

REFLEC PLC

**Interim Statement for the half year
ended 31 August 2008**

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REFLEC PLC
INTERIM RESULTS
FOR THE HALF YEAR ENDED 31 AUGUST 2008

Dear Shareholders

In line with my previous statements, the board again welcomes this opportunity to update our shareholders on the financial and strategic position of Reflec plc in this interim report.

By working tirelessly to achieve change I believe that we have now been able to formulate a strategic plan to deliver change, mitigate risk and unlock the full potential of our business units and technology.

Now the hard work really begins in delivering this plan, which is against a backdrop of a challenging and worsening economic environment. But by successfully reducing costs in the group we are now much better placed than we were a year ago to tackle these challenges.

The financial statements for the six months to 31 August, 2008 show a loss before tax of £312,254 (2007 profit £101,166). Of this £176,870 (being £137,115 loss plus £39,755 onerous leases) relates to the losses in Perseus. A further £80,069 (2007 loss £20,578) is Reflec plc's share of seasonal losses in our Reflec USA investment. The remainder of the group made an operating loss of £55,315 (2007 profit £53,079). These results and many of the changes implemented were achieved in a period of less than three months since the date of my appointment as Chairman and the board restructure.

In the six months to 31 August 2008 we incurred costs relating to the restructuring exercise that we do not expect to be repeated and therefore expect to see some benefit from this in the remainder of the financial year.

It is our determination to build shareholder value. We very much regret that like with many other companies our share price has suffered in the recent market turbulence. This is particularly frustrating given the minimal trading volume. It is important to consider this fact in context and recognise that, for example, the FTSE 350 has fallen by approximately 35% in the last six months (at the time of writing).

The directors purchased a significant number of shares just prior to the closed period before this announcement to demonstrate our unified belief in the business and its future opportunities. As significant shareholders, the directors have shared the pain of the reduction in share price and are doing everything possible to ensure that the future share price better represents the value and opportunities that exist for the group.

Perseus

On 15 May 2008 Reflec plc announced that we would cease funding Perseus and offer our shares in the company for sale. As a result, the Board of Perseus terminated all financial commitments and all staff left the company with effect from 15 August. The company's costs have now been reduced to approximately £2,500 of monthly inescapable leasing costs, relating to software and other items. These leases have been recognised as onerous and full provision has been made for further lease costs. In the May announcement the board of Reflec plc stated that the costs of putting Perseus on to a "care and maintenance" basis would be approximately £150,000. The losses announced above largely fulfil this prediction.

We continue to look for ways of deriving some value from the costly investment in Perseus, but being realistic, the prospect of a sale at a worthwhile price is unlikely, although a limited joint venture may still be possible. The directors of Perseus jointly resigned in September 2008. After taking legal advice, the resignations were accepted and John Kinder has been appointed as sole director. John is receiving advice from a respected security industry expert, who is working on a speculative basis to help to find a workable way forward for Perseus.

Reflectives

Reflec USA recorded a seasonal loss. Sales of high margin reflective sportswear under the brand name of IllumiNITE for the autumn season will be booked in the second half as in previous years. Normal seasonal bank funding is available to Reflec USA in relation to which Reflec plc has no guarantee obligations. Advance orders and projected sales figures for branded IllumiNITE sportswear for the current year are promising. As reported in the year end statement, the absence of sales of very low margin reflective vests to a national distributor in the Mid West of the USA will reduce turnover but not the bottom line.

Your board believe that the Reflectives business has unrealised potential, especially in Europe where the market is believed to be larger than in the United States, due to geodemographics, climate and light conditions. These products are based on an exciting technology which continues to be developed and improved at the Group Headquarters in Winsford.

We are actively engaged with our US joint venture partner (who is based in the US) to investigate the possibility of setting aside certain aspects of the current joint venture agreement between both parties which would then enable a new UK based business to be established to serve the European market as well as continuing to support and develop the US market from the existing US presence.

The management of the operations of the US business will be transferred to the UK, which we anticipate will have a beneficial effect on its performance.

Reflec Media

The sales performance of Reflec Media is particularly disappointing and frustrating. Although we have increased our spend on marketing initiatives, resource constraints have resulted in us postponing the recruitment of key staff to fill vacant posts, who would have assisted in driving this business forward. We look forward to being in a position to correct this limitation.

The economic downturn and staffing resource limitations have impacted negatively on Media sales in the second quarter. Sales for the six months were down on the first half of last year by 18% and down on the second half of last year by 5%. As a result Media made profits in the first six months of the year of £11,783 (2007 £175,251).

Sales of Moviset have not yet achieved their expected potential. The downturn in sales has chiefly been in Europe. It is believed to be affected partly by the current financial and business situation. However our sales strategy and methods are being reviewed. Media's products have a high reputation for quality and technical effectiveness. The Directors believe that considerable potential exists in the educational market and efforts are being made to access this market. The board are confident that this business continues to have substantial growth and profit potential, but economic conditions and resource constraints will limit the speed at which this potential can be realised.

