



Pentagon Protection Plc
Interim Statement 2010

PENTAGON PROTECTION PLC

DIRECTORS, ADVISORS AND OFFICERS

Directors	H ElZayn P J Fransko S D Harrhy J R Wyatt
Secretary	C R B Mather
Company Number	4488281
Registered office	Solar House Amersham Road Chesham Buckinghamshire HP5 1NG
Nominated advisers	Seymour Pierce Limited 20 Old Bailey London EC4M 7EN
Auditors	Warrener Stewart Harwood House 43 Harwood Road London SW6 4QP
Solicitors	Mundays Cedar House 78 Portsmouth Road Cobham Surrey KT17 1HS
Registrars	Capita Registrars PO Box 25 Beckenham Kent BR3 4BR

PENTAGON PROTECTION PLC

CHAIRMAN'S STATEMENT FOR THE SIX MONTHS ENDED 31 MARCH 2010

I have pleasure in presenting the results for the 6 month period ended 31 March 2010.

As described in my Chairman's statement accompanying the results for the year ended 30 September 2009, this year has been one of tremendous turmoil in the global economy and therefore we have concentrated our efforts on ensuring the business will be in a strong position to benefit from the expected upturn in turnover once the economy becomes more settled. We have completed a strategic review of our core businesses, protective film and specialist security products, and are now well placed to build on these two cornerstones.

One issue that has impacted the development of the protective film business in the current year has been the management time devoted to resolving the warranty claim arising from the supply of film direct from a manufacturer to a Pentagon client in 2005. It became apparent in May that the insurance company is not likely to settle the claim in a timescale that will meet both our and our client's requirements, however, we believe we have now found a resolution to this issue and I look forward to making a more detailed announcement in respect of this in the very near future.

In the meantime, the film division has been successful in being awarded some major contracts and we are now well poised to consolidate our position as market leader in these services. We intend to expand both geographic reach and product range and I look forward to reporting to you some significant increases in both these scopes in the near future.

The expansion of SDS, the division that supplies specialist security equipment and training, has benefited from the recently announced partnership agreement for exclusive rights to sell the Unival product range in the United Kingdom and Northern Ireland, and we are looking to further increase turnover through similar arrangements as well as raising market awareness of the current strong product range.

Financial Review

Turnover in the period under review was marginally lower at £937,414 than for the same period last year (£987,983), however, as a result of the recent cost saving exercise we are reporting a much reduced loss on operating activities of £309,929 compared to £408,713 for the corresponding period last year. This position is further enhanced by the adjustment of the provision made at the year-end for the warranty claim, leading to an exceptional profit of £225,800 and a subsequent loss from operations before financing activities of £84,129 (2009: £408,713).

The impact of these losses has been to further deplete the company's cash reserves, however, at the period end we had a net current asset position of £618,474 (2009: £367,210). This reflects the issue of new equity immediately before the period end that raised £321,000 for the Group, although the proceeds were not received until immediately after the period end, and are therefore not reflected in the cash balance of £57,541 (2009: £157,065).

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CHAIRMAN'S STATEMENT (CONTINUED) FOR THE SIX MONTHS ENDED 31 MARCH 2010

Current Trading and Future Outlook

Protective film division

Whilst turnover through to the year-end is likely to be lower than last year, the protective film division is about to start work on a major new international project with a value of £300,000 and is awaiting the commencement of the European Commission contract. These contracts, combined with the continuation of our other long-term contracts and new business demonstrate the strongest order book the business has achieved to date and therefore we are confident that turnover in the year ending 30 September 2011 will be significantly higher in this division. We also anticipate expanding our geographic reach and product range significantly before the end of the financial year, which should also have a marked impact on next year's turnover and profitability.

Security Products and Training

As has been reported in the past, the turnover from this division has tended to be highly dependent on the timing of a small number of large orders. Therefore some of this year's anticipated turnover may drift into the new year. However, with our plans to expand our sales and marketing efforts in this division, we believe we will achieve a higher baseline of sales over the coming months so that the impact of these larger orders is less significant in future periods.

