



**Pentagon Protection Plc
Interim Statement 2009**

PENTAGON PROTECTION PLC

DIRECTORS, ADVISORS AND OFFICERS

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PENTAGON PROTECTION PLC

CHAIRMAN'S STATEMENT FOR THE SIX MONTH ENDED 31 MARCH 2009

Introduction

I am reporting to you on the Pentagon Group's results for the six months from 1 October 2008 to 31 March 2009, a period of great change for the business.

Against the backdrop of the worst recession experienced in our working lives, the Board has taken decisive action to reconceive our original plans for the period in order to accommodate the exceptional financial climate and we are now in great shape to face the future. In my Operational Review below, I explain the changes that have been implemented during this very significant period as well as the reasons why we are better placed than we ever have been to capitalise on the long period of development since flotation.

The Board's acquisition strategy is one element of the original plans for 2008/09 that has gone extremely well. I set out details of the current, very exciting, activities of SDS Group Limited (SDS) in my Operational Review below.

Demand for our traditional film products and SDS's security products has never been greater and sales are currently exceeding our expectations. However, during the six months under review, there were four months of full overheads with very depressed sales, followed by two months during which we underwent an escalating cost-cutting exercise which only started to bear fruit in May so, unsurprisingly, the results for the six months are disappointing. I explain this in detail under my Financial Review.

Financial Review

The loss for the six months ended 31 March 2009 was £408,907 (compared to £79,311 in the six months to 31 March 2008). There have been three main factors contributing to this loss. Firstly, a drop in margins on film application, reflecting the competitive pricing required to achieve sales at a time when many companies have vetoed or substantially reduced capital expenditure in response to the economic environment. Specifically, the gross profit margin on the film division was 40% in the period under review (compared with 54% during the period ended 31 March 2008), effectively wiping £100,036 off the gross profit generated from the sales made (see segmental analysis, Note 3).

The second element contributing to the loss has been the fact that SDS, our newly-acquired subsidiary, had very low sales during the six months to 31 March 2009 as a result of the time spent in the run-up to the acquisition on negotiations and legal matters, rather than on the generation of leads. Thus SDS contributed only £273,439 worth of sales during the six months at a margin of 36%, leading to a gross profit of £97,470. This was well below our original expectations for the period. However, I am pleased to be able to report that SDS's sales have now returned to their pre-acquisition levels and beyond, and that the company is making a substantial contribution to the Group's results.

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CHAIRMAN'S STATEMENT (CONTINUED) FOR THE SIX MONTH ENDED 31 MARCH 2009

The third aspect of trading that led to the disappointing result was an increase in administrative expenses of nearly £250,000. There were two main aspects to this; the Group took on SDS's overheads (£139,872) and suffered exceptional bad debts of £40,000. After taking account of these two elements, the actual increase on administrative expenses compared to the six months ended 31 March 2008 was only 15%.

Turning to the company's balance sheet, the Group's net assets at 31 March 2009 were £775,050 which is a decrease of 77% on the six months to March 2008; at this point, the Group had £3,308,107 of net assets. However, this included a large amount of goodwill on the Group's balance sheet which was written off during the year ended 30 September 2008. Adjusting for this write-off, the decrease in net assets is only 16%.

Cash reserves were much reduced by the Company's losses, with a net balance at 31 March 2009 of £142,964. Cash has been replenished since the period end by a placing of 110,000,000 shares at 0.25p per share, raising £275,000 before costs. This injection of working capital was required in order to finance the purchases needed to fulfil the excellent level of sales experienced in recent months.

The basic loss per share was 0.077 pence, compared to 0.023 pence for the six months ended 31 March 2008.

The Board does not propose an interim dividend.

Operational Review

I am pleased to say that currently, the Group is trading well in all areas and I expand upon this below. I would like to highlight our latest operational developments, in particular, post-acquisition activity by SDS and our work with partners; but first, I explain how we have restructured our activities to trade as cost-effectively as possible.

