

PRESS RELEASE

MID-STATES PLC

Unaudited Results for the Six Months Ended 31 December 2008

Mid-States PLC, a leading environmental technology group today reports its unaudited results for the six months ended 31 December 2008

Summary

- AD included in the NHS Smart Solutions programme.
- Excellent results achieved by AD in NHS hospitals.
- Group well funded following £3 million placing on 31 March 2009.

Andrew Tonks, Managing Director, commented

“The Group expects that the results from Sunderland Royal Hospital and from other hospitals will generate further interest from the healthcare market, as will the recent inclusion of the AD in the NHS Smart Solutions programme.

The Group’s principal focus continues to be on the healthcare market, building on the considerable success of the technology in the clinical environment over the past year. There are also other significant opportunities for the underlying air disinfection technology in the commercial and domestic markets, and the Group, now that it is well funded, will pursue these in due course.”

For further information

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Chairman and Managing Director's Report

Introduction

Whilst the June 2008 Annual Report of Mid-States PLC ("the Company") has only recently been published, we are pleased to take this opportunity to comment on the significant developments in the Company and its subsidiaries (the "Group") since the financial year ended 30 June 2008, and what we believe to be its promising prospects for the future.

As most shareholders will know, the Group owns intellectual property relating to the control or eradication of pathogens through the "open air factor", scientifically known as the hydroxyl radical. With this intellectual property, the Group has developed a method of achieving the high levels of natural disinfection that exist in the fresh air, within enclosed rooms. The result of this development is the groundbreaking air disinfection device, the AD.

Business update

The current AD product has a proven ability to kill viral, bacterial and fungal pathogens, including some non-vegetative spores, with a very high degree of efficacy. Further validation of this has been provided by results achieved last year at Sunderland Royal Hospital. The hospital found that, for 95% of the time, a level of sterility equal to or better than that required of an operating theatre was being achieved with the AD deployed in an intensive treatment ward set aside for infectious patients suffering from, for example, *Clostridium difficile*. The implications of these results obtained under severe hospital conditions are, we believe, remarkable.

The Group expects that the results from Sunderland Royal Hospital and from other hospitals will generate further interest from the healthcare market, as will the recent inclusion of the AD in the NHS Smart Solutions programme. Smart Solutions for Healthcare Acquired Infections is a national programme run by TrusTECH® (the North West of England NHS Innovation Hub) on behalf of the NHS Purchasing and Supply Agency and supported by the NHS National Innovation Centre. Nine products have been competitively selected to participate in the programme from approximately 250 applications submitted. The products will all be evaluated in a hospital setting and the programme will begin this month.

The recent outbreak of H1N1 Swine 'Flu and the associated publicity will provide further opportunities. The AD will kill influenza viruses including H1N1 in rooms and other enclosed spaces, in the same way but at a higher rate than they are killed in the open air. Using the AD will mean that enclosed rooms become at least as safe as the open air and enclosed spaces are the highest risk areas. There is, of course, no absolute single form of protection but as part of a regime of other measures, use of the AD will provide good protection.

Ongoing strategy

Having now achieved entry of the AD into the UK hospital market, the strategy of the Group is to achieve penetration of that market and of hospital markets in other selected countries, initially Ireland and Spain. The Group will also continue to progress additional routes to market. The future strategy for the AD business will be marketing led, and product development will continue to reflect identified customer and market requirements, delivering clear customer benefits and building on the Group's biotechnology reputation.

Whilst the AD is a unique and potentially global product, we are not assuming it will sell itself. Therefore a concentrated effort is being made to demonstrate the compelling economic benefits, quite apart from the human benefits, of the Group's technology. Investment in additional sales and marketing resources has been and will be made in 2009 to drive the sales, marketing and product development plans.

The Group's principal focus continues to be on the healthcare market, building on the considerable success of the technology in the clinical environment over the past year. There are also other significant opportunities for the underlying air disinfection technology in the commercial and domestic markets, and the Group will pursue these in due course.

Chairman and Managing Director's Report

Continued

New Products

The Company has designed a series of new products around the air disinfection technology used within the AD. The development of one of these products, an air quality sampler, is now complete and we are in the process of preparing to launch this product to the market.

Placing

Esmo Empresarial S.L. together with Bottin (International) Investments and David Macdonald, all existing shareholders of the Company, agreed with the Board on the potential for the development of the AD and accordingly subscribed for a total of 30,000,000 ordinary shares at a price of 10 pence per share in a placing completed following shareholder approval in March 2009. This raised approximately £2.8 million after expenses for the future funding of the Company. It followed on from the placing of 6,970,000 ordinary shares at a price of 16 pence per share raising approximately £1.1 million after expenses completed in July 2008. The Board considers that the Group is now well funded for the ongoing development and implementation of the strategy for the AD toward the increased penetration of the hospital and other markets in the UK and overseas.

In addition to the cash investment, the placing of shares completed in March of this year brought additional experience and expertise to the Board. Representatives of the major participant in the placing, Esteban Monegal and Javier Segura, joined the Board and bring to it their significant business experience. Javier Segura was also appointed as the Chief Executive Officer of the Group's operating subsidiaries on completion of the Placing.