The Group has benefited from the recent strategic review and I am grateful to all the staff as well as the wider stakeholder family for their support during this period. I am confident that the progress we have made and continue to make will be reflected in the figures for the year ending 30 September 2011, and I look forward to advising you of our expansion activities in due course.

Haytham ElZayn
Chairman
30 June 2010

PENTAGON PROTECTION PLC

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 MARCH 2010

		Unaudited six months ended 31 March 2010	Unaudited six months ended 31 March 2009	Audited year ended 30 September 2009
	Notes	£	£	£
Revenue	3	937,414	987,983	2,948,574
Cost of sales		<u>(659,740)</u>	<u>(604,954)</u>	<u>(2,233,277)</u>
Gross profit		277,674	383,029	715,297
Distribution costs		(61,633)	(78,558)	(119,618)
Administrative expenses		(525,970)	(713,184)	(1,025,316)
Other operating income		—	—	<u>4,623</u>
LOSS FROM OPERATIONS BEFORE EXCEPTIONAL ITEM		(309,929)	(408,713)	(425,014)
Exceptional item - provision		<u>225,800</u>	—	<u>(925,800)</u>
LOSS FROM OPERATIONS BEFORE FINANCING ACTIVITIES		(84,129)	(408,713)	(1,350,814)
Finance income		31	1,590	6,611
Finance costs		(1,100)	(1,784)	(5,923)
LOSS BEFORE TAX		<u>(85,198)</u>	<u>(408,907)</u>	<u>(1,350,126)</u>
Tax		—	—	<u>264</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>(85,198)</u>	<u>(408,907)</u>	<u>(1,349,862)</u>
Loss attributable to Equity holders of the parent		<u>(85,198)</u>	<u>(408,907)</u>	<u>(1,349,862)</u>
Total comprehensive income for the period				
Equity holders of the parent		<u>(85,198)</u>	<u>(408,907)</u>	<u>(1,349,862)</u>
Loss per share				
Basic	7	<u>(0.013)p</u>	<u>(0.077)p</u>	<u>(0.240)p</u>
Diluted	7	<u>(0.013)p</u>	<u>(0.077)p</u>	<u>(0.240)p</u>

Revenue and operating loss for the period all derive from continuing operations.

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CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2010

	Notes	Unaudited six months ended 31 March 2010 £	Unaudited six months ended 31 March 2009 £	Audited year ended 30 September 2009 £
ASSETS				
Non-current assets				
Intangible assets		13,902	28,286	18,540
Goodwill		351,360	351,360	351,360
Property, plant and equipment		31,077	35,414	35,163
		<u>396,339</u>	<u>415,060</u>	<u>405,063</u>
Current assets				
Inventories		230,756	303,655	173,058
Trade and other receivables		899,822	667,523	1,142,194
Cash and cash equivalents	4	57,541	157,065	44,467
		<u>1,188,119</u>	<u>1,128,243</u>	<u>1,359,719</u>
TOTAL ASSETS		<u><u>1,584,458</u></u>	<u><u>1,543,303</u></u>	<u><u>1,764,782</u></u>
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables		505,364	659,382	662,098
Borrowings		64,281	101,651	77,191
		<u>569,645</u>	<u>761,033</u>	<u>739,289</u>
Non-current liabilities				
Borrowings		1,747	6,956	4,348
Provisions		700,000	-	925,800
Deferred tax liability		-	264	-
		<u>701,747</u>	<u>7,220</u>	<u>930,148</u>
Total liabilities		<u>1,271,392</u>	<u>768,253</u>	<u>1,669,437</u>
Equity				
Share capital	5	801,918	531,418	641,418
Share premium account	5	7,056,785	6,763,116	6,914,366
Shares held by ESOP		(4,541)	(4,541)	(4,541)
Retained earnings		(7,541,096)	(6,514,943)	(7,455,898)
Total equity attributable to equity holders of the parent		<u>313,066</u>	<u>775,050</u>	<u>95,345</u>
TOTAL EQUITY AND LIABILITIES		<u><u>1,584,458</u></u>	<u><u>1,543,303</u></u>	<u><u>1,764,782</u></u>

