Company Registration No. 4488281 (England and Wales)

PENTAGON PROTECTION PLC

ANNUAL REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2007

PENTAGON PROTECTION PLC

DIRECTORS AND ADVISERS

Directors	A R Nicholl S D Harrhy H ElZayn L Chunlin (Appointed 6 November 2007)
Secretary	D C Stewart
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

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PENTAGON PROTECTION PLC

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2007

Introduction

My report on the Interim Financial Statements in June 2007 referred to our reorganised Board - I particularly mentioned our aim to appoint another non executive director. I am delighted to report that this was achieved in November 2007 when we welcomed Liu Chunlin as our new Deputy Chairman. Mr Chunlin brings with him the energy of youth coupled with extensive experience in our industry, gained by developing an enormously successful property protection group in Singapore and China. His particular responsibility on our Board will be to enhance our presence in Singapore and Asia, where we have previously carried out some major contracts, including Terminals 1, 2 and 3 of Changi Airport.

In the period since the release of the interim financial statements, we have seen further positive progress in the sales performance of the group and we are now in a strong position to gain significant market share, not only in our traditional market of enhanced glass protection, but also in the area of energy saving, where our Infra-Max® films are making a significant contribution to the reduction of carbon emissions.

Financial Review

I am very pleased to report that the Board has decided to adopt International Financial Reporting Standards (IFRS) a year before we were obliged to do so. This decision was taken in order to make our financial results and position more comprehensible to our stakeholders all around the world, particularly to our new Singaporean partners (see further details below). In fact, we have found that the new formats, disclosures and accounting treatments make the accounts easier to understand for all concerned.

For example, the discontinued aspect of our operations within the 2006 results (which related to the automotive division) is now shown as one line, after the loss for the period from continuing operations, rather than being split between all the various categories on the face of the income statement (as it was last year). This means that the results shown are truly comparing like with like, which makes it even more pleasing to be able to say that revenues are up by 7.4% from £1,616,343 to £1,736,026, and the loss from operations, derived from continuing activities, has reduced by 71%, from £1,138,450 in 2006 to £329,787 this year. When one compares the total loss for the year with that for the previous year (i.e. including the loss from discontinued operations) the improvement in results is even more dramatic, being an 80% reduction in the loss from £1,617,556 to £325,543.

Looking a little more closely at the operational changes that have led to these improved results, you will see that administrative expenses have reduced by nearly £400,000, representing a fall of 33.3% compared to the 2006 level. This has been achieved by very strict management of all aspects of our spending. In particular, we initiated a major reduction in staff numbers throughout the business, particularly at senior management and Board level.

In all this celebration, I will just take a moment out to explain that despite the dramatic improvement in our results compared to the last few years, the Board is a little disappointed that the loss in the second half of the year turned out to be high as it was. There were two main reasons for this. The main cause was a contract at Dubai Airport where stringent security measures were initiated after the contract had already been started. This added approximately £100,000 additional costs which were not recoverable from the client. The other reason arose because our sales team invested significant time and effort in some very large, profitable overseas contracts, which took longer to come to fruition than we had originally anticipated. As a consequence of these factors, the financial results are not as good as we had hoped for the year ended 30th September 2007. Nonetheless, the results continue to improve and developing the business in the Far East looks likely to accelerate the rate of this improvement.

Returning to the areas of significant improvement, we are reporting an increase in the gross profit, from £455,583 in 2006 to £818,719 in 2007. This represents an improvement from a gross profit margin of 28% in 2006 to a very respectable 47% in 2007.

Finally, it is worth noting that in addition to all the improvements above, all the other items reported in the consolidated income statement are better than the equivalent figure in the previous period. For example, investment income at £10,440 is up on the 2006 income of £6,468. Finance costs are reduced at £6,196, compared with £15,545 last year and of course last year's results included a loss arising on the disposal of the automotive division, amounting in total to £470,029 and there is no equivalent figure at all this year.

Note 25 to the accounts sets out the differences in accounting policies under IFRS, which have led to the restatement of the balance sheet. The largest difference relates to the treatment of goodwill. Under IFRS, goodwill has an indefinite life and is only written down when an impairment test suggests that the carrying value is overstated. An amortisation charge of £130,942 relating to goodwill, arising on the acquisition of subsidiaries, was reversed on adoption of IFRS. In addition to this, a staff bonus accrual has been introduced to the accounts, which amounts in total at 30 September 2007 to £8,408. Taken over all, Total Equity (previously known as Shareholders' funds) at 30 September 2007 is £2,912,418, a figure which is only £83,484 less than the equivalent figure at 30 September 2006, as reported under UK GAAP.

The cash flow statement shows that we have raised very little cash this year through share issues (only £120,500), therefore the trading loss has inevitably led to a reduction in cash and cash equivalents held at the end of the period (2006 - £720,762, 2007 - £257,851). Nonetheless, we are confident that we have sufficient cash resources to fund our activities for the foreseeable future.

