REGISTERED NUMBER 03300499 (England and Wales)

REPORT OF THE DIRECTORS AND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 FEBRUARY 2012

FOR

REFLEC EVOLUTION LIMITED

THURSDAY

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REFLEC EVOLUTION LIMITED (REGISTERED NUMBER: 03300499)

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FOR THE YEAR ENDED 29 FEBRUARY 2012

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REFLEC EVOLUTION LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 29 FEBRUARY 2012

DIRECTORS	M J Cope P W Holdcroft R E Talbot
SECRETARY:	M J Cope
REGISTERED OFFICE.	Road One Winsford Industrial Estate Winsford Cheshire CW7 3QQ
REGISTERED NUMBER:	03300499 (England and Wales)
AUDITORS:	Howard Worth Chartered Accountants and Statutory Auditors Drake House Gadbrook Park Northwich Cheshire CW9 7RA

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 29 FEBRUARY 2012

The directors present their report with the financial statements of the company for the year ended 29 February 2012

PRINCIPAL ACTIVITY
The principal activity of the company in the year under review was that of micro reduction and material processing of powders

REVIEW OF BUSINESS
The turnover for Evolution was £967,758 with a profit of £219,183 before management charges and depreciation This division continues to find trading challenging but has the ability to control its costs in line with the varying levels of demand

Evolution in particular is suffering from a number of delayed orders although the prospects are strong

We are progressing a number of strong enquiries which would strengthen this division significantly if they materialise

Evolution continues to maintain high customer standards and service

We have undertaken considerable repairs, planned maintenance and enhancements to our plant during the year We are particularly pleased to have recently been able to install a new and improved liquid nitrogen tank, which frees us from our previous supplier and will provide significant cost savings going forward

We plan continued investment in the division and look forward to acting on new opportunities as they arise

Developments will be announced via the www reflec com website as they occur and we encourage and recommend shareholders and potential shareholders to register to receive email updates

DIVIDENDS
No dividends will be distributed for the year ended 29 February 2012

DIRECTORS
The directors shown below have held office during the whole of the period from 1 March 2011 to the date of this report

M J Cope
P W Holdcroft
R E Talbot

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

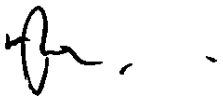
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

AUDITORS

The auditors, Howard Worth, will be proposed for re-appointment at the forthcoming Annual General Meeting

ON BEHALF OF THE BOARD:



M J Cope - Director

27 April 2012

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF REFLEC EVOLUTION LIMITED

We have audited the financial statements of Reflec Evolution Limited for the year ended 29 February 2012 on pages six to thirteen The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities set out on pages two and three, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

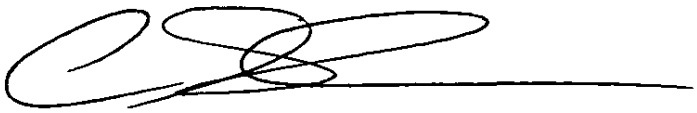
Opinion on financial statements
In our opinion the financial statements
- give a true and fair view of the state of the company's affairs as at 29 February 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



C J Swallow BSc FCA (Senior Statutory Auditor)
for and on behalf of Howard Worth
Chartered Accountants and
Statutory Auditors
Drake House
Gadbrook Park
Northwich
Cheshire
CW9 7RA

27 April 2012

REFLEC EVOLUTION LIMITED (REGISTERED NUMBER 03300499)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 29 FEBRUARY 2012

	Notes	29/2/12 £	29/2/12 £	28/2/11 £	28/2/11 £
TURNOVER	2		967,758		1,204,670
Cost of sales			94,105		121,191
GROSS PROFIT			873,653		1,083,479
Distribution costs		10,174		17,094	
Administrative expenses		814,050		1,035,533	
			824,224		1,052,627
			49,429		30,852
Other operating income			8,666		11,056
OPERATING PROFIT and PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4		58,095		41,908
Tax on profit on ordinary activities	5		(42,673)		-
PROFIT FOR THE FINANCIAL YEAR			100,768		41,908

