

REFLEC PLC

Interim Results for the half year ended 31 August 2009

Dear Shareholders

The unaudited results for Reflec plc ("Reflec") for the six months to 31 August 2009 are set out below with the equivalent figures for 2008. All figures set out below are in £000's.

	2009	2008
Sales	1,265	1,526
Loss before tax	<u>(74)</u>	<u>(213)</u>

These figures include the following divisional results:-

	<i>Evolution</i>	<i>Media</i>	<i>Reflectives</i>	<i>Plc</i>	<i>Total</i>
Sales	641	388	207	-	1,265
Profit/(loss) before tax	187	29	(94)	(196)	(74)

The figures for 2008 are distorted by two factors. Firstly, included within the prior period results were the final losses of Perseus amounting to £136,000. Secondly, the results for 2008 contained losses of £74,000 which represented Reflec's 50% share of the results of the Reflectives joint venture in the United States. Since 2008 the joint venture has been dissolved and Reflec now reports 100% of the Reflectives division's profits or losses. If an adjustment is made for these two factors the comparable losses in 2008 would have been £151,000.

In addition to the results set out above, the value of the Group balance sheet fell by a further £137,000 due to the rise in the value of the British pound against the US dollar during the six month period. This had the effect of reducing the value of the operating assets denominated in US\$. Sterling rose from £1.42 = \$1 at 28 February to £1.63 = \$1 at 31 August – a rise of 14.7%.

There were two significant events in the period under review.

1. During April and May the Reflectives business in the USA was re-structured in line with a business plan that featured the following:-
 - A significantly reduced cost base including a reduced headcount
 - A reduction in inventory
 - A reduced IllumiNITE autumn sales programme financed entirely by the proceeds from the inventory reduction
 - Emphasis on quality to ensure that the reputation of the IllumiNITE product is enhanced
 - Early planning for the 2010 sales programme
2. In July the shareholders approved a Board proposal to de-list from AIM. This has provided the freedom for the Board to reduce plc costs. The cost reduction programme is well advanced although a large part of the actual savings will not become apparent until later in the year due to termination periods. The full benefits will be felt in the next financial year.

Divisional Review

Reflec Evolution

<i>Six months to 31 August</i>	<i>2009</i>	<i>2008</i>
Sales	641	708
Profit before tax	<u>187</u>	<u>197</u>

Sales were down 9.5% and profits were down 5.3% compared to the prior year. The reduction in demand for Evolution products mainly reflects the impact of the recession, with no significant loss of customers. Evolution remains a reliable business. However there is a pressing need for some capital investment in equipment.

Reflec Media

<i>Six months to 31 August</i>	<i>2009</i>	<i>2008</i>
Sales	388	537
Profit before tax	<u>29</u>	<u>36</u>

Sales in the period were disappointing, with deliveries in the USA market 57 % down on 2008 and a 7% shortfall in Europe. While these results reflect, to some extent, the recession the Board believes that there is a pressing need to establish additional products, such as Moviset, in the market to support the existing Chroma Key products. Additionally the Board see substantial opportunities to sell existing Media products into the educational market. Additional investment in the Media business is required to take advantage of these opportunities.

Reflec Technology - Reflectives

<i>Six months to 31 August</i>	<i>2009</i>	<i>2008</i>
Sales	228	416
Loss before tax	<u>(94)</u>	<u>(135)</u>

These results include sales of inventory at zero or negative margins which were made as part of the inventory reduction programme and also the costs of re-structuring, including salary and consultants' costs amounting to \$53,000. The second half of the financial year will contain deliveries of IllumiNITE product for the autumn selling season. As in previous years we anticipate that results in the second half will be substantially better than the first half, especially as the overhead costs of the business have been significantly reduced.

Reflec plc

<i>Six months to 31 August</i>	<i>2009</i>	<i>2008</i>
Costs	195	240

As compared to 2008 the central costs of running the group are 19% lower. Nevertheless, given the lower demand for our products, it has been your Board's objective to lower these costs further. As noted above, the Company was previously burdened with the substantial direct costs of being listed on AIM with other ancillary costs including disproportionately high accounting and auditing fees. Given the decision to de-list in July an intensive review of central, plc costs has highlighted a number of areas where costs can be cut significantly. These cuts are being implemented.

Group cash resources remained constant in the six months with a reduction in net overdrafts by £3,000 to £39,000. Losses were financed by a reduction in net current assets of £44,000 with a reduction in inventories of £72,000 being mainly inventory sales in the US. Although we are working within the current overdraft facility, cash remains tight in the UK operations.

The Board recognises that to help grow the company a group sales and marketing manager is required. Initially this person will focus on new products and markets within Reflecmia and will also assist in developing sales in Europe for Reflective products.

As reported in the annual accounts our overdraft facility with the Co-operative Bank was reduced to £100,000 at the end of July. This situation continues and we have continuing good relationships with our bankers.

Share Placing

This report has highlighted a number of areas where capital and other investment in our businesses is essential including:-

- Capital investment in equipment in Evolution.
- Acquisition of test and demonstration equipment for Media
- Recruitment of a senior marketing person.

Having reviewed the current situation the Board believe that it is imperative that the Company proceeds with these investments. Such a programme will involve the need for funding over and above normal operational funding requirements. Having reviewed the various alternatives the Board decided that the most appropriate way, with the limited options available and after discussions with its advisors, to fund these investments was by a placing of shares.

