

MID-STATES PLC

Unaudited Results for the Six Months ended 31 December 2007

Mid-States PLC ("Mid-States", the "Company" or the "Group"), a leading environmental technology group, is pleased today to report on its unaudited results for the six months ended 31 December 2007.

Chairman and Managing Director's Report

Introduction

We are pleased to be reporting on the progress made in Mid-States since the issue of the Group's Annual Report in November 2007.

At that time, we noted the significant achievements with our new, ground breaking air disinfection product, the AD from our subsidiary, Inov8 Science. The AD clears enclosed spaces of airborne bacteria and viruses by reproduction of the same natural disinfection effect that occurs in fresh air outdoors.

We also reported on the developments in Inov8 Technologies which, as well as manufacturing the AD, is a global leader in fuel injection testing equipment and related technologies. This equipment and know-how is used to reduce emissions, a key and developing requirement in the automotive industry.

Business Update

Since we last reported to you, interest in the AD has gathered momentum.

Sunderland Royal Infirmary took delivery of their first order of the AD in January. Following the use of the AD in Sunderland Royal, it has placed orders for, and has taken delivery of further ADs, bringing to 32 the number they have in operation. Sunderland Royal is using the AD as part of their infection control strategy and in the fight against air borne superbugs, including the drug resistant strains of organisms such as MRSA, C. difficile and E.coli. Sunderland Royal's acceptance of the AD as an important part of combating hospital acquired infections has validated the commercial use of the device in the healthcare market. It is also of assistance in our current discussions with a number of other UK hospitals who are considering the purchase of the AD. We anticipate orders from several hospitals in the near term.

Although our initial focus for the AD has been on penetrating the UK Healthcare market, we have already started to receive interest from elsewhere. Deliveries have been made to an Irish based company that supplies the healthcare market in Ireland. We are also working ourselves to establish the product in the hospital marketplace in Ireland by engaging in discussions at the appropriate levels in this sector. In addition, we have received our first orders for the use of the AD in the office environment to reduce the risk of transmission of common infections amongst work colleagues. We view the office market as an increasingly important area as the market for the AD develops.

Whilst the Company and the AD have passed several milestones over the past months, our current efforts are centred on ensuring that the benefits of this unique technology reach as many people as quickly as possible. To this end, our selection of and negotiations with our first strategic distribution partners have been well advanced. The agreements ultimately entered into with them will be important both to achieving our strategic aims and to the future financial success of the Company. We expect such agreements to include significant orders being placed at the time of their conclusion. We will announce details of these agreements as soon as they are concluded.

In the fuel injection testing business, £1.1 million of orders were received in December and the closing order book at 31 December 2007 totalled £1.6 million. These successes were achieved against relatively low levels of activity in the automotive fuel injection testing market generally. We believe they are the result of our market leading products and technologies in this area. The Group is well placed to take advantage of growth generated by the tightening of emissions regulations in the EU and US and from the expansion of the Chinese and Japanese markets.

Chairman and Managing Director's Report

continued

Financial Review

This is the first reporting period under International Financial Reporting Standards (IFRS). Whilst the adoption of IFRS has an impact on the financial statements reported it is important to note the transition to IFRS has no impact on the underlying performance or cash flows of the Group. A Summary of the financial information contained later in this announcement is shown below.

	Six months to 31 December 2007 £'000	Six months to 31 December 2006 £'000	Year to 30 June 2007 £'000
Sales revenue	1,821	1,319	4,062
Loss before tax	(2,145)	(938)	(2,841)
Cash and cash equivalents	829	3,344	2,428
Loss per share – basic and diluted	(2.83)p	(1.49)p	(4.13)p

Please note that these comparatives include the results of Inov8 Technologies Limited only from the date of acquisition, 5 October 2006.

In the six months ended 31 December 2007, the Group achieved revenues of £1.8 million (2006: £1.3 million) and an operating loss of £2.2 million (2006: £1.1 million). £1.3 million of the operating loss was attributable to the ongoing development of the AD business as we continued with the initial marketing and product development and brought the AD devices into production. The loss per share was 2.83 pence (2006: 1.49 pence).

