



PRESS RELEASE

1 May 2009

Mid-States PLC
("Mid-States" or the "Company")

Announcement of Audited Preliminary Results for the Financial Year Ended 30 June 2008

Mid-States PLC, a leading environmental technology group today reports its audited preliminary results for the year ended 30 June 2008.

Summary

- Acceptance of groundbreaking air disinfection device, the AD, into the NHS Smart Solutions programme
- AD already successfully operating in hospitals and offices
- AD proven effective in killing airborne pathogens
- £3 million raised through placing 31 March 2009
- Turnover for year was £4.9 million

Andrew Tonks, Managing Director of Mid-States commented:

"2008 has represented a milestone year in the development and launch of the AD, our groundbreaking air disinfection device. We now have units successfully operating in NHS hospitals and offices. The AD has demonstrated its effectiveness in the fight against superbugs and infections that impact our everyday lives. It has also been accepted into the NHS Smart Solutions Programme. We continue to have a unique offering in this significant and developing market, and expect to be able to announce further progress now that the Company is well funded"

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CHAIRMAN'S AND MANAGING DIRECTOR'S STATEMENT

This is the first Annual Report of Mid-States since our appointment respectively as Chairman and Managing Director. We report to you on the significant developments in the Company and its subsidiaries (the "Group") during and since the financial year ended 30 June 2008, and what we believe to be its promising prospects for the future.

Background

As most shareholders will know, the Group owns intellectual property relating to atmospheric chemistry and specifically 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 Group's groundbreaking air disinfection device, the AD.

The current AD product has a proven and scientifically established 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 shortly.

Whilst 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.

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 is already working with its business partners toward this, including a focused effort to further develop successful UK hospital distribution arrangements with Sunlight Service Group Limited (a Davis Group company, and the UK's leading provider of support services to the NHS). 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.

The basis of this marketing strategy will be the development of a rental model for the AD supported by a clearly focused sales and public relations effort. Whilst the AD is a unique and potentially global product, we cannot assume 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 will be made in 2009 to drive the sales, marketing and product development plans.

The sales and marketing plans are focused on:

- Demonstrating the importance of the underlying science to decision makers and influencers.
- Demonstrating the efficacy of the AD in significantly reducing the incidence of healthcare acquired infections, thus improving the availability of hospital beds as well as saving lives.
- Demonstrating the compelling financial benefits of deploying the AD in the healthcare environment.

New Products

The Company has designed a series of new products around the air disinfection technology used within the AD. These products are in the late stage of development and include an automatic air quality sampler, a hand disinfection device and a water disinfection device. These new products are mainly aimed at the healthcare and commercial/industrial markets.

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 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.

Board Changes

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. Javier Segura was also appointed as the Chief Executive Officer of the Group's operating subsidiaries on completion of the Placing.

Esteban Monegal held several executive positions in his thirty years at Enterprise Myrurgia, a cosmetics company, including the position of CEO of the Myrurgia Group. In 2000 he sold that group and since then has built Esmo Empresarial S.L., an investment company with interests in the industrial, financial, real estate and international consultancy sectors.

Javier Segura has spent much of his career at Pirelli Telecom Cables & Systems Spa, being CEO of Europe, Middle East, India and Africa until 2004. He is Managing Director of MMSR Associates S.L., which dedicates its activity to international consultancy services in various sectors.

In August 2008, Glenn Cooper was appointed a non-executive Director of the Company. Prior to joining Mid-States, Glenn held senior positions within a number of groups including Henry Ansbacher & Co and Altium Capital and is the former Chairman of Zeus Capital. He has also previously served as a Director of listed companies in the U.K. and U.S.A.

We would like to welcome them all to the Board.

In view of his recent move to the United States, David Plucinsky resigned as Chairman and as a Director of the Company on completion of the Placing. The Board would like to thank David for his services to the Company over many years and wishes him well for the future.