Former Engineering Division

As previously reported, it proved necessary to place the Group subsidiary, Inov8 Technologies Limited, through which the engineering division operated, into administration. As a result of this action, future trading losses in, and funding requirements for, the engineering division were eliminated. The appointment of administrators to that subsidiary did not and does not affect the operation of the Company, the Group's environmental division and its air disinfection business, nor its other trading subsidiaries which are separate legal entities and which continue to operate.

Financial Results for the Period

These interim condensed consolidated statements are prepared under International Financial Reporting Standards (IFRS).

In the six months ended 31 December 2008, the Group's continuing activities achieved revenues of £0.2 million (2007: Nil) and an operating loss of £1.0 million (2007: £1.3 million). The loss per share was 1.90 pence (2007: 2.83 pence).

Net cash inflow for the six months ended 31 December 2008 was £0.1 million (2007: £1.6 million, outflow) and this included the net funds of £1.1 million raised from the placing of shares in July 2008. Operating cash outflow for the first half was £1.0 million (2007: £2.4 million). At 31 December 2008, the Group had net cash balances of £0.4 million (2007: £0.8 million). This does not include the cash raised from the subsequent placing of shares after the period end, in March 2009, which raised approximately £2.8m after expenses.

Trading on AIM

On 24 December 2008, the Company requested the suspension of its shares from trading on AIM pending publication of the Company's annual accounts. We anticipate that the Company's shares will be restored to trading following the issue of this half year report.

Chairman and Managing Director's Report

Continued

Current trading and prospects

As the Group has now achieved entry of the AD into the UK hospital market, it is working to improve the initial revenues which, whilst encouraging, have been relatively low and not yet begun to reflect the Board's expectations for the AD. The addition of new distribution partners in other territories in 2009 is expected to provide significant additional revenues. The Board remains convinced by the potential of the AD. The success of the AD at, for example, Sunderland Royal Hospital, and its selection for the NHS Smart Solutions programme supports this belief. Now that the Group is properly funded and to be restored to trading on AIM, we look forward to reporting on further progress later in the year.

John Bateson, Chairman
Andrew Tonks, Managing Director
20 May, 2009

Condensed consolidated interim income statement

	Note	Six months to 31 December 2008 unaudited £'000	Six months to 31 December 2007 unaudited £'000	Year to 30 June 2008 audited £'000
Revenue		230	-	437
Cost of sales		(137)	(273)	(371)
Gross profit		93	(273)	66
Distribution costs		(2)	(22)	(10)
Administrative costs		(1,120)	(1,005)	(1,999)
Exceptional items		-	-	(4,708)
Operating loss		(1,029)	(1,300)	(6,651)
Finance revenue		10	38	50
Finance cost		-	-	-
Loss for the period for continuing operations		(1,019)	(1,262)	(6,601)
Loss on discontinued operations		(628)	(900)	(1,666)
Loss for the period		(1,647)	(2,162)	(8,267)
Tax on loss for period		17	17	223
Loss after tax for the period		(1,630)	(2,145)	(8,044)
Loss per share:				
Basic loss per share	4	(1.90)p	(2.83)p	(10.42)p
Diluted loss per share	4	(1.90)p	(2.83)p	(10.42)p

Condensed consolidated interim balance sheet

	31 December 2008 unaudited £'000	31 December 2007 unaudited £'000	30 June 2008 audited £'000
Note			
Assets			
Non-current assets			
Property, plant and equipment	141	763	148
Goodwill	1,115	5,823	1,115
Other intangible assets	837	955	896
	2,093	7,541	2,159
Current assets			
Inventories	559	634	614
Trade and other receivables	621	995	1,512
Other current assets	13	142	68
Cash and cash equivalents	369	829	281
	1,562	2,600	2,475
Total assets	3,655	10,141	4,634
Liabilities			
Current liabilities			
Trade and other payables	(622)	(822)	(605)
Other creditors and accruals	(589)	(479)	(647)
Deferred income	(227)	(461)	(711)
Short-term provisions	(439)	(364)	(464)
	(1,877)	(2,126)	(2,427)
Non-current liabilities			
Loans	(100)	(100)	(100)
Deferred tax liabilities	(231)	(264)	(248)
Long-term provisions	(696)	(533)	(614)
	(1,027)	(897)	(962)
Total liabilities	(2,904)	(3,023)	(3,389)
Net assets	751	7,118	1,245
Shareholders equity			
Share capital	3 859	784	787
Share premium account	1,956	902	906
Share based payments reserve	65	32	51
Capital redemption reserve	253	253	253
Merger reserve	3,250	3,250	3,250
Retained earnings	(5,632)	1,897	(4,002)
Total equity	751	7,118	1,245