Operational Review

Continuing the global communication theme initiated by the use of IFRS, the directors normally consider the Group's activities in terms of the development of various geographical areas. This year has seen a number of exciting developments in our 'think global' theme, as follows:

European Operations

An important and sizeable contract win in Vienna and outstanding quotations of around £1M has helped us to maintain an important presence in Europe. The continuing push for more energy efficient buildings by the EU ensures a fertile and growing market place throughout this important trading area.

Singapore and China

The introduction of Mr Liu Chunlin and his company K & C Protective Technologies Pte Ltd by our ex CEO Graham Bannerman has given us an important foothold in this part of the world with its dynamic and rapidly expanding economy.

K & C were recently awarded first place in the prestigious E5O start up awards organised by Accenture and The Business Times to recognise innovation and companies making a significant contribution to the Singapore economy.

As mentioned above, Mr Chunlin has joined the Board as non executive Deputy Chairman and we are intending to trade with Mr Chunlin's companies and contacts during the coming year.

Middle East Operations

I have already told you, in my Statement with the Interim Report, that in May 2007, Graham Bannerman was granted a licence to make certain international sales on our behalf. One of his key territories was Dubai, which is now producing positive results and has started to contribute modest commissions which are expected to grow during the next 12 months.

In addition to this, we will be reviewing all our agency agreements in the Middle East during January 2008 and expect to make changes in any areas of under performance.

Russian Operations

A new agent, Ronix Standart, has been appointed in Moscow. Their training has just begun and thereafter we expect to see an expansive marketing drive starting in Moscow and then spreading out to the other major cities in the region.

We have great hopes for this region, where there is currently no significant competition. Ronix Standart are particularly well placed to open up this area for the Group, since they already have an extensive client base supplying a wide variety of security products.

USA Operations

Our suppliers, 3M and Bekaerts, have been appointed as preferred suppliers of energy saving films for the Clinton Climate Initiative. This has provided us with an exceptional opportunity to promote our installation services to the 40 cities that have already signed up to the initiative and the many more that will be joining this unique and far reaching programme.

In addition, our partners in the USA continue to grow their business and have recently acquired a Florida based company, Elite Window Films, whose founder Lucas Rodrigues has been appointed as Vice President of Operations for Pentagon USA.

UK Operations

Back at home, we have continued to invest in sales and marketing and have added three young and enthusiastic salesmen to the team.

Our continued investment in quality sales training has proven to be a successful strategy borne out by an order book of around £1M and an equally healthy quote bank.

Without doubt, the most exciting development in our industry since the introduction of bomb blast protection in the '70s is our range of energy saving films, Infra-Max®. We anticipate tremendous growth in this area during the year ahead.

A new division has been set up to concentrate on the sale of manifestations (graphics for glass) through the internet and also via our usual marketing strategies. This division adds an exciting new dimension to our range of products as we are finding innovative ways of using existing glass facades for advertising or by adding decorative designs to make the glass more interesting and attractive.

Conclusion

The year ended with significant contract gains in Austria, Iraq and the UK which has given us an impressive start for the year 2007 – 2008.

Our early adoption of IFRS echoes our international aspirations, which the Board believes will take us from strength to strength in 2008.

Alan Nicholl
Chairman

31 January 2008

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2007

The directors present their report and the financial statements of the company and the group for the year ended 30 September 2007.

Principal activities and review of the business

Pentagon Protection Plc is the parent company of Pentagon Protection (UK) Limited.

The principal activity of Pentagon Protection (UK) Limited is the supply and application of solar control, safety and security films to commercial buildings.

A review of the business and future developments is included within the chairman's statement which immediately precedes this report.

Results and dividends

The results of the group for the year are set out in the Group Income Statement on page 10.

The directors do not recommend the payment of a dividend.

International financial reporting standards

The group has applied International Financial Reporting Standards (IFRS) for the first time in these financial statements.

Supplier payment policy

The group's payment policy is to obtain the best possible terms for all business and hence there is no standard policy as to the terms applied. The group seeks to abide by the payment terms agreed with suppliers when it is satisfied that the supplier has provided goods and services in accordance with contractual arrangements. Trade creditors of the group at 30 September 2007 were equivalent to 70 days purchases based on the average daily amount incurred by suppliers during the year (2006: 83 days).

Directors

The directors who served throughout the year were as follows:

A R Nicholl (Executive Chairman)
S D Harrhy (Sales Director)
H ElZayn
G H Bannerman (resigned 1 May 2007)
L Chunlin (appointed 6 November 2007)

Substantial shareholdings

As of 24 January 2008, being the latest practical date before the date of this report, the Company has been notified of the following shareholders (excluding directors) with interests of more than 3 per cent in the issued share capital of the Company.

Name of owner	Number of Shares	Percentage of Issued share capital
D Thomas	40,597,788	12.44%
G Bannerman	24,378,947	7.47%
J Hitchins	14,000,000	4.29%

Employee involvement

Efforts are made to consult and inform employees on matters which concern them with emphasis on the continuous growth and development of the group. Regular meetings are held to keep staff abreast of group changes and progress.

It is the group's policy to support the employment of disabled persons wherever possible, both through recruitment and through retention of those who have become disabled whilst in the employment of the group.