During 2008, Mike Heath, the Group's former Managing Director, and Paul Dumond and Christopher Mills, formerly non-executive directors of the Company, stepped down from the Board. The Board would also like to thank these former Directors for their services to the Company, in the cases of Christopher and Paul over many years, and wishes them all well for the future. The Board also recognises the significant contribution to the company of Bill Eberle who retired as a non-executive Director in 2007 and sadly passed away in 2008.

Former Engineering Division

During the latter part of 2008, the Group's engineering division, which supplied specialised metering equipment for the global automotive market, experienced the increasingly severe pressures in that industry. The Board investigated a number of alternative courses of action to limit any further losses from that division. Regrettably, in the current economic climate, it proved necessary to place the Group subsidiary, Inov8 Technologies Limited, through which this 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.

Results for the Financial Year Ended 30 June 2008

Revenue for the financial year to 30 June 2008 was £4.9 million (2007: £4.1 million). The loss for the year before tax and exceptional items was £4.5 million, and after exceptional items was £8.0 million (2007: £2.8 million). At 30 June 2008 the cash at bank was £0.3 million (2007: £2.4 million), and shareholders' funds were £1.2 million (2007: £8.3 million).

As mentioned previously, subsequent to the balance sheet date, in March 2009, the Company completed a placing as a result of which cash held by the Group at 31 March 2009 was £2.7 million.

The Directors do not recommend payment of a dividend for the year ended 30 June 2008 (2007 £nil).

The Financial Review provides further details of the results for the year.

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 on publication of the Company's interim accounts for the period ended 31 December 2008 in mid-May 2009.

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. We look forward to reporting on progress later in the year.

John Bateson
Chairman

Andrew Tonks
Managing Director

FINANCIAL REVIEW

First time adoption of International Financial Reporting Standards

As an AIM-quoted group, the Group is required to prepare its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU for accounting periods commencing on or after 1 January 2007. This is the Group's first Annual Report and financial statements prepared in accordance with IFRS.

The results for the year to 30 June 2008 are prepared in accordance with the accounting policies discussed in the full statutory accounts on pages 21 to 27. This also applies to the comparative figures for the period ended 30 June 2007 and the opening balance sheet of 1 July 2006, as changes became effective as of that date, which is referred to as the transition date.

Accounts in the opening balance sheet of 1 July 2006 have been restated in accordance with IFRS as they were previously reported in accordance with UK GAAP (Generally Accepted Accounting Principles). The effects of the restatements from UK GAAP to IFRS on the financial statements of the Group are shown in note 28 to the accounts. However, it is important to note that the introduction of IFRS has no material impact on Group cash flows.

Revenue

Revenue for the year totalled £4.9 million (2007: £4.1 million). The prior year comparative results are for the 9 months trading since the acquisition of Inov8 Technologies Limited on 6 October 2006. Sales of the AD and the AD consumable commenced in January 2008, which brought in revenue for the Group of £437,000.

	2008	2007
	£'000	£'000
Engineering	4,439	4,062
AD	437	-
	4,876	4,062

The geographical analysis of revenue is:

	2008	2007
	£'000	£'000
United Kingdom	1,949	1,403
Other EU	1,776	713
Rest of World	1,151	1,946
	4,876	4,062

Gross profit

The gross profit for 2008 showed an improvement of 36% from £1.4 million, for nine months in 2007, to £1.9 million for 12 months in 2008.

Operating costs

Operating costs for 2008 compared with the nine month comparatives of 2007:

	2008 £'000	2007 £'000
Staff costs	2,686	2,335
Other operating costs	2,004	1,895
Depreciation	321	211
Exceptional items	5,220	-
	10,231	4,441

Operating loss

The operating loss after the exceptional items detailed below and tax was £8.0 million (2007: £2.8 million loss).

Exceptional items

As required under IAS 38 the Group has undertaken an impairment review of the goodwill and written down the carrying value by £4,708,000. Further details of this review can be found in note 7 to the preliminary results announcement.