Reflec Evolution

Reflec Evolution recorded profits of £190,638 (2007 £197,246). Sales continue to be resilient and satisfactory. The business has not been directly affected by the current economic problems during this period. We recognise that current economic circumstances are unprecedented and that our customers will be affected to differing levels. The Directors and staff of Evolution have continued their strategy to build strong long lasting customer relations and are actively chasing new opportunities with potential customers.

Strategic Positioning for the Future.

The group has appointed Zeus Capital as Nominated Advisor and Broker and their input has been very positive. During the period and with the active support of Zeus Capital, we have undertaken a full strategic review of the business. The review confirmed the value of the Board's current concentration on developing the potential of both Reflec Evolution and Media, with particular emphasis centred on addressing the Media sales decline and to developing this exciting business. Equally important was the recognition that the Reflec USA joint venture is not serving either partner adequately and that the attractive European market for reflective products has not been capitalised upon. We are now actively engaged in addressing this matter with the helpful input and co-operation of our joint venture partner. Knowing the value that the directors and shareholders place on the potential of our silhouette reflective technology, I am sure that this will be received as an extremely welcome strategic development.

The review also concluded that the costs of running the PLC are high in proportion to the scale of our business units. Aggressive action has already been taken to reduce the central PLC running costs, but the full benefit of these saving will only be experienced in the 2009/2010 financial year.

Reflec plc group costs amounted to £266,687 (£336,832) during the six months to 31 August 2008. Three directors left the Group during the period. The contract with our previous financial PR agency has been terminated and Martin Cope has been appointed Company Secretary. Almost £100,000 of these costs will not reoccur during the second half of the year.

During the period the Group moved its banking business to the Co-operative Bank in Manchester and this has developed into a very positive relationship.

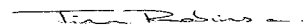
Synergistic acquisitions would enable better utilisation of the PLC overhead and would accelerate growth. Although the current market conditions make acquisitions more difficult, the same difficult market conditions generate opportunities that would otherwise not be open to us. The Director's proactive and timely action is putting us in a better position to take advantage of these opportunities. The strategic decisions to appoint Zeus Capital and the Co-operative Bank provide a degree of expertise and flexibility that is enviable in the current environment. Although maintaining our prudent approach, the Board remain active in considering quality acquisition opportunities and place particular value on organisations that offer complementary products and services, potential synergies and those who have established marketing and distribution channels.

Thanks

It was a great pleasure to meet the shareholders who attended the AGM in Crewe and to hear your ideas and suggestions. One of the resolutions passed will enable the company to make future statutory notifications with shareholders electronically. To enable this to happen, one further mailing to shareholders is required, plus an investment in the technology to support this important change in the way we communicate with our shareholders. The Board intends to delay the written communication a little longer, along with the associated investment in improving shareholder interaction via the group website. Our intention is to marry this final postal communication with updates on other initiatives that we are currently progressing.

My colleagues throughout Reflec and also our joint venture partners in the USA have continued to provide a sterling level of effort, passion and determination during this difficult and frustrating period. May I extend my personal thanks and the thanks of the board to them, our shareholders and the wider stakeholders in Reflec plc.

I hope that you appreciate this full and frank account of your business and we look forward to continuing our work to unlock and protect the potential of Reflec plc in such a challenging environment.



Tim Robinson,
Chairman
Reflec Plc

27 November 2008

Reflec plc

Condensed consolidated income statement for the half year ended 31 August 2008
(unaudited).

	Note	Half year ended 31	Half year ended 31	Year ended 29
		August 2008	August 2007	February 2008
		£'000	£'000	£'000
Revenue		1,526	2,252	4,079
Cost of sales		(509)	(1,036)	(1,393)
Gross profit		1,017	1,216	2,686
Distribution costs		(23)	(7)	(88)
Administrative costs before impairment charges		1,299	1,107	2,661
Impairment of development costs		-	-	339
Impairment of loan to Reflec USA		-	-	361
Impairment of goodwill		-	-	70
Administrative costs		(1,299)	(1,107)	(3,431)
Finance costs		(7)	(1)	(3)
Finance income		-	-	4
(Loss)/profit before tax		(312)	101	(832)
(Loss)/profit before tax of the group excluding Perseus		(135)	89	(304)
(Loss)/profit before tax of Perseus only	2	(177)	12	(528)
Income tax		-	-	-
(Loss)/profit for period attributable to the equity holders of the parent		(312)	101	(832)
(Loss)/earnings per share				
- Basic (pence)		(2.80)	0.91	(7.45)
- Diluted (pence)		(2.77)	0.90	(7.38)

Reflec plc

Condensed consolidated statement of recognised income and expense.
for the half year ended 31 August 2008
(unaudited).