Auditors

Warrener Stewart, Chartered Accountants, of Harwood House, 43 Harwood Road, London, SW6 4QP will be proposed for reappointment at the forthcoming annual general meeting.

Directors' responsibilities

The directors are responsible for preparing the annual report 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 prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. In preparing these financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

-select suitable accounting policies and then apply them consistently;
-make judgements and estimates that are reasonable and prudent;
-state that the financial statements comply with IFRSs as adopted by the European Union and IFRSs issued by IASB;
-prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors confirm that they have complied with the above requirement in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ in other jurisdictions.

Statement of disclosure to auditor

(a) So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

A R Nicholl
Director

31 January 2008

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF PENTAGON PROTECTION PLC

We have audited the group and parent company financial statements (the "financial statements") of Pentagon Protection Plc for the year ended 30 September 2007 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 an auditor's report 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statement

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF PENTAGON PROTECTION PLC

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's and the parent company's affairs as at 30 September 2007 and of its loss and cash flows for the year then ended;

- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 30 September 2007 and cash flows for the year then ended;

- the information given in the Directors' Report is consistent with the financial statements.

Warrener Stewart

Chartered Accountants
Registered Auditors

31 January 2008

Harwood House
43 Harwood Road
London
SW6 4QP

PENTAGON PROTECTION PLC

GROUP INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2007

	Notes	2007 £	2006 £
Continuing Operations			
Revenue	2	1,736,026	1,616,343
Cost of sales		(917,307)	(1,160,760)
Gross profit		818,719	455,583
Distribution costs		(356,761)	(406,707)
Administrative expenses		(791,745)	(1,187,326)
Loss from operations		(329,787)	(1,138,450)
Investment income		10,440	6,468
Finance costs	5	(6,196)	(15,545)
Loss before tax		(325,543)	(1,147,527)
Tax	6	-	-
Loss for the period from continuing operations		(325,543)	(1,147,527)
Discontinued Operations			
Loss for the period from discontinued operations	3	-	(470,029)
Loss for the period		(325,543)	(1,617,556)
Loss attributable to:			
Equity holders of the parent		(325,543)	(1,617,556)
Total recognised income and expenses attributable to:			
Equity holders of the parent		(325,543)	(1,617,556)
Loss per share			
From continuing operations			
Basic		(0.10)p	(0.56)p
Diluted		(0.10)p	(0.56)p
From continuing and discontinuing operations			
Basic		(0.10)p	(0.80)p
Diluted		(0.10)p	(0.80)p

PENTAGON PROTECTION PLC

BALANCE SHEETS
AS AT 30 SEPTEMBER 2007

		Group		Company	
		2007	2006	2007	2006
	Notes	£	£	£	£
Non-current assets					
Goodwill	8	2,389,093	2,389,093	-	-
Property, plant and equipment	9	6,459	23,586	-	-
Investments	10	-	-	2,610,510	2,610,510
		2,395,552	2,412,679	2,610,510	2,610,510
Current assets					
Inventories		105,984	125,190	-	-
Trade and other receivables	11	496,247	691,326	1,263,289	935,066
Cash and cash equivalents		260,904	720,762	253,039	710,508
		863,135	1,537,278	1,516,328	1,645,574
Current liabilities					
Trade and other payables	12	(267,100)	(581,371)	(62,500)	(102,277)
Borrowings	13	(20,362)	(67,318)	-	-
Net current assets		575,673	888,589	1,453,828	1,543,297
Total assets less current liabilities		2,971,225	3,301,268	4,064,338	4,153,807
Non-current liabilities					
Provisions	14	(58,807)	(183,807)	(58,808)	(183,807)
		2,912,418	3,117,461	4,005,530	3,970,000
Equity					
Share capital	16	326,418	310,918	326,418	310,918
Share premium account	17	5,705,303	5,600,303	5,705,303	5,600,303
Shares held by ESOP		(4,541)	(4,541)	(4,541)	(4,541)
Retained earnings	17	(3,114,762)	(2,789,219)	(2,021,650)	(1,936,680)
Total equity		2,912,418	3,117,461	4,005,530	3,970,000