Net cash outflow for the six months ended 31 December 2007 was £1.6 million (2006: £4.3 million) and this included the net funds of £0.9 million raised from the placing of shares in November 2007. Operating cash outflow for the first half was £2.4 million (2006: £1.3 million). At 31 December 2007, the Group had net cash balances of £0.8 million (2006: £3.3 million). [The annual renewal of the Group's borrowing facilities with HSBC was completed in March.

Outlook

In the context of the recent achievements and ongoing developments, we remain excited at the opportunities for the AD. We will be continuing to develop and capitalise on the significant market potential for the AD in reducing high profile health concerns. Once a firm foothold has been established in the UK, we shall look to sell the AD more widely in Europe, the US and other markets around the world.

We are seeing signs of increasing activity in the automotive industry. Nevertheless, performance in the automotive market during the remainder of 2008 will dependent on when further investment is made by tier one suppliers.

With further AD orders being received, expected continuing growth of the order book, and the recent performance of the automotive fuel injection testing business, we look forward to strong performance of the Group. The current financial year is one of development and we expect its results to reflect this. Taking the time that we are to achieve the right strategic partnerships for the Company will be key to its long term success, The key target now is to capitalise on the hard work done to date to gain further penetration of the market with the AD and to continue to build its momentum from the recent successes.

We look forward to reporting further on sales of the AD and on the Group's performance generally.

David J. Plucinsky, Chairman
Michael E. Heath, Managing Director
31st March, 2008

Condensed consolidated interim income statement

	Note	Six months to 31 December 2007 unaudited £'000	Six months to 31 December 2006 unaudited £'000	Year to 30 June 2007 unaudited £'000
Revenue		1,821	1,319	4,062
Cost of sales		(1,721)	(887)	(2,649)
Gross profit		100	432	1,413
Distribution costs		(178)	(45)	(57)
Administrative costs		(2,099)	(1,444)	(4,385)
Operating loss		(2,177)	(1,057)	(3,029)
Finance revenue		38	141	224
Finance cost		(6)	(22)	(36)
Loss for the period	6	(2,145)	(938)	(2,841)
Loss per share:				
Basic loss per share	4	(2.83)p	(1.49)p	(4.13)p
Diluted loss per share	4	(2.83)p	(1.49)p	(4.13)p

Condensed consolidated interim balance sheet

	Note	31 December 2007 unaudited £'000	31 December 2006 unaudited £'000	30 June 2007 unaudited £'000
Assets				
Non-current assets				
Property, plant and equipment		763	471	656
Goodwill		5,823	5,823	5,823
Other intangible assets	5	955	975	1,014
		7,541	7,269	7,493
Current assets				
Inventories		634	736	371
Trade and other receivables		995	2,177	594
Other current assets		142	387	123
Cash and cash equivalents		829	3,344	2,428
		2,600	6,644	3,516
Total assets		10,141	13,913	11,009
Liabilities				
Current liabilities				
Trade and other payables		(822)	(987)	(724)
Other creditors and accruals		(479)	(385)	(303)
Deferred income		(461)	(972)	(333)
Short-term provisions		(364)	(242)	(320)
		(2,126)	(2,586)	(1,680)
Non-current liabilities				
Loans		(100)	(100)	(100)
Deferred tax liabilities		(264)	(273)	(281)
Long-term provisions		(533)	(757)	(636)
Other liabilities		-	-	(5)
		(897)	(1,130)	(1,022)
Total liabilities		(3,023)	(3,716)	(2,702)
Net assets	6	7,118	10,197	8,307
Equity				
Equity attributable to equity holders of the parent				
Share capital	3	784	747	747
Share premium account		902	-	-
Capital redemption reserve		253	253	253
Merger reserve		3,250	3,250	3,250
Retained earnings		1,929	5,947	4,057
Total equity	6	7,118	10,197	8,307

