

01 November 2006

Reflec plc
(‘Reflec’ or ‘the Company’)

Interim Report for the period ended 31 August, 2006

Chairman's Statement

Dear Shareholder,

I am pleased to report that trading has continued to improve during the first half of the year to 28 February, 2007. Group sales increased by 31% compared with the same period last year, and profits before taxation at £197,000 were close to the £205,000 before taxation reported for the whole of the year to 28 February 2006. Earnings per share were 0.035p as against 0.005p during the same period last year. The Directors do not recommend the payment of a dividend.

Reflec Evolution

Within its niche powder processing sector, Reflec Evolution again recorded improved trading performance with sales of £820,000, up by 19% over the first half of last year, and profits of 281,000, up by 25%.

Further business was acquired from existing customers and new equipment has been installed to cope with the continuing increased demand. The increased level of production and sales are continuing into the second half of the year.

Reflec Media

The turnaround of Media continued with sales of £691,000, 48% higher than the same period last year, and profits of £182,000, up by 300% on the same period last year.

New products are being introduced including Basematt, which has already been well received in the marketplace, and Moviset, which will be launched towards the end of the financial year. Media's worldwide network of highly trained agents and distributors continue to achieve increased sales penetration especially in the United States (sales up 61%) and Europe (sales up 28%). Media's products and services are increasingly well known for their capabilities, it is expected that Media will maintain a strong performance in the second half.

Reflec Reflectives

Reflectives is a seasonal business and usually records a loss in the first half. In fact sales were above budget and losses were less than expected at \$66,000 (£36,000).

In reviewing Reflec's businesses, your Board noted that Reflectives operated in an extremely competitive market place with low margins. As a result it was concluded that the best way to maximise the growth potential of the business was for Peter Smith to concentrate wholly upon the management of Reflectives whilst standing down as Chief Executive. Further it was felt that he was best able to achieve growth and profitability under the strong motivation of being part owner of the business. Accordingly, as recently announced with effect from 1st September, Reflec sold 50% of Reflectives to Peter Smith at \$100,000 (£55,500), a price that was independently validated. Reflectives is now being operated as a Joint Venture of Reflec plc.

Perseus

On 1st March, 2006 Reflec invested £100,000 for 51% of this new venture which operates in the security field. In addition Reflec has agreed to provide further loan finance to Perseus up to an additional £300,000.

While significant progress has been achieved, it has been slower than anticipated. A review of the business plan shows that substantial orders have been received and the initial hopes for the business remain fully justified. Existing clients have all shown their enthusiasm for Perseus products by placing further orders. Two new products have been developed which are of great interest to those responsible for the security of infrastructure facilities especially in the run-up to the 2012 Olympic Games.

The costs of developing these products amounted to £258,000 and have been capitalised as development costs in the Group Balance Sheet at 31st August, 2006. It is expected that Perseus will move past breakeven at an operating level during the second half of the year, which is supported by recent success in receiving further orders worth £110,000 for delivery over the next few months.

Outlook

For the second six months of the year, we expect the improved trend in trading to be at least maintained.

Tim Hearley
Chairman

Group profit and loss account
For the period to 31st August, 2006

	1 March to 31-Aug 2006 (unaudited) £000s	Year ended 28-Feb 2006 (audited) £000s	1 March to 31-Aug 2005 (unaudited)
	£000s		
Turnover	2,539	4,565	1,945
	-----	-----	-----
Operating profit	192	198	10
Interest receivable	1	9	3
Interest payable and similar charges	1	2	0
	-----	-----	-----
Profit on ordinary activities before taxation	192	205	13
Tax credit on profit on ordinary activities	0	25	13
	-----	-----	-----
Profit after tax	192	230	26

Minority Interest Profit for the period	5		
	197	230	26
	=====	=====	=====
Basic earnings per share	0.035p	0.041p	0.005p
	=====	=====	=====
Diluted earnings per share	0.033p	0.039p	0.005p
	=====	=====	=====

Consolidated Statement of Total Recognised Gains and Losses
For the period to 31st August, 2006

	1 March to 31-Aug 2006 (unaudited) £000s	Year ended 28-Feb 2006 (audited) £000s	1 March to 31-Aug 2005 (unaudited) £000s
Profit for the period after taxation	197	230	26
Currency translation differences on foreign currency net investment	(87)	2	55
	-----	-----	-----
Total recognised gains and losses for the period	110	232	81
	=====	=====	=====

Group balance sheet
At 31st August, 2006

	1 March to 31-Aug 2006 (unaudited) £000s	Year ended 28-Feb 2006 (audited) £000s	1 March to 31-Aug 2005 (unaudited) £000s
Fixed assets			
- Intangible assets	742	485	506
- Tangible assets	1,096	1,014	1,076
	-----	-----	-----
	1,838	1,499	1,582
	-----	-----	-----
Current assets			
- Stocks	684	787	873
	-----	-----	-----