PENTAGON PROTECTION PLC

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2007

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Operating activities				
Net loss of consolidated companies	(329,787)	(1,411,010)	-	-
Net loss of company	-	-	(92,650)	(326,281)
Net loss of disposal of subsidiaries	-	-	-	99,999
Depreciation of property, plant and equipment	16,186	38,890	-	-
Loss on disposal of property, plant and equipment	200	8,369	-	-
Decrease in inventories	19,206	56,559	-	-
Decrease in trade receivables	195,078	284,717	(328,223)	(812,579)
(Decrease)/increase in trade payables	(314,271)	144,747	(42,278)	17,161
Interest received	10,440	6,728	10,191	5,637
Interest paid	(6,196)	(15,586)	(10)	(24)
Net cash from operating activities	(409,144)	(886,586)	(452,970)	(1,016,087)
Investing activities				
Payments to acquire property, plant and equipment	(559)	(12,486)	-	-
Receipts from sales of property, plant and equipment	1,300	1,500	-	-
Payment against provision for purchase of subsidiary undertaking	(124,999)	(11,193)	(124,999)	(11,193)
Disposal of subsidiaries	-	(29,702)	-	1
Net cash used in investing activities	(124,258)	(51,881)	(124,999)	(11,192)
Financing activities				
Interest element of finance lease rentals	-	(2,851)	-	-
Decrease in factor finance	(47,511)	(213,837)	-	-
Share issue costs	-	(52,500)	-	(52,500)
Capital element of finance lease rental	-	(17,954)	-	-
Shares issued	120,500	1,500,000	120,500	1,500,000
Net cash (used in)/from financing activities	72,989	1,212,858	120,500	1,447,500
Net increase/(decrease) in cash and cash equivalents	(460,413)	274,391	(457,469)	420,221
Cash and cash equivalents at the start of the period	720,762	446,371	710,508	290,287
Cash and cash equivalents at the end of the period	260,349	720,762	253,039	710,508
Cash and cash equivalents consists of:				
Cash and cash equivalents	260,904	720,762	253,039	710,508
Bank overdrafts	(555)	-	-	-
	260,349	720,762	253,039	710,508

-

1 Accounting policies

1.1 Basis of preparation

The financial statements have been prepared in accordance with EU endorsed International Accounitng Standards, International Financial Reporting Standards (collectively "IFRS") for the first time. They have also been prepared in accordance with the Companies Act 1985 applicable to companies preparing their accounts under IFRS. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in note 25.

The financial statements are presented in sterling and have been prepared on the historical cost basis, except where IFRS requires an alternative treatment. The principal variations from historical cost relate to financial instruments (IAS 39).

At the date of issue of these financial statements, the following Standards and interpretations, which have not been applied, were in issue but not yet effective:

IFRS7	Financial Instruments: Disclosures; and the related amendment to IAS1 on capital disclosures
IFRS8	Operating Segments
IFRIC10	Interim reporting and impairments

The directors anticiapte that the adoption of these Standards and Interpretations will have no material impact on the financial statements of the group other than the appropriate necessary changes to disclosures arising from the applications of IFRS7 and IFRS8.

1.2 Basis of consolidation

The group financial statements consolidate the financial statements of the company and all its subsidiary undertakings as at 30 September 2007. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those of the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

1.3 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.

1.4 Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess cost of acquisition over the Group's interest in the net fair value of the indefinite assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Impairment provisions are only made when, in the opinion of the directors, sustainable future earnings from such subsidiaries are insufficient to support the carrying value of that goodwill. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Goodwill arising on acquisition before the date of transition to IFRS has been retained at the previous UK GAAP amounts as at 30 September 2005, subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 2005 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

1 Accounting policies (continued)

1.5 Property, plant and equipment

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Plant and machinery	10% to 25% on written down value
Fixtures & fittings	50% on cost and 25% on written down value
Motor vehicles	25% on written down value

1.6 Research and development

Development expenditure is capitalised on clearly defined projects whose outcome can be assessed with reasonable certainty. Amortisation is commenced in the year in which significant revenues from the development occur and is amortised in line with sales. All other research and development expenditure is written off in the year in which it is incurred.

1.7 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 prevailing at the date of the transaction. Exchange differences are taken into account in arriving at the operating result.

1.8 Leasing

Assets held under finance leases are recognised as assets of the Group as their fair value or, if lower, at the present value of the minimum lease payment, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below).

Rentals payable under opening leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

1.9 Pensions

The group operates a defined contribution scheme for its employees. The funds of this scheme are administered by trustees and are separate from the group. All payments are charged to the profit and loss account as and when they arise.

1.10 Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial liabilities in a transaction that affects neither the tax profit nor the accounting profit.

1 Accounting policies (continued)

1.10 Deferred taxation (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

1.11 Inventories

Inventories are included at the lower of cost and net realisable value, after making provision for slow moving and obsolete items.

1.12 Financial instruments

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term deposits with maturities of three months or less. Bank overdrafts also form part of net cash and cash equivalents for the purposes of the cash flow statement.

Borrowings
Borrowings are recognised initially at fair value net of transaction costs incurred and such interest bearing liabilities are subsequently stated at amortised cost using the effective interest rate method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liabilities for at least 12 months after the balance sheet date.

Trade and other receivables
Trade and other non-interest bearing receivables are initially recognised at cost and are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that it is uncertain if the amount due can be collected. Movement in the provision charged or credited in the period is recognised in the income statement.

The group discounts some of its trade receivables. The accounting policy is to continue to recognise the trade receivables within current assets and to record cash advances as borrowings within current liabilties. Discounting fees are charged in the income statement as finance costs.

Trade and other payables
Trade and other payables are not interest bearing and are initially recognised at cost and are subsequently measured at amortised cost using the the effective interest method.

Investments in subsidiaries
Investments in subsidiairies are included in these financial statements at the cost of the ordinary share capital acquired. Adjustments to this value are only made when, in the opinion of the directors, a permanent diminution in value has taken place and where there is no prospect of an improvement in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2007

1 Accounting policies (continued)

1.13 Share based payments

The group has applied the exemption available under IFRS 1 and elects to apply IFRS 2 only to awards of equity instruments made after 7 November 2002 that had not vested by 1 January 2006.