Condensed consolidated interim statement of changes in equity

	Issued share capital unaudited £'000	Share premium unaudited £'000	Capital redemption reserve unaudited £'000	Merger reserve unaudited £'000	Retained earnings unaudited £'000	Total equity unaudited £'000
At 1 July 2007	747	-	253	3,250	4,057	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	253	3,250	1,929	7,118
At 1 July 2006	523	-	253	-	6,883	7,659
Loss for the period	-	-	-	-	(938)	(938)
Issue of new shares	224	-	-	3,250	-	3,474
Share based payments	-	-	-	-	2	2
At 31 December 2006	747	-	253	3,250	5,947	10,197
At 1 July 2006	523	-	253	-	6,883	7,659
Loss for the period	-	-	-	-	(2,841)	(2,841)
Issue of new shares	224	-	-	3,250	-	3,474
Share based payments	-	-	-	-	15	15
At 30 June 2007	747	-	253	3,250	4,057	8,307

Condensed consolidated interim cash flow statement

	Six months to 31 December 2007 unaudited £'000	Six months to 31 December 2006 unaudited £'000	Year to 30 June 2007 unaudited £'000
Cash flows from operating activities			
Loss for the period	(2,145)	(938)	(2,841)
Adjustments for:			
Depreciation	100	32	127
Amortisation	59	25	78
Share based payments	17	2	15
Interest income	(38)	(141)	(224)
Interest expense	6	22	36
(Increase)/ decrease in trade and other receivables	(420)	(1,070)	676
Movement in provisions	(59)	51	(191)
(Increase)/ decrease in inventories	(263)	19	385
Increase/ (decrease) in trade and other payables	380	726	(351)
Net cash used in operating activities	(2,362)	(1,272)	(2,290)
Cash flows from investing activities			
Purchase of property, plant and equipment	(208)	(42)	(321)
Development expenditure capitalised	-	-	(92)
Interest received	38	141	224
Acquisition of subsidiary net of cash	-	(1,222)	(811)
Net cash used in investing activities	(170)	(1,123)	(1,000)
Cash flows from financing activities			
Proceeds from issue of share capital	939	-	-
Repayment of borrowings	-	(1,908)	(1,908)
Interest paid	(6)	(22)	(36)
Capital element of finance lease	-	-	(7)
Net cash from/ (used in) financing activities	933	(1,930)	(1,951)
Net decrease in cash and cash equivalents	(1,599)	(4,325)	(5,241)
Cash and cash equivalents at beginning of period	2,428	7,669	7,669
Cash and cash equivalents at end of period	829	3,344	2,428

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 cleaner air through its innovative air disinfection and fuel injection products.

Mid-States PLC is the Group's ultimate parent company. It is incorporated and domiciled in Great Britain. Mid-States PLC's shares are listed on the Alternative Investment 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 28 March 2008.

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 2007, prepared under UK GAAP, 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 2007. They have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) as adopted by the European Union and expected to apply at 30 June 2008. This Interim report is condensed with respect to IFRS requirements. As permitted, this interim report has been prepared in accordance with AIM rules for companies and not in accordance with IAS 34 "Interim Financial Reporting".

This interim report reflects the first time adoption by the group of IFRS and comparatives have been restated accordingly, as shown in note 6.

The introduction of IFRS has no impact on Group cash flows.

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 2007 3,736,000 shares were issued by means of a placing. Shares issued and authorised for the period to 31 December 2007 may be summarised as follows:

	Six months ended 31 December 2007 unaudited		Six months ended 31 December 2006 unaudited		Year ended 30 June 2007 unaudited	
	Number	£'000	Number	£'000	Number	£'000
At 1 July	74,726,112	747	52,315,751	523	52,315,751	523
Shares issued:						
5 October 2006	-	-	22,410,361	224	22,410,361	224
9 November 2007	3,736,300	37	-	-	-	-
At period end	78,462,412	784	74,726,112	747	74,726,112	747

The share issue on 9 November 2007 yielded £939,460 in cash after associated fees. The weighted average share price at the date of exercise was 26 pence.

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 2007 unaudited £'000	Six months to 31 December 2006 unaudited £'000	Year to 30 June 2007 unaudited £'000
Loss per share			
Loss for the period	(2,145)	(938)	(2,841)
Weighted average number of shares			
For the purposes of basic loss per share	75,773,097	62,905,262	68,799,405
Share options	2,275,000	2,100,000	2,275,000
For the purposes of diluted loss per share	78,048,097	65,005,262	71,074,405
Basic and diluted loss per share	(2.83)p	(1.49)p	(4.13)p

5 Intangible assets

The following tables show the significant additions to intangible assets.