Condensed consolidated interim statement of changes in equity

	Issued Share capital £'000	Share premium £'000	Share based payment reserve £'000	Capital redemption reserve £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
At 1 July 2008	787	906	51	253	3,250	(4,002)	1,245
Loss for the period	-	-	-	-	-	(1,630)	(1,630)
Issue of new shares	72	1,050	-	-	-	-	1,122
Share based payments	-	-	14	-	-	-	14
At 31 December 2008	859	1,956	65	253	3,250	(5,632)	751
At 1 July 2007	747	-	15	253	3,250	4,042	8,307
Loss for the period	-	-	-	-	-	(2,145)	(2,145)
Issue of new shares	37	902	-	-	-	-	939
Share based payments	-	-	17	-	-	-	17
At 31 December 2007	784	902	32	253	3,250	1,897	7,118
At 1 July 2007	747	-	15	253	3,250	4,042	8,307
Loss for the period	-	-	-	-	-	(8,044)	(8,044)
Issue of new shares	40	906	-	-	-	-	946
Share based payments	-	-	36	-	-	-	36
At 30 June 2008	787	906	51	253	3,250	(4,002)	1,245

Condensed consolidated interim cash flow statement

	Six months to 31 December 2008 unaudited £'000	Six months to 31 December 2007 unaudited £'000	Year to 30 June 2008 audited £'000
Cash flows from operating activities			
Loss for the period	(1,630)	(2,145)	(8,044)
Adjustments for:			
Depreciation	19	100	211
Impairment fixed assets	-	-	512
Amortisation	59	59	118
Impairment goodwill	-	-	4,708
Share based payments	14	17	36
Interest income	(10)	(38)	(50)
Interest expense	-	6	23
(Increase)/ decrease in trade and other receivables	932	(419)	(863)
Movement in provisions	57	(59)	127
(Increase)/ decrease in inventories	55	(263)	(242)
Increase/ (decrease) in trade and other payables	(525)	380	564
Net cash used in operating activities	(1,029)	(2,362)	(2,900)
Cash flows from investing activities			
Purchase of property, plant and equipment	(12)	(208)	(215)
Interest received	10	38	50
Net cash used in investing activities	(2)	(170)	(165)
Cash flows from financing activities			
Proceeds from issue of share capital	1,122	939	946
Interest paid	-	(6)	(23)
Capital element of finance lease	(3)	-	(5)
Net cash from financing activities	1,119	933	918
Net increase/(decrease) in cash and cash equivalents	88	(1,599)	(2,147)
Cash and cash equivalents at beginning of period	281	2,428	2,428
Cash and cash equivalents at end of period	369	829	281

Notes to the condensed consolidated interim financial statements

1 Nature of operations and general information

Mid-States PLC and subsidiaries' ('the Group') principal activities are in the area of environmental technology, focussing in particular on its innovative air disinfection products.

Mid-States PLC is the Group's ultimate parent company. It is incorporated and domiciled in England & Wales. Mid-States PLC's shares are listed on the AIM Market of the London Stock Exchange.

Mid-States PLC consolidated interim financial statements are presented in Pounds Sterling.

These consolidated condensed interim financial statements have been approved for issue by the Board of Directors on 19 May 2009.

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The Group's statutory financial statements for the year ended 30 June 2008, prepared under International Financial Reporting Standards (IFRS), have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain statements under Section 237(2) or Section 237(3) of the Companies Act 1985.

2 Basis of preparation

These interim condensed consolidated financial statements are for the six months ended 31 December 2008. They have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) as adopted by the European Union. This interim report is condensed with respect to IFRS requirements. As permitted, this interim report has been prepared in accordance with the AIM rules for companies and not in accordance with IAS 34 "Interim Financial Reporting".

These financial statements have been prepared under the historical cost convention. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed consolidated interim financial statements.

3 Share issue

During the period to 31 December 2008 6,970,000 shares were issued by means of a placing. Shares issued for the period to 31 December 2008 are summarised as follows:

	Six months ended 31 December 2008 unaudited		Six months ended 31 December 2008 unaudited		Year ended 30 June 2008 audited	
	Number	£'000	Number	£'000	Number	£'000
At 1 July	78,697,412	787	74,726,112	747	74,726,112	747
Shares issued:						
9 November 2007	-	-	3,736,300	37	3,736,300	37
Exercise of options 7 April 2008	-	-	-	-	200,000	2
Exercise of options 20 May 2008	-	-	-	-	35,000	1
3 July 2008	6,970,000	69	-	-	-	-
Exercise of options 15 September 2008	300,000	3	-	-	-	-
At period end	85,967,412	859	78,462,412	784	78,697,412	787

The share issue on 3 July 2008 yielded £1,115,200 in cash before associated fees.

Notes to the condensed consolidated interim financial statements

continued

4 Loss per share

The calculation of the basic loss per share is based on the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year. The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares and the post tax effect of dividends and/or interest, on the assumed conversion of all dilutive options and other dilutive potential ordinary shares.

	Six months to 31 December 2008 unaudited £'000	Six months to 31 December 2007 unaudited £'000	Year to 30 June 2008 audited £'000
Loss per share			
Loss for the period	(1,630)	(2,145)	(8,044)
Weighted average number of shares			
For the purposes of basic loss per share	85,726,920	75,773,097	77,164,060
For the purposes of diluted loss per share	85,726,920	75,773,097	77,164,060
Basic and diluted loss per share	(1.90)p	(2.83)p	(10.42)p