Options are measured at fair value at grant date using the Black-Scholes model. The fair value is expensed on a straight line basis over the vesting period, based on an estimate of the number of options that will eventually vest.

2 Business and geographical segments

Based on the risks and returns the directors consider that the primary reporting format is by business segment. The directors consider that there is only one business segment being the application of protective film to building's glass. Therefore the necessary disclosures have already been provided elsewhere in the financial statements.

The group was also previously involved in the application of protective film to automotive glass. That operation was discontinued in the previous year and the segmented information is presented below:

	Building 2006 £	Automotive 2006 £	Discontinued Operations 2006 £	Consolidated 2006 £
Revenue	1,616,343	536,278	536,278	2,152,621
Segment results	(1,147,527)	(263,957)	(263,957)	(1,411,484)

The results of the consolidated discontinued operations within the business segments are disclosed in note 3.

	Building 2006 £	Automotive 2006 £	Discontinued Operations 2006 £	Consolidated 2006 £
Capital additions	12,447	39	39	12,486
Depreciation	(16,609)	(22,281)	(22,281)	(38,890)
Balance Sheet				
Assets	3,949,957	-	-	3,949,957
Liabilities	(832,496)	-	-	(832,496)

2 Business and geographical segments (continued)

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

	2007	2006
	£	£
Continuing operations		
United Kingdom	606,232	942,849
Americas	-	76,429
Europe	204,283	155,553
Africa and Middle East	526,740	422,018
Far East	398,771	19,494
	1,736,026	1,616,343
Discontinued operations		
United Kingdom	-	536,278
	-	536,278
	1,736,026	2,152,621

3 Discontinued operations

	2007	2006
	£	£
Revenue	-	536,278
Cost of sales	-	(269,410)
		266,868
Distribution expenses	-	(136,291)
Administrative expenses	-	(432,706)
Other operating income	-	40,804
Investment income	-	260
Finance costs	-	(2,892)
	-	(530,825)
Net loss	-	(263,957)
Disposal of discontinued operations:		
Loss on disposal of subsidiary undertaking - Pentagon Glass Tech (Franchising) Limited	-	(491,447)
Profit on disposal of subsidiary undertaking - Pentagon Glass Tech Limited	-	285,375
Loss for the period from discontinued operations	-	(470,029)

4 Loss for the period

	2007 £	2006 £
Loss for the period is stated after charging/(crediting):		
Depreciation of property, plant and equipment	16,186	38,890
Loss/(profit) on disposal of property, plant and equipment	200	8,369
Operating lease rentals		
- Plant and machinery	13,517	75,774
- Other assets	24,900	159,663
Auditors' remuneration	12,000	17,000

5 Finance costs

	2007 £	2006 £
On bank loans and overdrafts	321	2,176
On factored debts	5,875	10,518
On finance leases	-	2,851
	6,196	15,545

6 Taxation

	2007 £	2006 £
Domestic current year tax		
U.K. corporation tax – current tax charge	-	-
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(325,543)	(1,617,556)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2006: 30.00%)	(97,663)	(485,267)
Effects of:		
Non deductible expenses	1,721	22,565
Accelerated capital allowances	485	651
Carried forward losses	95,457	325,783
Losses surrendered on disposal of subsidiaries	-	74,447
Other adjustments	-	61,821
	97,663	485,267
Current tax charge	-	-

The group has tax losses of approximately £1,729,000 available to carry forward against future trading profits, subject to agreement by HMRC.

No provision has been made for a potential deferred tax asset of approximately £519,000 arising from these losses.

7 Loss per share

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

	2007 Basic	2007 Diluted	2006 Basic	2006 Diluted
Loss for the financial year	(325,543)	(325,543)	(1,617,556)	(1,617,556)
Weighted average number of shares for basic and diluted loss per share	312,271,580	312,271,580	203,233,224	203,233,224

In accordance with the provisions of IAS33, shares under option are not regarded as dilutive in calculating earnings per share.

8 Goodwill

Group	2007 £	2006 £
Carrying Value	2,389,093	2,389,093

Goodwill arose in 2003 on the acquisition of Pentagon Protection (UK) Limited (formerly Pentagon Filmtek Limited). The goodwill arising was previously amortised over its estimated useful economic life of 20 years until 1 October 2005 when the policy was changed to undertake impairment reviews in accordance with international financial reporting standards at the year end.