	AD Technology intellectual property unaudited £'000	AD Development costs unaudited £'000	Total unaudited £'000
Carrying amount at 1 July 2007	925	89	1,014
Additions	-	-	-
Amortisation	(50)	(9)	(59)
Carrying amount at 31 December 2007	875	80	955
Carrying amount at 1 July 2006	-	-	-
Additions	1,000	-	1,000
Amortisation	(25)	-	(25)
Carrying amount at 31 December 2006	975	-	975
Carrying amount at 1 July 2006	-	-	-
Additions	1,000	92	1,092
Amortisation	(75)	(3)	(78)
Carrying amount at 30 June 2007	925	89	1,014

Notes to the condensed consolidated interim financial statements

Continued

6 Explanation of transition to IFRS

As stated in the Basis of Preparation, these are the Group's first condensed consolidated interim financial statements for part of the period covered by the first IFRS annual consolidated financial statements prepared in accordance with IFRS.

Set out below is a summary of the accounting adjustments required under the new statements. Full reconciliations will be presented in the notes to the financial statements for the year ended 30 June 2008.

Reconciliation of loss

	Six months ended 31 December 2006 unaudited £'000	Year ended 30 June 2007 unaudited £'000
Loss for the financial year under UK GAAP	(992)	(3,041)
Share based payments, recognition of liability*	(2)	(15)
IFRS 3 - Business combinations, write back amortisation of goodwill charged to income	74	245
IAS 38 - Capitalisation of development costs	-	92
IAS 38 - Amortisation of intellectual property	(25)	(75)
IAS 38 - Amortisation of development costs	-	(3)
IAS 19 - Employee benefits, accrued holiday pay	-	(43)
IAS 12 - Deferred taxation, intellectual property	7	21
IAS 2 - Deferred taxation, development costs	-	(22)
Loss for the year as reported under IFRS	(938)	(2,841)

* Share based payments were not previously charged under UK GAAP due to materiality.

Notes to the condensed consolidated interim financial statements

continued

6 Explanation of transition to IFRS (continued)

Reconciliation of equity six months ended 31 December 2006

	Note	UK GAAP 31 December 2006 unaudited £'000	Fair value adjustment and re- classification unaudited £'000	IFRS adjustments unaudited £'000	IFRS 31 December 2006 unaudited £'000
Assets					
Non-current assets					
Property, plant and equipment		471	-	-	471
Goodwill	i,ii,iii,vi	5,858	611	(646)	5,823
Intellectual property	iii,v	-	-	975	975
		6,329	611	329	7,269
Current assets					
Inventories		736	-	-	736
Trade and other receivables		2,177	-	-	2,177
Other current assets		387	-	-	387
Cash and cash equivalents		3,344	-	-	3,344
		6,644	-	-	6,644
Total assets		12,973	611	329	13,913
Liabilities					
Current liabilities					
Trade and other payables		(987)	-	-	(987)
Other creditors and accruals		(383)	(2)	-	(385)
Deferred income		(972)	-	-	(972)
Short-term provisions	i	-	(242)	-	(242)
		(2,342)	(244)	-	(2,586)
Non-current liabilities					
Loans		(100)	-	-	(100)
Deferred tax liabilities	vii	-	-	(273)	(273)
Long-term provisions	i	(390)	(367)	-	(757)
		(490)	(367)	(273)	(1,130)
Total liabilities		(2,832)	(611)	(273)	(3,716)
Net assets		10,141	-	56	10,197
Equity					
Equity attributable to equity holders of the parent					
Share capital		747	-	-	747
Capital redemption reserve		253	-	-	253
Merger reserve		3,250	-	-	3,250
Retained earnings	ii,v,vii,viii	5,891	-	56	5,947
Total equity		10,141	-	56	10,197