Cost Restructuring

As I mentioned above, the Board has implemented a dramatic cost-cutting exercise whereby we made 50 per cent of our window film applicators redundant so that we could move to a new model in which our cost of sales is almost completely variable. We also made all of our salesmen, apart from the Group Sales Director, redundant and instead, we have entered into partnerships with two other companies in our industry to utilise their agency networks for sales generation. This new approach to our staff costs has dramatically reduced our monthly overheads.

At the same time, we have focussed efforts on generating as many sales as possible

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CHAIRMAN'S STATEMENT (CONTINUED) FOR THE SIX MONTH ENDED 31 MARCH 2009

through our usual networks and also through our new agents, with a resultant increase in turnover being evident already. The Board is very excited about the future under its new operating model.

Film Application and Anchoring Products

Pentagon Protection UK Limited has recently won a string of prestigious contracts; the largest of these was a single order to the value of £205,000 for energy efficient window film for a major shopping centre. We are quietly confident that this will be the first of many orders for our energy efficient film, as organisations globally seek to reduce their carbon footprint.

Furthermore, blast mitigation film combined with our anchoring solutions are generating a great deal of interest; companies such as Royal Mail, the Welsh Assembly, HSBC and Lloydspharmacy have all placed orders with a combined value of £200,000.

International markets still remain a strong area of growth for us, with orders to date in excess of £200,000 - Qatar, Saudi Arabia and Algeria are all consistent areas for orders and enquiries.

The future for the window film division of the Group is looking stronger than ever with a quote bank in excess of £3 million. Additionally, our 3-year government contract for window upgrades continues to generate orders of a minimum of £500,000 per annum.

SDS Group Limited

SDS has now returned to pre-acquisition levels of activity, with the main driver for this being some very significant contracts with the Metropolitan Police, The Ministry of Defence and the Home Office. These sales relate to SDS's new portable x-ray system, which adopts ground-breaking technology to allow suspect items to be x-rayed at a distance without physical intervention by the operator. This product has caused excitement not only in the UK with SDS's traditional clients, but has attracted sales from as far afield as New Zealand and Trinidad and Tobago. SDS is the sole distributor of this product in the UK, which we believe will attract attention from police forces around the country as well as other commercial organisations in the light of increasing threats to security throughout industry and commerce. SDS also provides maintenance services for this technology, which are likely to generate material revenue streams in the future.

In the next few months, further significant contracts with the MOD, Trinidad and Tobago, the UN and Indonesia look likely. Algeria is also an area where effective groundwork and relationship building last year may pay dividends this year. SDS's

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CHAIRMAN'S STATEMENT (CONTINUED) FOR THE SIX MONTH ENDED 31 MARCH 2009

consultancy and training elements continue strongly with support being provided to many UN Agencies and UK Government Departments as well as multi-national/international organisations. A major initiative for rationalising and standardising hotel security is imminent in conjunction with a strong US partner; this is likely to produce significant revenue over a long period, perhaps even several years.

Strategic Alliances

The Group recently announced a strategic partnership with Eruma plc; we have agreed to promote each other's products and collaborate on joint bids. We will also be working together to share sales leads, market intelligence and key contacts.

Eruma plc manufactures blast mitigation blinds and energy saving lighting products; these complement the Group's own range of products and services.

Eruma plc and Pentagon have previously worked together and share a strategic vision and this newly-forged partnership further strengthens our relationship. Forming this strategic partnership will allow both companies to offer a more comprehensive solution to their clients and we are very excited about the potential opportunities which working more closely will bring.

We are also developing a relationship, as yet informally, with another security based AIM listed company, to utilise their worldwide agency network. We expect to make further announcements on this subject over the coming months.

Outlook

The Group continues to be a leader in its field and remains committed to offering solutions to combat the threat of terrorism and global warming. We are also allocating resources to build our business development activities which will further strengthen our profile.

We are all hopeful that, once the worldwide economy shows signs of recovery, the Group will see even greater strengthening of revenues and returns.