9 Property, plant and equipment

Group

	Plant and machinery	Fixtures & fittings	Motor vehicles	Total
	£	£	£	£
Cost or valuation				
At 1 October 2006	34,262	9,131	17,509	60,902
Additions	559	-	-	559
Disposals	-	-	(11,167)	(11,167)
At 30 September 2007	34,821	9,131	6,342	50,294
Depreciation				
At 1 October 2006	17,837	6,569	12,910	37,316
Charge for the year	13,843	1,568	775	16,186
On disposals	-	-	(9,667)	(9,667)
At 30 September 2007	31,680	8,137	4,018	43,835
Net book value				
At 30 September 2007	3,141	994	2,324	6,459
At 30 September 2006	16,425	2,562	4,599	23,586

10 Investments

Company

	Shares in group undertakings
	£
Cost or valuation	
At 1 October 2006 and 30 September 2007	2,610,510
Net book value	
At 1 October 2006 and 30 September 2007	2,610,510

The company owns 100% of the ordinary share capital of the following subsidiary company, which is incorporated in England:

Name:	Principal activity:
Pentagon Protection (UK) Limited (formerly Pentagon Filmtek Limited)	Supply and application of solar controls, safety and security films to commercial buildings.

11 Trade and other receivables

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Trade receivables	447,604	386,284	-	-
Amounts owed by group undertakings	-	-	1,248,096	646,555
Other receivables	48,643	301,271	15,193	288,511
Prepayments and accrued income	-	3,771	-	-
	496,247	691,326	1,263,289	935,066

12 Trade and other payables

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Trade payables	192,406	325,899	15,917	31,693
Other taxes and social security	11,576	20,352	-	-
Other payables	7,709	78,007	2,083	2,584
Accruals and deferred income	55,409	157,113	44,500	68,000
	267,100	581,371	62,500	102,277

13 Borrowings

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Factoring finance	19,807	67,318	-	-
Bank overdrafts	555	-	-	-
	20,362	67,318	-	-

The invoice financing facility is secured by way of a fixed and floating charge over all of the assets, both present and future, of the company.

14 Non-current liabilities

	Group £	Company £
Balance at 1 October 2006	183,807	183,807
Payments made in the year	(125,000)	(125,000)
Balance at 30 September 2007	58,807	58,807

The provision above relates to deferred consideration on the acquisition of a subsidiary.

15 Pension costs

Defined contribution	2007 £	2006 £
Contributions payable by the group for the year	7,282	8,139

16 Share capital

	2007 £	2006 £
Authorised		
1,000,000,000 Ordinary shares of 0.1p each	1,000,000	1,000,000
Allotted, called up and fully paid		
326,418,156 (2006: 310,918,156) Ordinary shares of 0.1p each	326,418	310,918

Share transaction history

On 6 December 2006 there was a placing of 500,000 ordinary 0.1p shares for 0.1p each. There was a further placing of 15,000,000 ordinary 0.1p shares for 0.8p each on 7 September 2007.

Share options

As at 30 September 2006 there were 3,592,105 share options outstanding under an Unapproved Executive Share Option scheme. These options are exercisable at 4.75p on or before 11 December 2014. There were also 2,579,534 options outstanding under an Enterprise Management Initiative Scheme exercisable at 4.75p per share on or before 9 February 2015.

Employee share option plan

On flotation 4,541,262 shares were gifted into an Employee Share Option Plan at par. At 30 September 2006 1,941,635 of these shares remained unallocated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2007

17 Statement of movements on reserves

Group

	Retained earnings £	Share premium account £	Totals £
At 1 October 2006	(2,789,219)	5,600,303	2,811,084
Shares issued	-	105,000	105,000
Loss for the year	(325,543)	-	(325,543)
At 30 September 2007	(3,114,762)	5,705,303	2,590,541

Company

	Retained earnings £	Share premium account £	Totals £
At 1 October 2006	(1,936,680)	5,600,303	3,663,623
Shares issued	-	105,000	105,000
Loss for the year	(84,970)	-	(84,970)
At 30 September 2007	(2,021,650)	5,705,303	3,683,653

18 Statement of changes in equity

Group

	2007 £	2006 £
At 1 October 2006	3,117,461	3,287,517
Loss for the financial year	(325,543)	(1,617,556)
Net proceeds from issue of shares	120,500	1,447,500
Total recognised income and expense for the year	(205,043)	(170,056)
At 30 September 2007	2,912,418	3,117,461

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2007

18 Statement of changes in equity (continued)

Company	**2007**	**2006**
	£	**£**
At 1 October 2006	3,970,000	2,843,168
Loss for the financial year	(84,970)	(320,668)
Net proceeds from issue of shares	120,500	1,447,500
Total recognised income and expense for the year	35,530	1,126,832
At 30 September 2007	4,005,530	3,970,000

19 Directors' emoluments

	2007	**2006**
	£	**£**
Aggregate emoluments including benefits in kind	141,785	207,697
Emoluments disclosed above include the following amounts paid to the highest paid director:		
Aggregate emoluments	65,004	59,316

No director benefited from any increase in the value of share options during the year.

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 2 (2006: 2).

20 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2007	**2006**
	Number	**Number**
Operations	7	12
Administration	10	15
Sales	2	9
	19	36

Employment costs	**2007**	**2006**
	£	**£**
Wages and salaries	492,933	903,013
Social security costs	52,122	86,358
Other pension costs	7,282	8,139
	552,337	997,510

21 Financial instruments

The group's financial instruments comprise cash, borrowings, factor finance and hire purchase and finance liabilities as well as various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations. Short term debtors and creditors have been excluded from the following disclosures.

