

21 September 2006

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

Joint Venture Agreement with Reflec USA

Reflec, which develops and manufactures retro-reflective inks, fabrics, ancillary products and processes powders, announced it has signed a joint venture agreement with Reflec USA Inc. (‘Reflec USA’), the wholly owned subsidiary of Reflec, and Peter Smith, the Chief Executive of Reflec and Reflec USA.

Under the terms of the joint venture agreement, effective from 21 September 2006, Peter Smith has subscribed to 50 per cent. of the issued share capital of Reflec USA for a total cash consideration of \$100,000. During the last financial year ended 28 February 2006, Reflec USA had a turnover of £1,887,000 and made a pre-tax profit of £32,000. Reflec USA has been independently valued at \$200,000 by Grant Thornton.

In addition, Peter Smith has relinquished his post as Chief Executive of Reflec plc, but he remains on the Board as non-executive Deputy Chairman. Paul Holdcroft will continue to manage the UK operations, namely Reflec Evolution, Reflecmedia and Reflec Technology. The current non-executive Chairman, Tim Hearley, will become executive Chairman and he will oversee the Board’s continuing strategy of further expansion through acquisition.

‘Over the last few years Peter Smith’s contribution has been invaluable whilst Reflec has been turned around from losses to profit.’ said Tim Hearley, Reflec’s Chairman.

More particularly, since Reflec acquired Reflectives Technology Inc. in 2001, Peter Smith has developed Reflec USA and its brands into the leisure and industrial safety clothing markets for retro-reflective clothing. He has turned Reflec USA into profit and to enable Reflec USA to be more successful, Peter Smith accepted the offer to buy 50 per cent of the equity and relinquish his appointment as Chief Executive of Reflec plc. With his knowledge and contacts in the North American market and of the manufacturers of Reflec USA’s clothing in the Far East he is well qualified to develop Reflec USA further. Both Reflec USA and Peter Smith are based in Massachusetts and now he can focus more fully on managing Reflec USA and is incentivised by having a 50 per cent stake in the company.

Peter Smith will be the Chairman and Chief Executive of Reflec USA. It will now have four directors on the Board, two from Reflec USA and two from Reflec plc.

Chairman Tim Hearley added, ‘Reflec USA is the part of Reflec which needs focused management for it to develop fully. The Board and Peter both agree that this new arrangement will be mutually beneficial and we look forward to Peter to using his skills, experience and enthusiasm to develop Reflec USA.’

The transaction is defined under the AIM Rules of the London Stock Exchange plc as a related party transaction as Peter Smith is a director of Reflec. The independent Directors of Reflec plc (being the directors of Reflec other than Peter Smith) consider, having consulted with Seymour Pierce, that the terms of

the transaction are fair and reasonable insofar as Reflec shareholders are concerned.

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