

## **Reflec plc**

**2 March 2009**

### **Reflec Acquisition**

Reflec plc has mutually agreed with Peter Smith that the joint venture agreement between the parties relating to Reflec USA Corp. ("Reflec USA") has been terminated with immediate effect as of 27 February 2009, 7 months after Peter Smith resigned as President of Reflec USA.

Certain assets of Reflec USA, being intellectual property, equipment, inventory and receivables, have been acquired by Reflec Technology Limited, a wholly owned subsidiary of Reflec plc for consideration of \$2,026,465 (the "Transaction").

Payment for these assets has been effected by applying the consideration in part repayment of the existing loan to Reflec USA from the Reflec plc Group which prior to the Transaction was \$2,074,434. This loan was assigned from Reflec plc to Reflec Technology Limited immediately prior to the Transaction.

Reflec USA has, over the past few years, developed a market for specialist reflective sportswear in the USA. The acquisition of these assets is part of a strategy that has been developed by Reflec plc to market its technology-based reflective fabrics worldwide either through its own branded products or through other channels.

In the year to 28 February 2008 Reflec USA recorded profits of \$51,828 (GBP26,092 at the exchange rate of GBP1 = \$1.96 which prevailed at 28 February 2008). Reflec USA had net assets as at 28 February 2008 of \$276,836 (GBP141,242 at GBP1 = 1.96). Reflec plc included 50% of these profits and net assets in the group accounts for the year to 28 February 2008.

Reflec plc will consolidate 50% of the trading results of Reflec USA for the year to 28 February 2009.

As a result of the Transaction the loan outstanding from the Reflec plc Group to Reflec USA has been reduced to \$47,969. At 28 February 2008 the loan had been impaired by GBP338,000. The direct effect of the Transaction is that approximately GBP300,000 of this impairment will be reversed.

The second effect of the Transaction is that the remaining assets of Reflec USA, which consist of goodwill and improvements to leasehold premises, will need to be reviewed for impairment.

The third impact of the Transaction will be that the assets acquired by Reflec Technology Limited will be subject to an impairment review as part of the normal year end accounts preparation.

The Directors believe that the overall impact upon the Group balance sheet of the Transaction is likely to be positive.

Detailed plans are in place for the ongoing growth of the reflectives business within Reflec Technology Limited in line with the strategy described above.  
Reflec Technology Limited will be controlled from the head office in Winsford.

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