

**REFLEC PLC**  
("Reflec", "the Company" or "the Group")

**FINAL RESULTS**  
**FOR YEAR ENDED 28 FEBRUARY 2007**

Reflec (AIM ticker: REF), the specialist developer and manufacturer of retro-reflective inks, fabrics, ancillary products, powder processing, and security consultancy, is pleased to announce another year of increased turnover and profits (before losses from new businesses) in its final results for the full year to 28 February 2007.

**HIGHLIGHTS:**

- Profit before tax, before losses from new business acquired during the period, increased 34% to £315,000 over 2006
- Overall Group profit before tax amounted to £102,000 for the year
- Revenue for the Group increase 6% to £4.8m year on year
- Perseus signed important MoU with Serco for its security technology services
- Reflec Evolution showed continued growth in revenue and profitability
- Reflec Media increased turnover by 30% and profits rose by £91,000
- 1 for 50 share consolidation in April 2007
- Sale of 50% stake in USA business

**Chairman, Tim Hearley, commented,** "The Group has seen a year of clear progress and we are well positioned to develop the business further. The successful investment in Perseus has led us to believe the security sector can offer the Group new and exciting opportunities, and we are looking to increase our offering within this industry, either by acquisition or joint venture."

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**CHAIRMAN'S STATEMENT**

I am pleased to report that our financial results for the year ended 28 February 2007 show continued growth in our existing businesses, with profits before tax of £315,000 compared with profits last year of £235,000. After a loss before and after tax of £213,000 in our new businesses (Perseus and the USA Joint Venture), overall Group profits after tax were £225,000 (including a deferred tax credit of £123,000 relating to tax losses which will be carried forward for use in future years), against last year's figure of £259,000 (adjusted upwards by £29,000 under the requirements of IFRS).

During the past year the Group disposed of 50% of its investment in Reflec USA Corp and this resulted in a one-off loss of £75,000. In addition, Perseus recorded a first year loss of £152,000, and although Reflec only owned 51% of Perseus as at the year end, it is a requirement of IFRS that 100% of a loss making investment is included in the results for the year. After the Group's share of profits of the USA Joint Venture of £14,000, the Group's new businesses recorded a loss of £213,000.

Group sales increased by 6% to £4.8m despite the result of the joint venture accounting of Reflec USA Corp in the second half of the year, amounting to £528,000. Net cash of the Group at 28 February 2007 amounted to £355,000 compared to £672,000 in the previous year.

**Reflec Evolution (Material Processing)**

Our Powder processing division continues to progress and has increased both turnover and profits in the year. Turnover increased by 9% and profits grew to £308,000 compared to £220,000 in the previous year. Our policy of working closely with customers continues to give benefits and is helping to grow the business. As well as maintaining existing contracts new business has been won and additional staff recruited to meet this additional production.

**Reflec Media (Visual Communication)**

Reflec Media has maintained its growth with an increase in turnover of 30% on the previous year and an increase in profitability of £91,000. New products have been introduced, such as *basematte* and *matte box* adaptors and at the end of the year, we introduced *Movieset*, a virtual studio design and play system. Reflec Media continues to strengthen relationships with dealers, distributors and its partners in many countries, in order to satisfy growing customer requirements.

**Perseus (Security Services)**

Perseus commenced operations in March last year. As a start-up business this has been a challenging year, but significant progress has been made, by developing its range of scanning software and by the development of its security analysis system.

This new version of the company's security analysis system now takes account of a greater number of factors when analysing a site's vulnerability to risk and how resilience and mitigation can be improved. Perseus recorded a loss during the year of £152,000 which is attributable to starting up in the security services market. It also incurred a significant amount of development expenditure (£339,000), which has been capitalized during the year.

Beyond this financial year's trading, the outlook for Perseus has improved. The business is now developing a wide range of clients and an important relationship has been established with Serco plc, with whom Perseus has signed a Memorandum of Understanding which covers further development of the Risk and Analysis system and provides potential for future joint projects.

Most importantly, Serco recently has confirmed agreement for the technical specification of the Risk and Analysis system and the intention to consider additional consultancy services to support their own projects. The outlook for expansion and profit achievement by Perseus is now encouraging.

#### **Reflec Reflectives (Retro-reflective products)**

During September 2006 the Group entered into a 50% joint venture with Reflec USA Corp. For the year ended 28 February 2007, total Reflectives' sales were £2,360,000 compared with £2,061,000 in the previous year, an increase of 14%, and the Reflectives business as a whole recorded a profit of £28,000 in its first period as a Joint Venture, of which £14,000 was recorded as attributable to the Group.

The focus continues to be on promoting and developing the IllumiNITE brand and products as a preferred solution for reflective fabric and branded reflective clothing. Today, the business services both the industrial and consumer markets, predominantly in the USA, and sees equal growth opportunities for both segments.

We expect the Reflectives business to grow, based on improved technology which is being developed by the Group R&D department in the UK, and with a strengthened organisation and greater product acceptance.