Haytham ElZayn

Chairman
30 June 2009

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CONSOLIDATED INTERIM INCOME STATEMENT FOR THE SIX MONTHS ENDED 31 MARCH 2009

		Unaudited six months ended 31 March 2009	Unaudited six months ended 31 March 2008	Audited year ended 30 September 2008
	Notes	£	£	£
Revenue	3	987,983	913,360	1,444,247
Cost of sales		(604,954)	(421,061)	(1,067,626)
Gross profit		383,029	492,299	376,621
Distribution costs		(78,558)	(110,042)	(256,691)
Administrative expenses		(713,184)	(463,456)	(730,169)
OPERATING LOSS BEFORE FINANCING ACTIVITIES		(408,713)	(81,199)	(610,239)
Impairment of goodwill		-	-	(2,389,093)
Finance income		1,590	1,888	10,974
Finance costs		(1,784)	-	(2,916)
LOSS BEFORE TAX		(408,907)	(79,311)	(2,991,274)
Tax		-	-	-
LOSS FOR THE PERIOD		(408,907)	(79,311)	(2,991,274)
Loss attributable to:				
Equity holders of the parent		(408,907)	(79,311)	(2,991,274)
Total recognised income and expenses attributable to:				
Equity holders of the parent		(408,907)	(79,311)	(2,991,274)
Loss per share				
Basic	6	(0.077)p	(0.023)p	(0.755)p
Diluted	6	(0.077)p	(0.023)p	(0.755)p

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

PENTAGON PROTECTION PLC**CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 MARCH 2009**

	Share capital	Share premium account	Shares held by ESOP	Retained earnings	Total
	£	£	£	£	£
At 1 October 2007	326,418	5,705,303	(4,541)	(3,114,762)	2,912,418
Shares issued during the period	50,000	425,000	-	-	475,000
Loss for the six months	-	-	-	(79,311)	(79,311)
At 31 March 2008	376,418	6,130,303	(4,541)	(3,194,073)	3,308,107
Shares issued during the period	155,000	632,813	-	-	787,813
Loss for the six months	-	-	-	(2,911,963)	(2,911,963)
At 30 September 2008	531,418	6,763,116	(4,541)	(6,106,036)	1,183,957
Loss for the six months	-	-	-	(408,907)	(408,907)
At 31 March 2009	531,418	6,763,116	(4,541)	(6,514,943)	775,050

PENTAGON PROTECTION PLC
CONSOLIDATED INTERIM BALANCE SHEET
AS AT 31 MARCH 2009

	Notes	Unaudited six months ended 31 March 2009 £	Unaudited six months ended 31 March 2008 £	Audited year ended 30 September 2008 £
ASSETS				
Non-current assets				
Intangible assets		28,286	-	27,810
Goodwill		351,360	2,389,093	351,360
Property, plant and equipment		35,414	8,274	37,912
		<u>415,060</u>	<u>2,397,367</u>	<u>417,082</u>
Current assets				
Inventories		303,655	96,536	195,961
Trade and other receivables		667,523	644,212	553,750
Cash and cash equivalents	4	157,065	497,187	523,122
		<u>1,128,243</u>	<u>1,237,935</u>	<u>1,272,833</u>
TOTAL ASSETS		<u>1,543,303</u>	<u>3,635,302</u>	<u>1,689,915</u>
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables		659,382	212,355	456,217
Borrowings		101,651	76,033	39,912
		<u>761,033</u>	<u>288,388</u>	<u>496,129</u>
Non-current liabilities				
Borrowings		6,956	-	9,565
Provisions		-	38,807	-
Deferred tax liability		264	-	264
		<u>7,220</u>	<u>38,807</u>	<u>9,829</u>
Total liabilities		<u>768,253</u>	<u>327,195</u>	<u>505,958</u>
Equity				
Share capital		531,418	376,418	531,418
Share premium account		6,763,116	6,130,303	6,763,116
Shares held by ESOP		(4,541)	(4,541)	(4,541)
Retained earnings		(6,514,943)	(3,194,073)	(6,106,036)
Total equity attributable to equity holders of the parent		<u>775,050</u>	<u>3,308,107</u>	<u>1,183,957</u>
TOTAL EQUITY AND LIABILITIES		<u>1,543,303</u>	<u>3,635,302</u>	<u>1,689,915</u>