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CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 MARCH 2010

	Share capital £	Share premium account £	Shares held by ESOP £	Retained earnings £	Total £
At 1 October 2008	531,418	6,763,116	(4,541)	(6,106,036)	1,183,957
Total comprehensive income for the period	-	-	-	(408,907)	(408,907)
At 31 March 2009	531,418	6,763,116	(4,541)	(6,514,943)	775,050
Shares issued during the period	110,000	151,250	-	-	261,250
Total comprehensive income for the period	-	-	-	(940,955)	(940,955)
At 30 September 2009	641,418	6,914,366	(4,541)	(7,455,898)	95,345
Shares issued during the period	160,500	160,500	-	-	321,000
Share issue costs	-	(18,081)	-	-	(18,081)
Total comprehensive income for the period	-	-	-	(85,198)	(85,198)
At 31 March 2010	801,918	7,056,785	(4,541)	(7,541,096)	313,066

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CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 31 MARCH 2010

	Unaudited six months ended 31 March 2010 £	Unaudited six months ended 31 March 2009 £	Audited year ended 30 September 2009 £
Notes			
Operating activities			
Loss before tax	(85,198)	(408,713)	(1,350,126)
Depreciation of property, plant and equipment	4,086	5,047	9,595
Amortisation of intangibles	4,638	-	9,270
(Increase)/decrease in inventories	(57,698)	(107,694)	22,903
Decrease/(increase) in trade receivables	545,291	(113,773)	(588,444)
(Increase)/decrease in trade payables	(156,734)	189,082	206,353
Increase in provisions	(225,800)	-	925,800
Net finance cost/(income)	<u>1,069</u>	<u>(194)</u>	<u>(688)</u>
Net cash from/(used in) operating activities	<u>29,654</u>	<u>(436,245)</u>	<u>(765,337)</u>
Investing activities			
Payments to acquire intangible fixed assets	-	(476)	-
Payments to acquire property, plant and equipment	-	(2,549)	(6,846)
Acquisition of a subsidiary net of cash acquired	-	-	6,611
Net cash used in investing activities	<u>-</u>	<u>(3,025)</u>	<u>(235)</u>
Financing activities			
(Decrease)/increase in factor finance	(26,346)	62,193	37,279
Capital element of finance lease rental	(2,601)	(2,609)	(5,217)
Proceeds from issue of shares	-	-	261,250
Interest paid	(1,069)	-	(5,923)
Net cash (used in)/from financing activities	<u>(30,016)</u>	<u>59,584</u>	<u>287,389</u>
Net decrease in cash and cash equivalents	(362)	(379,686)	(478,183)
Cash and cash equivalents at the start of the period	44,467	522,650	522,650
Cash and cash equivalents at the end of the period	4 <u>44,105</u>	<u>142,964</u>	<u>44,467</u>

PENTAGON PROTECTION PLC

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 31 MARCH 2010

1 General information

Pentagon Protection Plc ('the Company') and its subsidiaries (together, 'the Group') specialise in the supply and installation of anti-shatter/safety films, bomb blast protection, security and solar control films as well as opaque privacy films and manifestation graphics and the provision of bespoke security consultancy for high risk project management. They are also involved in Assessment and Examination (A&E) projects.

The Company is a publicly listed company incorporated and domiciled in England. The address of its registered office is Solar House, Amersham Road, Chesham, Buckinghamshire HP5 1NG.

The Company is listed on AIM.

This consolidated interim financial information was approved for issue on 30 June 2010.

2 Accounting policies

2.1 Basis of preparation

The interim consolidated financial information comprises the consolidated Statements of Financial Position at 31 March 2010, 31 March 2009 and 30 September 2009 and the consolidated Statements of Comprehensive Income, Changes in Equity and Cash Flows for the periods then ended and the related notes of Pentagon Protection Plc, (hereinafter referred to as 'the interim financial information'.)

The interim financial information has been prepared in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. In preparing this information, management have used the accounting policies set out in the Group's annual financial statements as at 30 September 2009.