- Debtors - amounts falling due within one year	1,293	934	1,067
- Debtors - amounts falling due after one year	76	76	77
	-----	-----	-----
	1,369	1,010	1,144
- Cash at bank and in hand	340	672	353
	-----	-----	-----
Current assets	2,392	2,469	2,370
	-----	-----	-----
Creditors: amounts falling due within one year	721	565	633
	-----	-----	-----
Net current assets	1,671	1,904	1,737
	-----	-----	-----
Total assets less current liabilities	3,509	3,403	3,319
Provisions for liabilities	0	0	67
	-----	-----	-----
	3,509	3,403	3,252
	=====	=====	=====
Capital and reserves			
- Called up share capital	558	558	558
- Share premium account	13,749	13,749	13,749
- Profit and loss account	(10,793)	(10,904)	(11,055)
	-----	-----	-----
Shareholders' funds	3,514	3,403	3,252
- Minority Interest	(5)	0	0
	-----	-----	-----
	3,509	3,403	3,252
	=====	=====	=====

Group cash flow statement

1 March to 31-Aug 2006 (unaudited) £000s	Year ended 28-Feb 2006 (audited) £000s	1 March to 31-Aug 2005 (unaudited) £000s
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Net cash
(outflow)/infl

flow from operating activities	(39)	428	(97)
Returns on investments and servicing of finance	0	7	3
Taxation	0	34	13
Capital expenditure and financial investment	(430)	(45)	(11)
Disposals	0	(196)	0
	-----	-----	-----
Financing	(469)	228	(92)
	0	(2)	(1)
	-----	-----	-----
(Decrease)/increase in cash	(469)	226	(93)
	=====	=====	=====

Reconciliation of net cash flow to funds

	1 March to 31-Aug 2006 (unaudited) £000s	Year ended 28-Feb 2006 (audited) £000s	1 March to 31-Aug 2005 (unaudited) £000s
(Decrease)/increase in cash in the period	(469)	226	(93)
Cash outflow from movement in debt and lease financing	0	2	1
	-----	-----	-----
Change in net funds resulting from cash flow	(469)	228	(92)
Currency translation differences	(2)	2	1
	-----	-----	-----
Change in net funds	(471)	230	(91)
Net funds at start of period	672	442	444
	-----	-----	-----
Net funds at end of period	201	672	353
	=====	=====	=====

Notes to the interim statement

1. The interim statement for Reflec plc relates to the consolidated results for the six months ended 31 August 2006 and the comparative results for the year ended 28 February 2006 and the six months ended 31 August 2005. These interim results are not the Company's statutory accounts. The comparatives for the full year ended 28th February 2006 are not the Company's full statutory accounts for

that year. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain a statement under section 237(2)-(3) of the Companies Act 1985.

2. The interim statement has been prepared on the basis of the accounting policies set out in the statutory financial statements for the year ended 28 February 2006. The interim statement was approved by the Board of Directors on the 31 October 2006. The balance sheet at 28 February 2006 and the results for the year then ended have been abridged from the audited accounts for the year ended 28 February 2006.

3. The calculation of the basic earnings per share for the period to 31 August 2006 is based upon profits of £197,292 and on the weighted average number of ordinary shares in issue during the period of 558,033,100. The calculation of the basic earnings per share for the period ended 31 August 2005 is based on a profit of £26,351 and on the weighted average number of ordinary shares in issue during the period of 558,033,100. When the dilutive potential of share options have been taken into account the average number of shares issued or under option are 594,742,857 (2005 - 558,033,100).

4. Copies of the interim statement will be posted on the Reflec web site (www.reflec.com) and are available from the Company Secretary at the Registered Office, Road One, Winsford Industrial Estate, Winsford, Cheshire, CW7 3QQ.

5. Reconciliation of operating profit to net cash (outflow)/inflow from operating activities:

	1 March to 31-Aug 2006 (unaudited) £000s	Year ended 28-Feb 2006 (audited) £000s	1 March to 31-Aug 2005 (unaudited) £000s
Operating profit	192	198	10
Depreciation and amortisation of fixed assets	67	202	95
Decrease/(Increase) in stocks	53	56	5
(Increase) in debtors	(381)	(24)	(132)
Increase/(decrease) in creditors	29	(4)	(75)
	-----	-----	-----
Net cash inflow/(outflow) from operating activities	(39)	428	(97)
	=====	=====	=====

6. Analysis of net funds

	1 March to 31-Aug 2006 (unaudited) £000s	Year ended 28-Feb 2006 (audited) £000s	1 March to 31-Aug 2005 (unaudited) £000s
Cash at bank and in hand	340	672	353
Overdraft	(139)	0	0

Net funds at end of period	----- 201 =====	----- 672 =====	----- 353 =====
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Reflec plc
Independent Review Report to Reflec PLC

Introduction

We have been instructed by the Company to review the unaudited Group profit and loss account for the 6 months ended 31 August 2006, the unaudited Group statement of total recognised gains and losses for the period ended 31 August 2006, the unaudited Group balance sheet as at 31 August 2006, the unaudited Group cash flow statement for the six months ended 31 August 2006 and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of rules of the London Stock Exchange for companies trading securities on the AIM 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.

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 AIM 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.
Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom by auditors of fully listed companies. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (United Kingdom and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 August 2006.

BDO STOY HAYWARD LLP
Chartered Accountants
Manchester

31 October 2006