	Half year ended 31 August 2008	Half year ended 31 August 2007	Year ended 29 February 2008
	£'000	£'000	£'000
Exchange differences on translation of the financial statements of foreign entities	91	(28)	(13)
Net profit/(loss) recognised directly in equity	91	(28)	(13)
Net (loss)/profit for the period	(312)	101	(832)
Total recognised income and expense for the year attributable to equity holders of the parent	(221)	73	(845)

Reflec plc

Condensed consolidated balance sheet at 31 August 2008
(unaudited)

	Half year ended 31 August 2008	Half year ended 31 August 2007	Year ended 29 February 2008
	£'000	£'000	£'000
Assets			
Non-current assets			
Property, plant and equipment	905	953	917
Intangible assets	653	1,024	551
Deferred tax asset	123	123	123
Total non-current assets	1,681	2,100	1,591
Current assets			
Inventories	443	410	438
Trade and other receivables	969	1,690	898
Cash and cash equivalents	4	-	203
Other financial assets	-	-	7
Total current assets	1,416	2,100	1,546
Total assets	3,097	4,200	3,137
Current liabilities			
Trade and other payables	709	517	528
Bank overdraft	-	87	-
Total current liabilities	709	604	528
Total net assets	2,388	3,596	2,609
Capital and reserves attributable to equity holders of the parent			
Share capital	558	558	558
Share premium reserve	-	13,688	-
Foreign exchange reserve	(28)	(128)	(113)
Retained earnings	1,928	(10,522)	2,234
Employee benefit trust reserve	(70)	-	(70)
TOTAL EQUITY	2,388	3,596	2,609

Reflec plc

Condensed consolidated cash flow statement for the half year ended 31 August 2008
(unaudited).

	Half year ended 31 August 2008	Half year ended 31 August 2007	Year ended 29 February 2008
	£'000	£'000	£'000
Cash flow from operating activities			
Net (loss)/profit before tax	(312)	102	(832)
Adjustments for:			
Amortisation	2	5	15
Depreciation	47	55	112
Exchange differences	84	3	(13)
Interest expense	-	-	3
Impairment losses	-	-	409
Effect of joint venture - exchange differences realised	-	-	-
- intercompany write-down	-	-	361
	133	63	887
Cash flows from operating activities before changes in working capital and provisions	(179)	165	55
Working capital and provisions			
Increase/(decrease) in trade and other receivables	(148)	(303)	137
Decrease/(increase) in inventories	17	(38)	(69)
Increase/(decrease) in trade and other payables	129	(19)	(9)
	(2)	(360)	59
Cash (absorbed by)/generated from operations	(181)	(195)	114
Investing activities			
Purchases of property, plant and equipment	(31)	(13)	(34)
Interest received	-	-	4
Research and development expenditure	-	(141)	(100)
Additional investment in joint venture	-	-	(25)
Additional investment in joint venture partner	-	-	25
	(31)	(154)	(130)
Financing activities			
Purchase of shares in Employee Benefit Trust	-	-	(70)
Costs of share consolidation	-	(61)	(61)
Interest received/(paid)	-	(1)	(3)
	-	(62)	(134)
Decrease in cash and cash equivalents	(212)	(411)	(150)
Changes in foreign exchange	13	(31)	(2)
Cash and cash equivalents at beginning of year	203	355	355
Cash and cash equivalents at end of year	4	(87)	203

Reflec plc

Notes to the interim statement 1.

Basis of preparation

The interim financial information was approved by the board of directors on 27 November 2008.

The financial information presented in this interim statement has been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that are expected to be applicable for the year ending 28 February 2009. These are subject to ongoing review and endorsement by the European Commission and possible change. Further standards or interpretations may also be issued that could be applicable for the year ending 28 February 2009. These potential changes could result in the need to change the basis of accounting or presentation of certain financial information from that presented in this document. The Group may need to review some accounting treatments used for the purpose of this document as a result of emerging industry consensus on practical application of IFRS and further technical opinions. This could mean that the financial information in this document may require modification until the Group prepares its complete set of IFRS financial statements for the year ending 28 February 2009.

The financial information in this statement relating to the six months ended 31 August 2008 and the six months ended 31 August 2007 has not been audited. The comparative figures for the year ended 28 February 2008 do not amount to full statutory accounts within the meaning of section 240 of the Companies Act 1985. Those accounts have been reported on by the Group's auditors and delivered to the registrar of companies. The audit report was unqualified, did not include references to matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

As permitted, this report has not been prepared in accordance with IAS 34 'Interim Financial Reporting'.

There have been no changes in accounting policies since the last annual accounts.

2. Perseus

Perseus has not traded significantly in the period and is being held in a care and maintenance state with no further costs to come as the Directors consider the options going forward. Accordingly the Directors believe that it is important that readers of the Income Statement be able to see, on the face of the statement, the results of the group excluding the losses of Perseus. Accordingly a box has been incorporated in the Income Statement, below the Loss before Tax, showing the Perseus loss and the combined loss of the remainder of the group.

Reflec plc
Independent Review Report to Reflec PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 August 2008 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Total Recognised Income and Expense, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Cash flow Statement and the related notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 August 2008 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP
Chartered Accountants and Registered
Auditors Manchester

27 November 2008