#### **Share Consolidation and Share Premium Account**

On 26 April 2007, an Extraordinary General Meeting of the Company's shareholders approved a scheme whereby the Share Premium Account of £13.749 million be cancelled, and also a consolidation issue of 1 new ordinary share of 5p each for every existing 50 ordinary shares of 0.1p. Once court approval is obtained (which is expected before the end of the current year), the Company will have a positive Profit and Loss Account and will be able to pay dividends, if considered appropriate by the Board. It is expected that these measures will result in the Company shares becoming more marketable and acceptable to institutional investors.

#### **Investment in Perseus**

Since the balance sheet date, Reflec has acquired the ordinary shares of one of the minority shareholders in Perseus, who has now left the employment of Perseus. This employee owned 13% of the issued share capital of Perseus. These shares were acquired without consideration, due to the terms of the employee's shareholding in the event of departure. Since 100% of the profits and losses of Perseus will be considered until all accumulated losses have been extinguished, there will be no effect upon the Group results in the year to 28 February 2008.

### **Current Outlook**

Since the year end the Group has continued to trade profitably, although demand for the powder and media products during the early months has been slow. Nevertheless, we expect trading for the remainder of the year, in the absence of unforeseen circumstances, to meet our expectations. The Board considers the Security Services sector a growing market and as a result is looking to expand in this area, by acquisition or joint venture.

**Tim Hearley**  
Chairman  
6 August 2007

**Reflec Plc**  
**Income Statement for year ended 2007**

	<b>Existing Businesses</b>	<b>New Businesses</b>	<b>Total</b>	<b>Total</b>
	<b>2007</b>	<b>2007</b>	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Revenue</b>	4,259	580	4,839	4,565
Cost of sales	2,125	363	2,488	1,878
<b>Gross Profit</b>	<b>2,134</b>	<b>217</b>	<b>2,351</b>	<b>2,687</b>
Distribution costs	20	-	20	17
Administrative costs	1,803	353	2,156	2,442
Loss on partial disposal of subsidiary		75	75	-
Finance costs	1	2	3	2
Finance income	(5)	-	(5)	(9)
	1,819	430	2,249	2,452
<b>Profit/(loss) before tax</b>	<b>315</b>	<b>(213)</b>	<b>102</b>	<b>235</b>
Income tax income	123	-	123	25
<b>Profit/(loss) for the year</b>	<b>438</b>	<b>(213)</b>	<b>225</b>	<b>260</b>

**Earnings per share**

- Basic (pence)	0.0403	0.0464
- Diluted (pence)	0.0399	0.0460

There were no new businesses in the previous year

**Reflec Plc****Consolidated statement of recognised income and expense for the year ended 28 February 2007**

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Exchange differences on translation of the financial statements of foreign entities	(141)	2
Exchange differences realised in year transferred to income statement	39	-
Net (losses)/gains not recognised in income statement	(102)	3
Net Profit for the period	225	260
<b>Total recognised income and expense for the year</b>	<b>123</b>	<b>262</b>

All gains and losses are solely attributable to the Group

**Reflec Plc****Consolidated Balance Sheet as at 28 February 2007**

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	995		1,014	
Intangible assets	888		543	
Deferred tax asset	119		-	
<b>Total non-current assets</b>		<b>2,002</b>		<b>1,557</b>
<b>Current assets</b>				
Inventories	372		787	
Trade and other receivables	1,387		985	
Income Tax Receivable	4		25	
Cash and cash equivalents	356		674	
<b>Total current assets</b>		<b>2,119</b>		<b>2,471</b>

<b>Total assets</b>		4,121	4,028
<b>Current liabilities</b>			
Bank overdraft	1		2
Trade and other payables	536		565
<b>Total current liabilities</b>		537	567
<b>Total net assets</b>		3,584	3,461
<b>Capital and reserves attributable to equity holders of the company</b>			
Share capital	558		558
Share premium reserve	13,749		13,749
Foreign exchange reserve	(100)		2
Retained earnings	(10,623)		(10,848)
		3,584	3,461
<b>Minority interest</b>		-	-
<b>TOTAL EQUITY</b>		3,584	3,461

**Reflec Plc****Consolidated Cash Flow Statement for the year ended 28 February 2007**

	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Operating activities</b>				
Net Profit before tax		102		227
Adjustments for:				
Amortisation	22		41	
Depreciation	136		132	
Exchange differences	13		-	
Effect of joint venture -				
Exchange differences realised	(39)			
Intercompany write down	(36)			
		96		173
<b>Operating profit before changes in working capital and provisions</b>		198		400
<b>Working capital and provisions</b>				
Increase in trade and other receivables	(388)		(24)	
Decrease in inventories	415		56	
Decrease in trade and other payables	(29)		(4)	
		(2)		28
<b>Cash generated from operations</b>		196		428
Income taxes received		-		34
<b>Cash flows from operating activities</b>		196		462
<b>Investing activities</b>				
Purchases of Property, plant and equipment	(222)		(45)	
Disposals	103		(196)	
Research and Development expenditure	(383)		-	
Interest received	5		7	
Lease financing	-		4	
		(497)		(230)
<b>Financing activities</b>				
Interest paid		(3)		(2)