Following the action to place the engineering division into administration in January 2009 an impairment provision of £512,000 has been made in relation to the Fixed Assets used by this division.

Interest

Cash outflow for the year was £2.1 million, taking cash deposits from £2.4 million to £0.3 million; consequently the group has earned less interest this financial year.

	2008 £'000	2007 £'000
Interest received	50	224
Interest paid	(23)	(36)
	27	188

Taxation

As a result of brought forward losses and the operating loss in the year in Inov8 Technologies Limited the Group's tax charge for the year ended 30 June 2008 was £nil (30 June 2007: £nil).

The Group received an R&D tax credit of £190,000 this financial year (2007: £nil).

Loss per share

The basic and diluted loss per share was 10.42 pence (2007: 4.13 pence)

Capital expenditure

The group has spent £215,000 (2007: £321,000) on items of a capital nature, £115,000 related to the Air Disinfection business and £100,000 related to items for the engineering business.

Cash flow and net cash

The total cash outflow for the year ended 30 June 2008 was £2.1 million (2007: £5.2 million) and included in this figure was the proceeds from a share issue of £946,000.

The Group's cash balances were £0.3 million at 30 June 2008 (2007: £2.4 million). The lower cash balances reduced interest receivable to £50,000 (2007: £224,000).

Key performance indicators

The Group considers the key performance indicators as the growth of AD devices and AD consumable sales, in net current assets and cash balances.

	2008 £'000	2007 £'000
Air Disinfection Revenue	437	-
Net current assets	48	1,836
Cash at bank and in hand	281	2,428

The Group's overall performance and reducing cash balance reflects the continued investment in establishing the AD and a poor performance in the automotive testing business.

Research and development costs

The loss for the year ended 30 June 2008 included a charge of £0.7 million (2007: £1.8 million) for research and development costs.

£0.6 million (2007: £1.4 million) of this expenditure related to the development of the air disinfection technology following the acquisition in October 2006 and the launch of the AD in June 2007. The balance of the expenditure related to ongoing research and development in the automotive fuel injection testing business.

Consolidated Income Statement for the year ended 30 June 2008

	Note	Year to 30 June 2008 £'000	Year to 30 June 2007 £'000
Revenue	3	4,876	4,062
Cost of sales		(2,939)	(2,649)
Gross profit		1,937	1,413
Distribution costs		(35)	(57)
Administrative costs		(4,976)	(4,384)
Exceptional items		(5,220)	-
Operating loss	4	(8,294)	(3,028)
Finance revenue		50	224
Finance cost		(23)	(36)
Loss for the period before taxation		(8,267)	(2,840)
Taxation	6	223	(1)
Loss for the period after taxation		(8,044)	(2,841)
Loss per share:			
Basic loss per share	5	(10.42)p	(4.13)p
Diluted loss per share	5	(10.42)p	(4.13)p

Consolidated balance sheet at 30 June 2008

	Note	30 June 2008 £'000	30 June 2007 £'000
Assets			
Non-current assets			
Property, plant and equipment	8	148	656
Goodwill	7	1,115	5,823
Other intangible assets	7	896	1,014
		2,159	7,493
Current assets			
Inventories	9	614	371
Trade receivables	10	1,512	475
Other current assets	11	68	242
Cash and cash equivalents		281	2,428
		2,475	3,516
Total assets		4,634	11,009
Liabilities			
Current liabilities			
Trade payables and other current liabilities	12	(1,993)	(1,360)
Short-term provisions		(464)	(320)
		(2,427)	(1,680)
Non-current liabilities			
Loans		(100)	(100)
Deferred tax liabilities		(248)	(281)
Long-term provisions		(614)	(636)
Other liabilities		-	(5)
		(962)	(1,022)
Total liabilities		(3,389)	(2,702)
Net assets		1,245	8,307
Equity			
Share capital	14	787	747
Share premium account		906	-
Share based payments reserve		51	15
Capital redemption reserve		253	253
Merger reserve		3,250	3,250
Retained earnings		(4,002)	4,042
Total equity		1,245	8,307

Consolidated statement of changes in equity at 30 June 2008

	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 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	-	15	253	3,250	4,042	8,307
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

The loss for the period is the same as the total income and expense for the period.