Accordingly 2.24 million shares have been placed with directors, staff and shareholders at a placing price of 5p to raise £112,000. The additional capital available to the Group will be used to fund the investments listed above. In making this investment in the Company the Board feel that they are further demonstrating their ongoing commitment to developing the Group's businesses to their full potential.

Board Change

Mr. Jason James joined the Board in February 2008 in order to ensure that outstanding issues of policy and operations were dealt with properly. Much has been achieved over the last 18 months and Jason now believes that it is the right time for him to stand down from the Board especially given the new unlisted status of the Group. We would like to thank Jason for his invaluable contribution to work of the Board in the past 18 months.



TM Robinson
Chairman
Reflec plc

20 November 2009

Reflec plc

Condensed consolidated income statement for the half year ended 31 August 2009
(unaudited)

	Half year ended 31 August 2009	Half year ended 31 August 2008	Year ended 28 February 2009 12 months
	£'000	£'000	£'000
Revenue	1,265	1,526	3,057
Cost of sales	(398)	(509)	(1,154)
Gross profit	867	1,017	1,903
Distribution costs	(28)	(23)	(71)
Administrative Costs	(913)	(1,299)	(1,981)
Finance costs	-	(7)	(7)
Finance income	-	-	-
(Loss)/profit before tax	(74)	(312)	(156)
Income tax	-	-	-
(Loss)/profit attributable to equity holders of the parent	(74)	(312)	(156)
Loss per share			
- Basic (pence)	(0.66)	(2.80)	(1.39)
- Diluted (pence)	(0.66)	(2.77)	(1.39)

Reflec plc

Condensed consolidated statement of recognised income and expense for the half year ended 31 August 2009
(unaudited)

	Half year ended 31 August 2009	Half year ended 31 August 2008	Year ended 28 February 2009
	£'000	£'000	£'000
Exchange differences on translation of the financial statements of foreign entities:			
- arising in the year	(137)	91	426
- transferred to income statement on settlement of loan treated as part of net investment	-	-	(162)
Net (loss)/profit recognised directly in equity	(137)	91	264
Net (loss)/profit for the year	(74)	(312)	(156)
Total recognised income and expense for the year attributable to equity holders of the parent	(211)	(221)	108

Reflec plc

Condensed consolidated balance sheet at 31 August 2009
(unaudited)

	Half year ended 31 August 2009	Half year ended 31 August 2008	Year ended 28 February 2009
	£'000	£'000	£'000
Assets			
Non-current assets			
Property, plant and equipment	777	905	821
Intangible assets	894	653	960
Investments in associates	-	-	9
Financial assets	21	-	10
Deferred tax asset	116	123	116
Total non-current assets	1,807	1,681	1,916
Current assets			
Inventories	365	443	478
Trade and other receivables	841	969	755
Cash and cash equivalents	-	4	-
Other financial assets	-	-	1
Total current assets	1,206	1,416	1,234
Total assets	3,013	3,097	3,150
Current liabilities			
Bank overdraft	39	-	87
Trade and other payables	467	709	346
Total current liabilities	506	709	433
Total net assets	2,507	2,388	2,717
Capital and reserves attributable to equity holders of the parent			
Share capital	558	558	558
Foreign exchange reserve	14	(28)	151
Retained earnings	2,005	1,928	2,077
Employee Benefit Trust share reserve	(70)	(70)	(70)
Total Equity	2,507	2,388	2,717

Reflec plc

Condensed consolidated cash flow statement for the half year ended 31 August 2009
(unaudited)

	Half year ended 31 August 2009	Half year ended 31 August 2008	Year ended 28 February 2009
	£'000	£'000	£'000
Cash flow from operating activities			
Net loss before tax	(74)	(312)	(156)
Adjustments for:			
Amortisation	3	2	19
Depreciation	45	47	97
Group share of other write-downs in Reflec USA	-	-	70
Exchange differences	-	84	-
Interest expense	(1)	-	7
Interest income	1	-	-
Effect of Joint Venture			
- exchange differences realised	-	-	(162)
-intercompany (write-back)	-	-	(361)
	48	133	(330)
Cash flows from operating activities before changes in working capital and provisions	(26)	(179)	(486)
Working capital and provisions			
(Increase)/decrease in trade and other receivables	(72)	(148)	8
Decrease/(increase) in inventories	68	17	322
Increase/(Decrease) in trade and other payables	49	129	(137)
	44	(2)	193
Cash (absorbed by) generated from operations	18	(181)	(293)
Income taxes received	-	-	-
Cash flows from operating activities	18	(181)	(293)
Investing activities			
Purchases of property, plant, and equipment	(11)	(31)	-
Acquisition of associate - Reflec USA Corporation	-	-	(45)
Interest received	1	-	-
	(10)	(31)	(45)
Financing activities			
Interest paid	(1)	-	(6)
	(1)	-	(6)
Increase/(Decrease) in cash and cash equivalents	10	(212)	(344)
Changes in foreign exchange	(7)	13	54
Cash and cash equivalents at beginning of year	(42)	203	203
Cash and cash equivalents at end of year	(39)	4	(87)

Note:- At 28th February 2009 there was a bank balance of £45,000 which was part of an investment in an associate (Reflec USA Corp.) and did not appear on the face of the balance sheet.

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Notes to the interim statement

1. Basis of preparation

The interim accounts were approved by the board of directors on 20 November 2009.

The financial information presented in this 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 2010. 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 2010. 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 2010.

The financial information in this statement relating to the six months ended 31 August 2009 and the six months ended 31 August 2008 has not been audited. The comparative figures for the year ended 28 February 2009 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.