CONTINUING OPERATIONS
None of the company's activities were acquired or discontinued during the current year or previous year

TOTAL RECOGNISED GAINS AND LOSSES
The company has no recognised gains or losses other than the profits for the current year or previous year

The notes form part of these financial statements

BALANCE SHEET
29 FEBRUARY 2012

	Notes	29/2/12 £	29/2/12 £	28/2/11 £	28/2/11 £
FIXED ASSETS					
Tangible assets	6		527,662		596,391
CURRENT ASSETS					
Stocks	7	10,944		12,383	
Debtors	8	686,519		455,702	
Cash at bank		51,750		105,644	
		749,213		573,729	
CREDITORS					
Amounts falling due within one year	9	69,651		63,664	
NET CURRENT ASSETS			679,562		510,065
TOTAL ASSETS LESS CURRENT LIABILITIES			1,207,224		1,106,456
CAPITAL AND RESERVES					
Called up share capital	12		575,000		575,000
Profit and loss account	13		632,224		531,456
SHAREHOLDERS' FUNDS	18		1,207,224		1,106,456

The financial statements were approved by the Board of Directors on 27 April 2012 and were signed on its behalf by

P W Holdcroft - Director

M J Cope - Director

The notes form part of these financial statements

1 ACCOUNTING POLICIES

Basis of preparing the financial statements
The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future

In addition, a letter has been issued by the parent undertaking in which it guarantees to continue to provide financial support for the company

For these reasons the directors continue to adopt the going concern basis in preparing the accounts

Accounting convention
The financial statements have been prepared under the historical cost convention

Financial Reporting Standard Number 1
Exemption has been taken from preparing a cash flow statement on the grounds that the company is a subsidiary company where more than 90% of the voting rights are controlled within the group and consolidated financial statements in which the company is included are publicly available

Turnover
Turnover represents the value of services provided to customers, excluding VAT

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life

Plant and machinery	- at varying rates on cost
Fixtures and fittings	- at varying rates on cost

Stocks
Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date Deferred tax balances are not discounted

Foreign currencies
Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction Exchange differences are taken into account in arriving at the operating result

Hire purchase and leasing commitments
Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease

Pension costs and other post-retirement benefits
The company operates a defined contribution pension scheme Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate

2 TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company

An analysis of turnover by class of business is given below

	29/2/12	28/2/11
	£	£
Micro reduction and processing	967,758	1,204,670
	967,758	1,204,670

An analysis of turnover by geographical market is given below

	29/2/12	28/2/11
	£	£
United Kingdom	897,143	1,151,040
Other European countries	70,615	27,730
Norway	-	25,900
	967,758	1,204,670

3 STAFF COSTS

	29/2/12	28/2/11
	£	£
Wages and salaries	357,527	417,981
Social security costs	19,341	16,702
Other pension costs	30,454	11,713
	407,322	446,396

The average monthly number of employees during the year was as follows

	29/2/12	28/2/11
Administrative	3	3
Production	11	10
	14	13

4 OPERATING PROFIT

The operating profit is stated after charging

	29/2/12	28/2/11
	£	£
Hire of plant and machinery	9,101	21,487
Depreciation - owned assets	86,088	89,058
Auditors' remuneration	3,629	4,100
Auditors' remuneration for non audit work	488	975

4 **OPERATING PROFIT - continued**

Directors' remuneration	80,337	79,211
Directors' pension contributions to money purchase schemes	11,683	11,713

The number of directors to whom retirement benefits were accruing was as follows

Money purchase schemes	3	2

5 **TAXATION**

Analysis of the tax credit
The tax credit on the profit on ordinary activities for the year was as follows

	29/2/12	28/2/11
	£	£
Deferred tax	(42,673)	-
Tax on profit on ordinary activities	(42,673)	-

Factors affecting the tax credit
The tax assessed for the year is lower than the standard rate of corporation tax in the UK The difference is explained below