Consolidated cash flow statement for the year ended 30 June 2008

	Year to 30 June 2008 £'000	Year to 30 June 2007 £'000
Cash flows from operating activities		
Loss for the period	(8,044)	(2,841)
Adjustments for:		
Depreciation	211	127
Impairment fixed assets	512	-
Amortisation	118	78
Impairment goodwill	4,708	-
Share based payments	36	15
Interest income	(50)	(224)
Interest expense	23	36
(Increase)/ decrease in trade and other receivables	(863)	676
Movement in provisions	127	(191)
(Increase)/ decrease in inventories	(242)	385
Increase/ (decrease) in trade and other payables	564	(351)
Net cash used in operating activities	(2,900)	(2,290)
Cash flows from investing activities		
Purchase of property, plant and equipment	(215)	(321)
Development expenditure capitalised	-	(92)
Interest received	50	224
Acquisition of subsidiary net of cash	-	(811)
Net cash used in investing activities	(165)	(1,000)
Cash flows from financing activities		
Proceeds from issue of share capital	946	-
Repayment of borrowings	-	(1,908)
Interest paid	(23)	(36)
Capital element of finance lease	(5)	(7)
Net cash from/ (used in) financing activities	918	(1,951)
Net decrease in cash and cash equivalents	(2,147)	(5,241)
Cash and cash equivalents at beginning of period	2,428	7,669
Cash and cash equivalents at end of period	281	2,428

Notes to the Preliminary Results Announcement

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 technology.

Mid-States PLC consolidated financial statements are presented in Pounds Sterling (£), which is also the functional currency of the parent company.

2 ACCOUNTING POLICIES

Basis of preparation

The financial information contained within this preliminary report has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) as adopted by the EU and applying at 30 June 2008. The information in this preliminary statement has been extracted from the audited financial statements for the year ended 30 June 2008 and as such, does not contain all the information required to be disclosed in the financial statements prepared in accordance with the International Financial Reporting Standards.

This preliminary report is extracted from the Group's Annual Report, which has adopted IFRS for the first time and comparatives have been restated accordingly.

The figures for the year ended 30 June 2008 and 2007 do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

The introduction of IFRS has had no impact upon the Group cash flows. The date of transition to IFRS by the Group was 1 July 2006.

3 SEGMENTAL ANALYSIS

Year ended 30 June 2008

	Engineering £'000	Air Disinfection £'000	Eliminations and unallocated £'000	Total £'000
Revenue	4,439	437	-	4,876
Operating loss	(1,132)	(6,878)	(284)	(8,294)
Finance (costs)	(23)	-	-	(23)
Finance income	1	-	49	50
Loss before tax	(1,154)	(6,878)	(235)	(8,267)
Tax	34	189	-	223
Loss after tax	(1,120)	(6,689)	(235)	(8,044)

Year ended 30 June 2008

	Engineering £'000	Air Disinfection £'000	Eliminations and unallocated £'000	Total £'000
Assets	1,295	3,492	71	4,858
Liabilities	(2,672)	(492)	(449)	(3,613)
Total net assets	(1,377)	3,000	(378)	1,245
Capital expenditure property, plant and equipment	100	115	-	215
Depreciation	186	25	-	211
Amortisation	-	118	-	118
Impairment	512	-	-	512

Year ended 30 June 2007

	Engineering £'000	Air Disinfection £'000	Eliminations and unallocated £'000	Total £'000
Revenue	4,062	-	-	4,062
Operating loss	(1,253)	(1,376)	(399)	(3,028)
Finance (costs)	(36)	-	-	(36)
Finance income	8	-	216	224
Loss before tax	(1,281)	(1,376)	(183)	(2,840)
Tax	-	(1)	-	(1)-
Loss after tax	(1,281)	(1,377)	(183)	(2,841)

Year ended 30 June 2007

	Engineering £'000	Air Disinfection £'000	Eliminations and unallocated £'000	Total £'000
Assets	2,130	6,892	1,987	11,009
Liabilities	(1,862)	(618)	(222)	(2,702)
Total net assets	268	6,274	1,765	8,307
Capital expenditure property, plant and equipment	268	53	-	321
Depreciation	115	-	-	115
Amortisation	-	78	-	78

Geographical analysis

Revenue, operating loss and net assets originate in the United Kingdom.

