

02 April 2007

REFLEC PLC
(‘Reflec’ or ‘the Company’)

Trading Update

Proposed Share Capital Reorganisation

Proposed cancellation of the Share Premium Account

and

Notice of Extraordinary General Meeting

Reflec (Ticker: REF), the specialist developer and manufacturer of retro-reflective inks, fabrics, ancillary products and processes powders, is pleased to update the market on its trading progress for the 12 months to 28 February 2007. The Company expects to announce its preliminary results in the last week of May and will report that trading has remained on track after the strong first half, with revenue and profit before tax ahead of the previous year.

The Company also wishes to announce that an EGM circular (‘the Circular’) was posted to shareholders of the Company (‘Shareholders’) on 2 April 2007, convening an extraordinary general meeting (the ‘EGM’). The EGM will be held on 26 April 2007 at 10.30am at the offices of Seymour Pierce.

The Circular details the proposed share capital reorganisation and cancellation of the Company’s share premium account being proposed inter alia to enable the future payment of dividends by the Company to Shareholders.

Resolution 1: Share Capital Reorganisation

The Company now has some 13,135 Shareholders each holding an average of approximately 42,500 Ordinary Shares, currently worth £318.75.

Since the Company’s flotation on AIM in 1997, the share price, as with a number of technology and growth companies, has fallen sharply. The Board is concerned by the negative market sentiment regarding ‘penny shares’ and believes that many smaller investors have been deterred from dealing in ordinary shares as a result of the high bid-ask spread (which is currently in the region of 25 per cent). It is therefore proposed that every 50 existing ordinary shares of 0.1 pence be consolidated and redesignated as one new ordinary share of 5 pence each. Based on a mid-market price of 0.75 pence per existing ordinary share as at 27 March (the latest practicable date before the printing of this document), this implies a price per new ordinary share of 37.5 pence.

The Board believes the Resolution being put forward for approval at the EGM will adjust the Company’s share price to a level more appropriate for a company of Reflec’s size.

Resolution 2: Cancellation of Share Premium Account

The Company, as at 31 August 2006, had an accumulated deficit on its profit and loss account of £10,793,000. The absence of distributable profits means that the Company is currently unable to pay dividends or to make market purchases of its ordinary shares. The Board is proposing to gain approval for the cancellation of the Company's share premium account, which as at 31 August 2006, amounted to £13,749,000.

The reserve produced by the cancellation, subject to the protection of creditors, will be available to eliminate the deficit on the Company's profit and loss account. The balance arising, again subject to the protection of creditors, will create a distributable reserve available for corporate purposes of the Company including inter alia to fund market purchases of the new ordinary shares, or more particularly to enable the Board to give consideration to the payment of dividends in the future.

Reflec Employee Benefit Trust

The Board believes it is an appropriate time in the Company's development to establish a trust for the benefit of the employees. The Reflec EBT will hold assets, principally cash and Reflec ordinary shares, on trust for the benefit of the employees of the Company. The trust will be funded initially by means of a loan of £100,000 from the Company. The trustees of the Reflec EBT will have the power to subscribe for new ordinary shares and to buy and sell Reflec ordinary shares in the market.

Recommendation

The Board believes that the proposals being put to the Shareholders as described in the Circular are in the best interests of the Shareholders. Accordingly, the Directors unanimously recommend that shareholders vote in favour of the Resolutions to be proposed at the EGM.

The Company would finally like to announce the appointment of Conduit PR, which will be responsible for Reflec's financial communications going forward.

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For further information:

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