The fair value of the group's financial assets and liabilities is not materially different from the carrying values in the balance sheet.

It is and has been throughout the period under review, the group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the group's financial instruments are interest rate risk and liquidity risk.

Interest rate risk
It is the group's policy to regularly review the group's exposure to interest rate risk.

Liquidity risk
It is the group's policy to regularly review the group's exposure to liquidity risk so that an appropriate balance between continuity of funding and short term flexibility is achieved.

Interest rate risk profile of financial assets and financial liabilities

Financial assets
The group's exposure to interest rate risk currently applies only to the interest received on cash deposits which is based on the Nat West base rate. The group's sterling floating cash balances at the year end were £260,904 (2006: £720,762).

Financial liabilities
The interest rate profile of the group's financial liabilities was as follows:

	Total	Floating rate financial liabilities	Fixed rate financial liabilities
	£	£	£
At 30 September 2007: Sterling	20,362	20,362	-
At 30 September 2006: Sterling	67,318	67,318	-

All fixed rate financial liabilities relate to hire purchase and finance lease agreements which have different levels of agreed fixed interest rates.

The floating rate financial liabilities comprise sterling denominated overdrafts that bear interest based on the Nat West base rate and borrowing from a factor that bears interest based on the Royal Bank of Scotland base rate.

22 Control

The company is listed on AIM and there is no individual controlling party.

23 Related party disclosures

	2007 £	2006 £
Creditor balances		
R Bambra	-	2,803
A Nicholl	-	50,000

In the year ended 30 September 2006 the group paid rent and service charges of £18,850 to GB Management Limited, a company in which G Bannerman has an interest. No such rent was paid in the current year.

On 1 May 2007 G Bannerman resigned as a director of the company, and on that same date entered in to a license agreement with the company making him the sole licensee for the promotion, sales and application of laminate (or similar) film for application to windows of buildings within specified territories, prominently: East Asia, Australasia and Africa. Included within turnover are amounts of £5,426 in connection with this agreement.

24 Operating lease commitments

The group leases offices and various plant and machinery under non-cancellable operating agreements. The lease terms are between 3 and 5 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2007 £	2006 £
No later than 1 year	39,850	40,461
Later than 1 year and no later than 5 years	20,011	59,861
	59,861	100,322

25 Explanation of transition to IFRSs

This is the first year that the company has presented its financial statements under IFRS. The following disclosures are required in the year of transition. The last financial statements under UK GAAP were for the year ended 30 September 2006 and the date of transition to IFRSs was therefore 1 October 2005.

Reconciliation of the Group's equity at 1 October 2005 (date of transition to IFRSs)

	Notes	Per accounts UK GAAP	Effects of transition to IFRSs	IFRSs
Non-current assets				
Goodwill		2,389,093	-	2,389,093
Property, plant and equipment		202,038	-	202,038
		2,591,131	-	2,591,131
Current assets				
Inventories		201,923	-	201,923
Trade and other receivables		1,262,218	-	1,262,218
Cash and cash equivalents		471,347	-	471,347
		1,935,488	-	1,935,488
Current liabilities				
Trade and other payables		(1,024,298)	-	(1,024,298)
Employee benefits	2	-	(11,235)	(11,235)
Net current assets		911,190	(11,235)	899,955
Total assets less current liabilities		3,502,321	(11,235)	3,491,086
Non-current liabilities				
Other non-current liabilities		(8,568)	-	(8,568)
Provisions		(195,000)	-	(195,000)
		3,298,753	(11,235)	3,287,518
Equity				
Share capital		165,918	-	165,918
Share premium account		4,297,803	-	4,297,803
Shares held by Employee Share Ownership Plan		-	(4,541)	(4,541)
Merger reserve		192,150	-	192,150
Profit and loss account		(1,357,118)	(6,694)	(1,363,812)
Total equity		3,298,753	(11,235)	3,287,518

25 Explanation of transition to IFRSs (continued)

Reconciliation of the Group's equity at 30 September 2006 (date of last UK GAAP financial statements)

	Notes	Per accounts UK GAAP	Effects of transition to IFRSs	IFRSs
Non-current assets				
Goodwill	1	2,258,151	130,942	2,389,093
Property, plant and equipment		23,586		23,586
		2,281,737	130,942	2,412,679
Current assets				
Inventories		125,190	-	125,190
Trade and other receivables		691,326	-	691,326
Cash and cash equivalents		720,762	-	720,762
		1,537,278	-	1,537,278
Current liabilities				
Trade and other payables		(639,306)	-	(639,306)
Employee benefits	2	-	(9,383)	(9,383)
Net current assets		897,972	(9,383)	888,589
Total assets less current liabilities		3,179,709	121,559	3,301,268
Non-current liabilities				
Provisions		(183,807)	-	(183,807)
		2,995,902	121,559	3,117,461
Equity				
Share capital		310,918	-	310,918
Share premium account		5,600,303	-	5,600,303
Shares held by ESOP	3	-	(4,541)	(4,541)
Profit and loss account		(2,915,319)	126,100	(2,789,219)
Total equity		2,995,902	121,559	3,117,461

Notes to the reconciliations of the Group's equity at 1 October 2005 and 30 September 2006

1 Goodwill

Under IFRS, goodwill has an indefinite life and is only written down when an impairment test suggests that the carrying value is overstated. The amortisation charge of £130,942 relating to goodwill arising on the acquisition of subsidiaries were reversed under IFRS.