<b>(Decrease) / Increase in cash and cash equivalents</b>	(304)	230
Changes in foreign exchange rate	(13)	-
Cash and cash equivalents at beginning of year	672	442
<b>Cash and cash equivalents at end of year</b>	<b>355</b>	<b>672</b>

# REFLEC PLC

## Notes

### 1. Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out therein. The policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS and IFRIC interpretations) issued by the International Accounting Standards Board (ISAB) as adopted by the EU and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRS. This is the first time the Company has prepared its financial statements in accordance with IFRS, having previously prepared its financial statements in accordance with UK accounting standards. Details of how the transition from UK accounting standards to IFRS has affected the Group's reported financial position, financial performance and cash flows are given in note 2.

The financial information set out above does not constitute the company's statutory accounts for the years ended 28 February 2007 or 2006, but is derived from those accounts. Statutory accounts for 2006 have been delivered to the Registrar of Companies and those for 2007 will be delivered following the company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and did not contain statements under the Companies Act 1985, s 237(2) or (3).

### 2. First-time adoption of International Financial Reporting Standards (IFRS)

Reconciliations and explanatory notes on how the transition to IFRS has affected profit and net assets previously reported under UK Generally Accepted Accounting Principles are given below:

*Profit and loss account reconciliation for the year ended 28<sup>th</sup> February 2006*

	<b>UK GAAP</b>	<b>Adjustments</b>	<b>IFRS</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Revenue	4,565	-	4,565
Cost of sales	1,878	-	1,878
<hr/>			
Gross Profit	2,687	-	2,687

Distribution costs	17	-	17
Administrative expenses	2,471	(29)	2,442
Finance costs	2	-	2
Finance income	9	-	9
Profit before tax	206	29	235
Corporation tax (income)/expense	(25)	-	(25)
Retained profit for the year	231	29	260

*Balance sheet reconciliation as at 1 March 2005*

	<b>UK GAAP £'000</b>	<b>Adjustments £'000</b>	<b>IFRS £'000</b>
<b>Non-current assets</b>			
Property, plant and equipment	1,142	-	1,142
Intangible assets	511	29	540
Total non-current assets	1,653	29	1,682
<b>Current assets</b>			
Inventories	842	-	842
Trade and other receivables	995	-	995
Cash and cash equivalents	446	-	446
Total current assets	2,283	-	2,283
<b>Total assets</b>	<b>3,936</b>	<b>29</b>	<b>3,965</b>
<b>Current liabilities</b>			
Bank overdraft	1	-	1
Trade and other payables	409	-	409
Other financial liabilities	1	-	1
Provisions	158	-	158
Total current liabilities	569	-	569
<b>Non-current liabilities</b>			
Provisions	196	-	196

Total non-current liabilities	196	-	196
<b>Total liabilities</b>	<b>765</b>	<b>-</b>	<b>765</b>
<b>TOTAL NET ASSETS AND EQUITY</b>	<b>3,171</b>	<b>29</b>	<b>3,200</b>

*Consolidated balance sheet reconciliation as at 28th February 2006*

	<b>UK GAAP £'000</b>	<b>Adjustments £'000</b>	<b>IFRS £'000</b>
<b>Non-current assets</b>			
Property, plant and equipment	1,014	-	1,014
Intangible assets	485	58	543
Total non-current assets	1,499	58	1,557
<b>Current assets</b>			
Inventories	787	-	787
Trade and other receivables	1,010	-	1,010
Cash and cash equivalents	674	-	674
Total current assets	2,471	-	2,471
<b>Total assets</b>	<b>3,970</b>	<b>58</b>	<b>4,028</b>
<b>Current liabilities</b>			
Bank overdraft	2	-	2
Trade and other payables	565	-	565
<b>Total liabilities</b>	<b>567</b>	<b>-</b>	<b>567</b>
<b>TOTAL NET ASSETS AND EQUITY</b>	<b>3,403</b>	<b>58</b>	<b>3,461</b>

Explanations of the adjustments made to the UK GAAP income statement and balance sheets are as follows:

Under IFRS, there will be no further amortisation of goodwill on consolidation. Instead, an annual impairment review in accordance with IFRS 3 'Business Combinations' must be undertaken. The adjustment above is to write back the amortisation charge in the comparative financial year that was recognised under UK GAAP.

Cash flow statement for the year ended 28 February 2006

The only changes to the cash flow statement are presentational. The key ones include:

- Presenting a statement showing movements in cash and cash equivalents, rather than just cash. Cash under UK GAAP comprised only amounts accessible in 24 hours without penalty less overdrafts repayable on demand.
- Classifying tax cash flows as relating to operating activities.

### **3. The Annual Report & Accounts**

The annual report and accounts of the Company for the year ended 28 February 2007 will be posted to shareholders and copies of the report and accounts will be available from the Company's registered office, Road One, Winsford Industrial Estate, Winsford, Cheshire, CW7 3QQ.