The geographical analysis of revenue by destination is as follows:

	30 June 2008 £'000	30 June 2007 £'000
United Kingdom	1,949	1,403
Other EU	1,776	713
Rest of World	1,151	1,946
	4,876	4,062

4 OPERATING LOSS

The operating loss is stated after charging:

	30 June 2008 £'000	30 June 2007 £'000
Depreciation and amortisation on owned assets:		
- intangible assets	18	3
- tangible assets	211	127
Impairment charges	5,220	-
Operating lease rentals - land and buildings	289	196
Research and development costs - engineering	225	436
Research and development costs - air disinfection	535	1,377
Staff costs	2,716	2,125
Fees payable to the Company's auditor for the audit of the Company's annual accounts	12	8
Fees payable to the Company's auditor for other services:		
- audit of the Company's subsidiaries	22	20
- other services	-	17
- taxation fees	5	5

5 LOSS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following information:

Loss	30 June 2008 £'000	30 June 2007 £'000
Loss for the purposes of basic earnings per share being the net loss attributable to equity holders of the parent	(8,044)	(2,841)
Loss for the purposes of diluted earnings per share being the net loss attributable to equity holders of the parent	(8,044)	(2,841)

Number of shares	30 June 2008 £'000	30 June 2007 £'000
Weighted average number of ordinary shares for the purpose of basic loss per share	77,164,060	68,799,405
Weighted average number of ordinary shares for the purpose of diluted loss per share	77,164,060	68,799,405

Loss per share	30 June 2008 £'000	30 June 2007 £'000
Basic loss per share	(10.42)p	(4.13)p
Diluted loss per share	(10.42)p	(4.13)p

6 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	30 June 2008 £'000	30 June 2007 £'000
Current tax	(190)	-
Deferred tax	(33)	1
Tax on (loss) / profit on ordinary activities	(223)	1

The differences between the total current tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

Loss on ordinary activities before tax	(8,267)	(2,840)
Tax on loss on ordinary activities at 29.5% (2007: 30%)	(2,439)	(852)
Factors affecting charge for the year:		
- Permanent timing differences	1,518	(170)
- Deferred tax unprovided	115	50
- Tax losses for which no deferred tax asset is recognised	773	973
- Prior year adjustments	(190)	-
Tax charge in the period	(223)	1

The Group has tax losses arising in the UK of £8.54 million (2007 £7.24 million) that are available indefinitely for offset against future taxable profits in those companies in which the losses arose.

7 INTANGIBLE ASSETS

	Goodwill £'000	AD Intellectual property £'000	AD Development costs £'000	Total £'000
Cost				
1 July 2006	-	-	-	-
Additions	5,823	1,000	92	6,915
30 June 2007	5,823	1,000	92	6,915
1 July 2007	5,823	1,000	92	6,915
30 June 2008	5,823	1,000	92	6,915
Amortisation				
1 July 2006	-	-	-	-
Charge	-	75	3	78
30 June 2007	-	75	3	78
At 1 July 2007	-	75	3	78
Charge	-	100	18	118
Impairment charge	4,708	-	-	4,708
At 30 June 2008	4,708	175	21	4,904
Net book value				
At 30 June 2008	1,115	825	71	2,011
At 30 June 2007	5,823	925	89	6,837

Goodwill

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The goodwill is attributable to the Air Disinfection technology owned by Moving Sun Limited and being commercially exploited by Inov8 Science Limited.