Notes to the condensed consolidated interim financial statements

continued

6 Explanation of transition to IFRS (continued)

Reconciliation of equity six months ended 31 December 2006

Note	IFRS conversion effects comprise:	Net assets unaudited £'000	Shareholders equity unaudited £'000
i	Fair value adjustment and reclassification of provisions between short term and long term*	-	-
ii	IFRS 3 – Write back of goodwill amortisation	74	74
iii	IFRS 3 – Identification of intellectual property within Goodwill	1,000	-
iv	IFRS 3 – Identification of intellectual property within Goodwill	(1,000)	-
v	IAS 38 – Amortisation of intellectual property	(25)	(25)
vi	IAS 12 – Deferred tax, intellectual property	280	-
vii	IAS 12 – Deferred tax liability, intellectual property	(273)	7
viii	IFRS 2 – Share based payments	-	-
	Net movement	56	56

* The fair value adjustment of £609,000 was made to provide for an onerous lease on a vacant property acquired with Inov8 Technologies Limited and a further adjustment of £2,000 related to additional deal costs.

Notes to the condensed consolidated interim financial statements

continued

6 Explanation of transition to IFRS (continued)

Reconciliation of equity year ended 30 June 2007

	Note	UK GAAP 30 June 2007 unaudited £'000	Re- classification unaudited £'000	IFRS adjustments unaudited £'000	IFRS 30 June 2007 unaudited £'000
Assets					
Non-current assets					
Property, plant and equipment		656	-	-	656
Goodwill	ii,iv,vii	6,298	-	(475)	5,823
Intangible assets:					
Intellectual property	iii,v	-	-	925	925
Development costs	vi	-	-	89	89
		6,954	-	539	7,493
Current assets					
Inventories		371	-	-	371
Trade and other receivables		717	-	-	717
Cash and cash equivalents		2,428	-	-	2,428
		3,516	-	-	3,516
Total assets		10,470	-	539	11,009
Liabilities					
Current liabilities					
Trade and other payables	xi	(1,317)	636	(43)	(724)
Other creditors and accruals		-	(333)	-	(333)
Deferred income		-	(303)	-	(303)
Short-term provisions	i	-	(320)	-	(320)
		(1,317)	(320)	(43)	(1,680)
Non-current liabilities					
Loans		(105)	5	-	(100)
Deferred tax liabilities	viii,ix	-	-	(281)	(281)
Long-term provisions	i	(956)	320	-	(636)
Other liabilities		-	(5)	-	(5)
		(1,061)	320	(281)	(1,022)
Total liabilities		(2,378)	-	(324)	(2,702)
Net assets		8,092	-	215	8,307
Equity					
Equity attributable to equity					
Share capital		747	-	-	747
Capital redemption reserve		253	-	-	253
Merger reserve		3,250	-	-	3,250
Retained earnings	ii,v,vi,viii,ix,x,xi	3,842	-	215	4,057
Total equity		8,092	-	215	8,307

Notes to the condensed consolidated interim financial statements

continued

6 Explanation of transition to IFRS (continued)

Reconciliation of equity year ended 30 June 2007

Note	IFRS conversion effects comprise:	Net assets unaudited £'000	Shareholders equity unaudited £'000
i	Reclassification of provisions between short term and long term	-	-
ii	IFRS 3 – Write back of goodwill amortisation	245	245
iii	IFRS 3 – Identification of intellectual property with Goodwill	1,000	-
iv	IFRS 3 – Identification of intellectual property within Goodwill	(1,000)	-
v	IAS 38 – Amortisation of intellectual property	(75)	(75)
vi	IAS 38 – Capitalisation of development costs net of amortisation	89	89
vii	IAS 12 – Deferred tax, intellectual property	280	-
viii	IAS 12 – Deferred tax, development costs net of release to income statement	(22)	(22)
ix	IAS 12 – Deferred tax liability, intellectual property net of release to income statement	(259)	21
x	IFRS 2 – Share based payments	-	-
xi	IAS 19 – Employee benefits, holiday accrual	(43)	(43)
	Net movement	215	215

Reconciliation of equity at date of transition

There are no IFRS adjustments to the balance sheet at 1 June 2006.