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CONSOLIDATED INTERIM CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 31 MARCH 2009

	Unaudited six months ended 31 March 2009	Unaudited six months ended 31 March 2008	Audited year ended 30 September 2008
Notes	£	£	£
Operating activities			
Operating loss before tax	(408,713)	(81,199)	(610,239)
Depreciation of property, plant and equipment	5,047	3,090	5,571
Loss on disposal of property, plant and equipment	-	1,721	1,721
(Increase)/decrease in inventories	(107,694)	9,448	34,073
(Increase)/decrease in trade receivables	(113,773)	(147,965)	83,240
(Increase)/decrease in trade payables	189,082	(54,745)	(62,070)
Decrease in provisions	-	-	(58,807)
Interest received	1,590	1,888	10,974
Interest paid	(1,784)	-	(2,916)
Net cash used in operating activities	<u>(436,245)</u>	<u>(267,762)</u>	<u>(598,453)</u>
Investing activities			
Payments to acquire intangible fixed assets	(476)	-	(27,810)
Payments to acquire property, plant and equipment	(2,549)	(6,965)	(28,625)
Receipts from sales of property, plant and equipment	-	340	341
Payment against provision for purchase of subsidiary undertaking	-	(20,000)	-
Acquisition of a subsidiary net of cash acquired	-	-	(267,163)
Net cash used in investing activities	<u>(3,025)</u>	<u>(26,625)</u>	<u>(323,257)</u>
Financing activities			
Increase/(decrease) in factor finance	62,193	56,207	14,416
Capital element of finance lease rental	(2,609)	-	14,782
Proceeds from issue of shares	-	475,000	1,154,813
Net cash from financing activities	<u>59,584</u>	<u>531,207</u>	<u>1,184,011</u>
Net increase/(decrease) in cash and cash equivalents	<u>(379,686)</u>	<u>236,820</u>	<u>262,301</u>
Cash and cash equivalents at the start of the period	4 522,650	260,349	260,349
Cash and cash equivalents at the end of the period	<u>142,964</u>	<u>497,169</u>	<u>522,650</u>

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 31 MARCH 2009

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 2009.

2 Accounting policies

2.1 Basis of preparation

The interim consolidated financial information comprises the consolidated balance sheets at 31 March 2009, 31 March 2008 and 30 September 2008 and the consolidated statements of 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 the Disclosure and Transparency rules of the Financial Services Authority and 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 2008.

2.2 New accounting standards and interpretations

The following new standards, amendments to standards or interpretations are mandatory for the financial year ending 30 September 2009:

IFRS 7	Financial Instruments: Disclosures
IAS 39	Financial Instruments: Recognition and Movement

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NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION (CONTINUED) FOR THE SIX MONTHS ENDED 31 MARCH 2009

2.2 New accounting standards and interpretations (continued)

This interim financial information does not constitute a set of statutory accounts under s.240 of the UK Companies Act 1985 and is neither audited nor reviewed. The comparative figures for the financial year ended 30 September 2008 are an extract from the Group's 2008 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 and did not contain statements under section 237(2) or (3) of the UK Companies Act 1985.

This document (the Interim Report 2008/09) will be published on the company's website in addition to the normal paper version. 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.

2.3 Revenue

Revenue represents the total amounts receivable by the group for goods and services supplied to third parties, net of value added tax and trade discounts.

Profit is recognised on contracts, if the final outcome can be assessed with reasonable certainty, by including in the income statement revenue and related costs as contract activity progresses. Revenue is calculated by reference to the value of work performed to date as a proportion of the total contract value.

