be writing to shareholders again in the near future once the outcome is clear.

In the meantime I would like to thank my colleagues on the Board for their perseverance and resolve in seeking solutions to the problems of the last 18 months and can assure shareholders that the Board is focused on delivering a satisfactory outcome to our current problems.

**Neil McClure****Chairman****15 November 2006**

Enquiries:

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Tony Jansen, Managing Director

**AUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD ENDED 31 MARCH 2006**

	31 Mar 2006 £
Turnover	172,949
Cost of sales	(157,203)
<b>Gross profit</b>	<b>15,746</b>
Administrative expenses	(921,827)
<b>Operating loss</b>	<b>(906,081)</b>
Profit/loss on sale of tangible assets	(500)
Exceptional Items	(1,232,443)
Other interest receivable and similar income	24,101
Interest payable and similar charges	(11,176)
<b>Loss on ordinary activities before taxation</b>	<b>(2,126,099)</b>
Tax on loss on ordinary activities	-
<b>Loss on ordinary activities after taxation</b>	<b>(2,126,099)</b>
<b>Loss for the period</b>	<b>(2,126,099)</b>
Basic EPS	(£0.03)
Diluted EPS	(£0.03)

**AUDITED CONSOLIDATED BALANCE SHEET  
AS AT 31 MARCH 2006**

	31 March 2006
	£
<b>Fixed assets</b>	
Intangible assets	171,438
Tangible assets	<u>221,145</u>
	392,583
<b>Current assets</b>	
Debtors	79,047
Cash at bank and in hand	<u>320,918</u>
	399,965
<b>Creditors: amounts falling due within one year</b>	<u>(251,069)</u>
<b>Net current assets</b>	<u>148,896</u>
<b>Total assets less current liabilities</b>	<u>541,479</u>
<b>Creditors: amounts falling due after more than one year</b>	(347,953)
<b>Provision for Liabilities and Charges</b>	<u>(577,310)</u>
	<u>(383,784)</u>
<b>Capital and reserves</b>	
Called up share capital	720,000
Share premium account	1,022,315
Profit and loss account	<u>(2,126,099)</u>
<b>Shareholders' funds – equity interests</b>	<u>(383,784)</u>

**UNAUDITED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE PERIOD ENDED 31 MARCH 2006**

31 March 2006

	£	£
<b>Net cash outflow from operating activities</b>		(708,738)
<b>Returns on investments and servicing of finance</b>		
Interest paid	(11,176)	
Interest received	<u>24,101</u>	
<b>Net cash inflow for returns on investments and servicing of finance</b>		<u>12,925</u>
<b>Taxation</b>		(1,250)
<b>Capital Expenditure</b>		
Receipts from sales of tangible assets	<u>470</u>	
<b>Net cash inflow for capital expenditure</b>		470
<b>Acquisitions and Disposals</b>		
Purchase of subsidiary undertakings	(400,000)	
Goodwill written off	<u>(655,133)</u>	
<b>Net cash outflow for Acquisitions and disposals</b>		<u>(1,055,133)</u>
<b>Net cash outflow before management of liquid resources and financing</b>		(1,751,726)
<b>Financing</b>		
Share capital issued (net of expenses)	1,742,315	
Loan notes	<u>330,000</u>	
<b>Net cash inflow/(outflow) from financing</b>		<u>2,072,315</u>
<b>Increase/(decrease) in cash in the period</b>		<u>320,589</u>

**NOTES TO THE AUDITED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE PERIOD ENDED 31 MARCH 2006**

**1 Reconciliation of operating loss to net cash outflow from operating activities**

	31 March 2006
	£
Operating (loss)/profit	(906,081)
Depreciation of tangible assets	59,164
Amortisation of intangible assets	5,000
Increase in debtors	(77,797)
Increase in creditors	210,976
<b>Net cash outflow from operating activities</b>	<b>(708,738)</b>

**2 Analysis of net funds**

	4 Feb 2005	Cash Flow	Other non- cash changes	31 Mar 2006
	£	£	£	£
Net Cash				
Cash at bank and in hand	-	320,918	-	320,918
Bank overdrafts	-	(329)	-	(329)
	-	320,589	-	320,589
<b>Finance leases</b>				
Debts falling due within one year	-	(4,373)	-	(4,373)
Debts falling due after one year	-	(40,000)	-	(40,000)
	-	(346,667)	-	(346,667)
	-	(391,040)	-	(391,040)
<b>Net debt</b>	<b>-</b>	<b>(70,451)</b>	<b>-</b>	<b>(70,451)</b>

**3 Reconciliation of net cash flow to movement in net debt**

	31 Mar 2006
	£
Increase in cash in the period	320,589
Cash inflow from increase in debt	(391,040)
<b>Movement in net debt in the period</b>	<b>(70,451)</b>
Opening net debt	-
<b>Closing net debt</b>	<b>(70,451)</b>

**4 Basis of Preparation**

The financial statements do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 and were approved by the Directors on 29<sup>th</sup> September 2006.

The earnings per share are calculated on the basis of the weighted average of shares in issue during the period being 58,283,285.

**5 Copies of this statement and the report and accounts are available at the registered office of Media Steps Group Plc, c/o Stringer Saul, 5<sup>th</sup> Floor, 17 Hanover Square, London, W1S 1HU and will be posted to shareholders.**

**6 Going concern**

Following the disposal of the company's operating subsidiaries after the balance sheet date, the Directors have been actively negotiating with the holders of the loan notes and pursuing alternative sources of finance. One proposal has been received, others are expected and the Directors are in active discussions in relation to these proposals. These financial statements are drawn up on the basis that these negotiations will be successful and do not reflect any adjustments that may be necessary if the company is unable to continue as a going concern.

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