In assessing whether a write-down of goodwill is required to the carrying value of the asset, the carrying value of the cash generative unit (CGU) is compared with its recoverable amount. The recoverable amount of goodwill above has been determined on a value in use calculation using a 5 year cash flow forecast based on projected future trading, discounted to arrive at a net present value.

As the air disinfection technology is unique and was only launched in 2007 with the first sale on a commercial basis in January 2008 the forecasts are not based on a conventional growth forecast model because management expects revenues to be low in the short term but grow rapidly once the AD product is established in each market.

However given the current economic climate and the switch to a rental model for selling the AD, which delays cash flows, management have adopted a prudent approach when preparing the forecast. Although management consider the air disinfection technology still has a long useful economic life a 5 year forecast period was considered to be appropriate under the current circumstances.

The key assumptions of the 5 year forecast are as follows:

- Sales into the UK healthcare market will provide a basis for entering the European healthcare markets and other diverse commercial markets where this technology can be applied.
- Revenues are determined by management's expectation of sales volumes achievable in the aforementioned markets.
- The forecast revenues are based on the current selling price for the AD less management's estimate of the discounts required for increased sales volumes and to mitigate the impact of any price competition in individual markets.
- The forecast gross margin is based on existing manufacturing and supply arrangements.
- The forecast operating profit is based on management's expectation of operating costs appropriate to growing the business. The forecast includes an allowance for continued investment in product development and sales and marketing to support the growth forecast.
- The Group will have sufficient cash resources to fund the investment required to enter the markets in the forecast and to achieve the revenue levels included in the forecast.
- The pre-tax discount rate applied to the cash flow projections is 26% to reflect current market estimates of the time value of money and the Group's weighted average cost of capital.

The cash flow projection takes account of management's assessment of the sensitivities and risks specific to the business. As a result of the review there was an impairment charge of £4,708,000 recognised in the year (2007: nil). The revised carrying value of the goodwill is £1,115,000 (2007: £5,823,000).

8 PROPERTY, PLANT AND EQUIPMENT

	Plant & machinery £'000	Office equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 July 2006	-	-	-	-
Acquisition of subsidiary	379	68	15	462
Additions	319	2	-	321
At 30 June 2007	698	70	15	783
Depreciation				
At 1 July 2006	-	-	-	-
Charge for the year	90	32	5	127
At 30 June 2007	90	32	5	127
At 30 June 2007	608	38	10	656
Net book value				
At 30 June 2007	608	38	10	656
	Plant & machinery £'000	Office equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 July 2007	698	70	15	783
Additions	194	21	-	215
At 30 June 2008	892	91	15	998
Depreciation				
At 1 July 2007	90	32	5	127
Charge for the year	180	26	5	211
Impairment	483	29	-	512
At 30 June 2008	753	87	10	850
At 30 June 2008	139	4	5	148
At 30 June 2008	139	4	5	148

The net book value of assets held under finance leases was £5,000 (2007: £10,000). Depreciation charged in the year in relation to this asset was £5,000 (2007: £5,000).

9 INVENTORIES

	2008 £'000	2007 £'000
Raw materials	419	159
Provision for obsolete / slow moving stock	(106)	-
Finished goods	2	75
Work in progress	299	137
	614	371

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £74,730 (2007: £11,203).

10 TRADE RECEIVABLES

	2008 £'000	2007 £'000
Current:		
Trade receivables	1,513	475
Less provision for impairment of trade receivables	(1)	-
Net trade receivables	1,512	475

There is no material difference between the carrying amount and the fair value of the trade receivables.

11 OTHER CURRENT ASSETS

	2008 £'000	2007 £'000
Value added tax recoverable	-	66
Prepayments, accrued income and other current assets	68	176
	68	242

12 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	2008 £'000	2007 £'000
Trade payables	605	589
Social security and other taxes	92	86
Pension creditors	12	46
Value added tax	55	-
Other creditors and accruals	483	346
Deferred income	711	287
Obligations under finance leases	5	6
	1,963	1,360

There were no trade payables over three months old.