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE SIX MONTHS ENDED 31 MARCH 2009

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 2009	Unaudited six months ended 31 March 2008	Audited year ended 30 September 2008
	£	£	£
Protective Film and Anchoring			
Turnover	714,544	913,360	1,444,247
Cost of sales	(428,986)	(421,061)	(1,067,626)
<i>Gross profit</i>	<u>285,559</u>	<u>492,299</u>	<u>376,621</u>
Overheads	(522,096)	(486,193)	(866,944)
Operating loss	<u>(236,537)</u>	<u>6,106</u>	<u>(490,323)</u>
Security Products and Services			
Turnover	273,439	-	-
Cost of sales	(175,968)	-	-
<i>Gross profit</i>	<u>97,470</u>	<u>-</u>	<u>-</u>
Overheads	(139,872)	-	-
Operating loss	<u>(42,402)</u>	<u>-</u>	<u>-</u>
Group Operating Expenses			
Overheads	<u>(129,774)</u>	<u>(87,305)</u>	<u>(119,916)</u>
Totals			
Turnover	987,983	913,360	1,444,247
Cost of sales	(604,954)	(421,061)	(1,067,626)
<i>Gross profit</i>	<u>383,029</u>	<u>492,299</u>	<u>376,621</u>
Overheads	(791,742)	(573,498)	(986,860)
Operating loss	<u>(408,713)</u>	<u>(81,199)</u>	<u>(610,239)</u>

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE SIX MONTHS ENDED 31 MARCH 2009

3 Business and geographical segments (continued)

Assets and liabilities by business segment are as follows:

	Unaudited six months ended 31 March 2009 £	Unaudited six months ended 31 March 2008 £	Audited year ended 30 September 2008 £
Protective Film and Anchoring			
Total assets	637,373	791,340	639,496
Total liabilities	302,156	254,758	272,172
Depreciation and amortisation in period	3,891	3,090	5,571
Capital expenditure	2,549	6,965	56,435
Security Products and Services			
Total assets	523,787	-	353,963
Total liabilities	371,422	-	176,975
Depreciation and amortisation in period	1,156	-	-
Plc			
Total assets	382,143	2,843,962	696,456
Total liabilities	94,675	72,437	56,811
Capital expenditure	476	-	-
TOTAL ASSETS	1,543,303	3,635,302	1,689,915
TOTAL LIABILITIES	768,253	327,195	505,958

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 2009 £	Unaudited six months ended 31 March 2008 £	Audited year ended 30 September 2008 £
Continuing operations			
United Kingdom	570,304	489,669	700,825
Americas	216,423	-	95,451
Europe	47,527	121,291	343,725
Africa and Middle East	91,533	301,429	303,275
Far East	51,358	971	971
Australasia	10,838	-	-
	987,983	913,360	1,444,247

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE SIX MONTHS ENDED 31 MARCH 2009

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 2009 £	Unaudited six months ended 31 March 2008 £	Audited year ended 30 September 2008 £
Cash at bank and in hand	157,065	497,187	523,122
Bank overdraft	(14,101)	(18)	(472)
	<u>142,964</u>	<u>497,169</u>	<u>522,650</u>

5 Dividends paid and proposed

Equity dividends on ordinary shares:

No interim dividend was paid or is proposed for the half year ended 31 March 2009.

6 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 2009 £	Unaudited six months ended 31 March 2008 £	Audited year ended 30 September 2008 £
Loss for the financial period	<u>(408,907)</u>	<u>(79,311)</u>	<u>(2,991,274)</u>
Weighted average number of shares for basic and diluted loss per share	<u>531,418,156</u>	<u>340,953,675</u>	<u>396,188,019</u>

At 31 March 2009, the number of ordinary shares in issue was 531,418,156.

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

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE SIX MONTHS ENDED 31 MARCH 2009

7 Seasonality of interim operations

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

8 Events after the balance sheet date

After the period end Pentagon Protection Plc raised £275,000 through a placing of 110,000,000 new ordinary shares at a price of 0.25 pence per share.