	29/2/12	28/2/11
	£	£
Profit on ordinary activities before tax	58,095	41,908
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26% (2011 - 28%)	15,105	11,734
Effects of		
Expenses not deductible for tax purposes	1,809	265
Capital allowances in excess of depreciation	-	(47,209)
Depreciation in excess of capital allowances	17,863	-
Utilisation of tax losses	(34,777)	35,210
Current tax credit	-	-

Factors that may affect future tax charges
The company has tax losses of £1,150,233 to carry forward and offset against future profits chargeable to corporation tax

6 TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Totals £
COST			
At 1 March 2011	1,657,191	35,084	1,692,275
Additions	16,222	1,137	17,359
At 29 February 2012	1,673,413	36,221	1,709,634
DEPRECIATION			
At 1 March 2011	1,067,586	28,298	1,095,884
Charge for year	85,378	710	86,088
At 29 February 2012	1,152,964	29,008	1,181,972
NET BOOK VALUE			
At 29 February 2012	520,449	7,213	527,662
At 28 February 2011	589,605	6,786	596,391

7 STOCKS

	29/2/12 £	28/2/11 £
Stocks	10,944	12,383

8 DEBTORS

	29/2/12 £	28/2/11 £
Amounts falling due within one year		
Trade debtors	153,631	105,249
Deferred tax asset	155,000	112,327
Prepayments and accrued income	2,970	8,402
	311,601	225,978
Amounts falling due after more than one year		
Amounts owed by group undertakings	334,918	153,724
Other debtors	40,000	76,000
	374,918	229,724
Aggregate amounts	686,519	455,702

A deferred tax asset has been recognised on the excess of depreciation charged over capital allowances deducted

9 CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR

	29/2/12	28/2/11
	£	£
Trade creditors	29,651	25,875
Social security and other taxes	32,835	29,829
Other creditors	199	199
Accrued expenses	6,966	7,761
	69,651	63,664

10 OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year

	Land and buildings		Other operating leases	
	29/2/12	28/2/11	29/2/12	28/2/11
	£	£	£	£
Expiring				
Between one and five years	-	77,000	15,016	23,527
In more than five years	-	-	38,500	-
	-	77,000	53,516	23,527

The company entered into a further operating lease agreement prior to the balance sheet date The lease payments commence upon delivery of the equipment to the company The lease term is 5 years from delivery and the annual rental is £4,275

The operating lease commitment above relating to land and buildings is the total of lease payments due in the 12 months after the balance sheet date The amount above is after taking into account a rent free period The full annual rental is £77,000 and this will come into effect from April 2013

11 SECURED DEBTS

The Co-Operative Bank Plc hold a standard mortgage debenture dated 14th July 2008 incorporating a fixed and floating charge over the assets of the company in respect of any borrowings on the current account

12 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid

Number	Class	Nominal value	29/2/12	28/2/11
			£	£
575,000	Ordinary	£1	575,000	575,000

13 RESERVES

	Profit and loss account £
At 1 March 2011	531,456
Profit for the year	100,768
At 29 February 2012	632,224

14 PENSION COMMITMENTS

The company contributes to defined contribution pension schemes The assets of the scheme are held separately from those of the company in independently administered funds The pension cost charge for the year of £30,454 (2011 - £32,582) represents contributions payable by the company during the year There were no outstanding or prepaid contributions at the current or previous balance sheet date

15 ULTIMATE PARENT COMPANY

The ultimate parent company is Reflec Plc, a company registered in England and Wales

16 RELATED PARTY DISCLOSURES

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 not to disclose transactions with members of the group headed by Reflec Plc The company is included within publicly available consolidated financial statements (from the Registered Office of the company), and the related parties are wholly owned by Reflec Plc

17 ULTIMATE CONTROLLING PARTY

In the opinion of the directors, there is no ultimate controlling party

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	29/2/12 £	28/2/11 £
Profit for the financial year	100,768	41,908
Net addition to shareholders' funds	100,768	41,908
Opening shareholders' funds	1,106,456	1,064,548
Closing shareholders' funds	1,207,224	1,106,456