13 PROVISIONS

	Warranty provision £'000	Onerous lease and repairs provision £'000	Other £'000	Total £'000
At 1 July 2007	138	665	153	956
Charged to profit and loss account	170	188	13	371
Utilised in year	(26)	(144)	(4)	(174)
Released unused	(75)	-	-	(75)
At 30 June 2008	207	709	162	1,078

The provision for the onerous lease and property repairs is in respect of a leasehold property of Inov8 Technologies Limited, from which the Company does not trade and the net cost of exiting from the lease or sub-letting the property exceed the economic benefits expected to be received.

The warranty liability is an estimate of the future costs likely to be incurred based on the warranty terms offered to customers on equipment sold.

The provision for other includes amounts payable to employees in relation to long service holiday.

14 CALLED UP SHARE CAPITAL

For the year ended 30 June 2008 called up share capital comprises ordinary shares of one pence each as follows:

	Number of shares	Authorised £'000	Allotted called up and fully paid	
			Number of shares	£'000
At 1 July 2007	120,000,000	1,200	74,726,112	747
Shares issued on 9 November 2007	-	-	3,736,300	37
Shares issued on exercise of options 7 April 2008	-	-	200,000	2
Shares issued on exercise of options 20 May 2008	-	-	35,000	1
At 30 June 2008	120,000,000	1,200	78,697,412	787

David Plucinsky, Michael Heath, Andrew Tonks and John Bateson, directors of the Company, subscribed for 20,000, 20,000, 20,000, and 25,000 Placing Shares respectively. Bottin (International) Investments Limited and Oryx International Growth Fund are substantial shareholders of the Company and subscribed for 374,805 and 312,000 Placing Shares respectively.

The issue of these Placing Shares was therefore a related party transaction according to the AIM Rules. Having consulted with the Company's nominated adviser, Panmure Gordon, the directors of the Company (with the exception of David Plucinsky, Michael Heath, Andrew Tonks, Christopher Mills and John Bateson, who are related parties) considered that the terms of the transaction are fair and reasonable insofar as its shareholders are concerned.

15 POST BALANCE SHEET EVENTS

Placing

On 3 July 2008 the Company announced the cash placing of 6,970,000 ordinary shares at 16 pence per share, raising £1,115,200 before expenses and resulting in the issue of 6,970,000 ordinary shares. The shares were issued and available to trade on the open market from 9 July 2008.

Esmo Empresarial S.L. along with Bottin (International) Investments Limited 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 for the Company after expenses for the future funding of the Company.

Former Engineering Division

During the latter part of 2008, the Group's engineering division, which supplied specialised metering equipment for the global automotive market, experienced the increasingly severe pressures in that industry. The Board investigated a number of alternative courses of action to limit any further losses from that division. Regrettably, in the prevailing economic climate, it proved necessary to place the Group subsidiary, Inov8 Technologies Limited, through which this division operated into administration.

As a consequence the following accounting adjustments were made to the June 2008 accounts.

• Fixed assets

An impairment review was carried out on the fixed assets used by the engineering division and a provision of £512,000 was made to reflect the demise in the economic life span of these assets.

• Stock

An additional provision was made to reflect the obsolete materials in stock at both the year end and at the date of administration, this amounted to £36,000.

16 ANNUAL REPORT

The financial information set out in the announcement does not constitute the company's statutory accounts for the years ended 30 June 2008 or 2007. The financial information for the year ended 30 June 2007 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts. Their report was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985. The statutory accounts for the year ended 30 June 2008 have been finalised on the basis of the

financial information presented by the directors in this preliminary announcement and were delivered to the Registrar of Companies on 30 April 2009

Copies of the Annual Report and accounts for the year ended 30 June 2008 will be posted to shareholders and will be available on the Company's website (www.mid-statesplc.com).

This information is provided by RNS. The company news service from the London Stock Exchange
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