This interim financial information does not constitute a set of statutory accounts under the requirements of the Companies Act 2006 and is neither audited nor reviewed. The comparative figures for the financial year ended 30 September 2009 are an extract from the Group's 2009 financial statements, which have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified.

This document (the Interim Statement 2010) will be published on the company's website and will be publicly available from the London Stock Exchange regulatory publications. The maintenance and integrity of the Pentagon Protection Plc website is the responsibility of the directors. Legislation in the UK governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

2.2. New Accounting Standards and Interpretations

The following new Standards, Amendments to Standards or Interpretations are in issue but not effective in the period covered by these interim financial statements.

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE SIX MONTHS ENDED 31 MARCH 2010

IFRS 2 Share-based Payments

IFRS 7 Financial Instruments: Disclosure

IFRS 9 Financial Instruments

IAS 24 Related Party Disclosures

IAS 32 Financial Instruments: Presentation

IAS 39 Financial Instruments: Recognition and measurement

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the company when the relevant Standards and Interpretations come into effect.

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE SIX MONTHS ENDED 31 MARCH 2010

3 Business and geographical segments

Based on the risks and returns the directors consider that the primary reporting format is by business segment. Results by business segment are as follows:

	Unaudited six months ended 31 March 2010 £	Unaudited six months ended 31 March 2009 £	Audited year ended 30 September 2009 £
Protective Film and Anchoring			
Turnover	509,959	714,544	1,430,533
Cost of sales	(376,164)	(428,986)	(1,103,321)
<i>Gross profit</i>	133,795	285,558	327,212
Overheads	(283,559)	(522,096)	(709,676)
Operating loss before exceptional item	(149,764)	(236,538)	(382,464)
Exceptional item	225,800	-	(925,800)
<i>Operating loss</i>	(76,036)	(236,538)	(1,308,264)
Security Products and Services			
Turnover	427,455	273,439	1,518,041
Cost of sales	(283,576)	(175,968)	(1,129,956)
<i>Gross profit</i>	143,879	97,471	388,085
Overheads	(185,002)	(139,872)	(378,214)
<i>Operating loss</i>	(41,123)	(42,401)	9,871
Group Operating Expenses			
Overheads	(119,042)	(129,774)	(52,421)
Totals			
Turnover	937,414	987,983	2,948,574
Cost of sales	(659,740)	(604,954)	(2,233,277)
<i>Gross profit</i>	277,674	383,029	715,297
Overheads	(587,603)	(791,742)	(1,140,311)
Operating loss before exceptional item	(309,929)	(408,713)	(425,014)
Exceptional item	225,800	-	(925,800)
<i>Operating loss</i>	(84,129)	(408,713)	(1,350,814)

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE SIX MONTHS ENDED 31 MARCH 2010

Assets and liabilities by business segment are as follows:

	Unaudited six months ended 31 March 2010 £	Unaudited six months ended 31 March 2009 £	Audited year ended 30 September 2009 £
Protective Film and Anchoring			
Total assets	580,516	637,373	732,138
Total liabilities	980,678	302,156	1,221,187
Depreciation and amortisation in period	7,463	3,891	16,290
Capital expenditure	-	2,549	3,338
Security Products and Services			
Total assets	324,846	523,787	658,526
Total liabilities	145,889	371,422	357,675
Depreciation and amortisation in period	1,366	1,156	2,575
Capital expenditure	-	-	3,508
Plc			
Total assets	679,096	382,143	374,118
Total liabilities	144,825	94,675	90,575
Capital expenditure	-	476	-
TOTAL ASSETS	1,584,458	1,543,303	1,764,782
TOTAL LIABILITIES	1,271,392	768,253	1,669,437

PENTAGON PROTECTION PLC

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE SIX MONTHS ENDED 31 MARCH 2010

3 Business and geographical segments (continued)

The secondary reporting format is by geographic segment based on location of customers. All of the business assets are located in the United Kingdom. External revenue by segment is as follows:

	Unaudited six months ended 31 March 2010 £	Unaudited six months ended 31 March 2009 £	Audited year ended 30 September 2009 £
Continuing operation:			
United Kingdom	820,285	570,304	1,990,811
Americas	2,185	216,423	406,042
Europe	43,521	47,527	187,271
Africa and Middle East	51,092	91,533	178,577
Far East	19,281	51,358	102,100
Australasia	1,050	10,838	83,773
	<u>937,414</u>	<u>987,983</u>	<u>2,948,574</u>

4 Cash and cash equivalents

For the purpose of the consolidated interim cash flow statement, cash and cash equivalents are comprised of the following:

	Unaudited six months ended 31 March 2010 £	Unaudited six months ended 31 March 2009 £	Audited year ended 30 September 2009 £
Cash at bank and in hand	57,541	157,065	44,467
Bank overdraft	(13,436)	(14,101)	-
	<u>44,105</u>	<u>142,964</u>	<u>44,467</u>

PENTAGON PROTECTION PLC

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE SIX MONTHS ENDED 31 MARCH 2010

5 Share capital	Unaudited six months ended 31 March 2010 £	Unaudited six months ended 31 March 2009 £	Audited year ended 30 September 2009 £
Authorised 1,000,000,000 Ordinary shares of 0.1p each	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid			
As at 1 October 2009 (641,418,156 ordinary shares of 0.1p each)	641,418	531,418	531,418
Issue of Ordinary shares of 0.1p each	<u>160,500</u>	<u>-</u>	<u>110,000</u>
At 31 March 2010 (801,918,156 ordinary shares of 0.1p each)	<u>801,918</u>	<u>531,418</u>	<u>641,418</u>
Share transaction history		Quantity of 0.1p shares	Value
<i>Share placings in the year were as follows:</i>			
30 March 2010		<u>106,500,000</u>	<u>0.2p</u>

The new equity was issued immediately before the period end and raised £321,000 (before issue costs of £18,081) for the Group. The proceeds were not received until immediately after the period end and are therefore reflected in debtors in the Statement of Financial Position.

One of the Directors, Haytham ElZayn subscribed for 8,000,000 shares in this placing, which takes his total percentage holding to 5.28% at the date of authorisation of this interim financial information.

6 Dividends paid and proposed

Equity dividends on ordinary shares:

No interim dividend was paid or is proposed for the half year ended 31 March 2010.

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE SIX MONTHS ENDED 31 MARCH 2010

7 Loss per share

The calculations of loss per share are based on the following losses and number of shares:

	Unaudited six months ended 31 March 2010 £	Unaudited six months ended 31 March 2009 £	Audited year ended 30 September 2009 £
Loss for the financial period	<u>(85,198)</u>	<u>(408,907)</u>	<u>(1,349,862)</u>
Weighted average number of shares for basic and diluted loss per share	<u>641,857,882</u>	<u>531,418,156</u>	<u>641,418,156</u>

At 31 March 2010, the number of ordinary shares in issue was 801,918,156.

In accordance with the provisions of IAS 33, shares under option are not regarded as dilutive in calculating earnings per share.

8 Seasonality of interim operations

Pentagon Protection Plc does not operate in a seasonal or cyclical business environment.

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE SIX MONTHS ENDED 31 MARCH 2010

9	Provisions	Unaudited six months ended 31 March 2010 £	Unaudited six months ended 31 March 2009 £	Audited year ended 30 September 2009 £
	Other provision	700,000	-	925,800

The Other Provision, which was originally made in the year ended 30 September 2009, relates to one of the subsidiaries of the Company, Pentagon Protection UK Limited (PPUK). A customer of PPUK made a warranty claim in respect of film supplied direct from the manufacturer in March 2005, which was not in accordance with the specification given in the purchase order, and the directors made a provision in respect of their best estimate of the costs of rectification. In accordance with IAS 37, any related insurance income cannot be recognised until it is received.

Since the original provision was made, the directors have been negotiating with suppliers of film and access equipment regarding the costs of fulfilling the warranty claim, and their latest best estimate of the expenditure required to settle the present obligation at the balance sheet date is £700,000. The provision has accordingly been adjusted to this amount.