2 Employee benefits

Accruing for holiday pay was not required under UK GAAP but is required under IFRS and charges have been made under IFRS relating to holidays that have accrued to staff but have not yet been taken. A cumulative charge of £11,235 was recognised at the transition date and the provision was reduced to £9,383 in 2006.

25 Explanation of transition to IFRSs (continued)

Notes to the reconciliations of the Group's equity at 1 October 2005 and 30 September 2006 (continued)

3 Shares held by Employee Share Ownership Plan

Shares held by the employee share ownership plan trust which have not been unconditionally transferred to the relevant employees are shown as a deduction from equity. As stated in note 16 the shares were originally gifted to the trust prior to 1 October 2005 and therefore the corresponding adjustment is to increase the retained earnings.

Reconciliation of the Group's income statement for 2006

	Notes	Per accounts UK GAAP	Effects of transition to IFRSs	IFRSs
Continuing Operations				
Revenue		1,616,343	-	1,616,343
Cost of sales		(1,160,760)	-	(1,160,760)
Gross profit		455,583	-	455,583
Distribution costs		(406,707)	-	(406,707)
Administrative expenses		(1,320,121)	132,795 -	(1,187,326)
Loss from operations		(1,271,245)	132,795	(1,138,450)
Investment income		6,468	-	6,468
Finance costs		(15,545)	-	(15,545)
Loss before tax		(1,280,322)	132,795	(1,147,527)
Tax		-	-	-
Loss for the period from continuing operations		(1,280,322)	132,795	(1,147,527)
Discontinued Operations				
Loss for the period from discontinued operations		(470,029)	-	(470,029)
Loss for the period		(1,750,351)	132,795	(1,617,556)

25 Explanation of transition to IFRSs (continued)

Reconciliation of the Company's equity at 1 October 2005 (date of transition to IFRSs)

	Notes	Per accounts UK GAAP	Effects of transition to IFRSs	IFRSs
Non-current assets				
Investments		2,710,510	-	2,710,510
		2,710,510	-	2,710,510
Current assets				
Trade and other receivables		133,471	-	133,471
Cash and cash equivalents		290,287	-	290,287
		423,758	-	423,758
Current liabilities				
Trade and other payables		(96,100)	-	(96,100)
Net current assets		327,658	-	327,658
Total assets less current liabilities		3,038,168	-	3,038,168
Non-current liabilities				
Provisions		(195,000)	-	(195,000)
		2,843,168	-	2,843,168
Equity				
Share capital		165,918	-	165,918
Share premium account		4,297,803	-	4,297,803
Shares held by Employee Share Ownership Plan		-	(4,541)	(4,541)
Merger reserve		1,570,783	-	1,570,783
Retained earnings		(3,191,336)	4,541	(3,186,795)
Total equity		2,843,168	-	2,843,168

25 Explanation of transition to IFRSs (continued)

Reconciliation of the Company's equity at 30 September 2006 (date of last UK GAAP financial statements)

	Notes	Per accounts UK GAAP	Effects of transition to IFRSs	IFRSs
Non-current assets				
Investments		2,610,510	-	2,610,510
		2,610,510	-	2,610,510
Current assets				
Trade and other receivables		935,066	-	935,066
Cash and cash equivalents		710,508	-	710,508
		1,645,574	-	1,645,574
Current liabilities				
Trade and other payables		(102,277)	-	(102,277)
Net current assets		1,543,297	-	1,543,297
Total assets less current liabilities		4,153,807	-	4,153,807
Non-current liabilities				
Provisions		(183,807)	-	(183,807)
		3,970,000	-	3,970,000
Equity				
Share capital		310,918	-	310,918
Share premium account		5,600,303	-	5,600,303
Shares held by ESOP	1	-	(4,541)	(4,541)
Retained earnings		(1,941,221)	4,541	(1,936,680)
Total equity		3,970,000	-	3,970,000

Notes to the reconciliation of the Company's equity at 1 October 2005 and 30 September 2006

1 Shares held by Employee Share Ownership Plan

Shares held by the employee share ownership plan trust which have not been unconditionally transferred to the relevant employees are shown as a deduction from equity. As stated in note 16 the shares were originally gifted to the trust prior to 1 October 2005 and therefore the corresponding adjustment is to increase the retained earnings.

NOTICE OF ANNUAL GENERAL MEETING

Pentagon Protection plc (Company No: 4488281) ("the Company")

Notice is given that the annual general meeting of **Pentagon Protection plc** will be held at the offices of Seymour Pierce, 20 Old Bailey, London, EC4M 7EN on 25 February 2008 at 2 pm for the following purposes:

ORDINARY BUSINESS

To consider and if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:

1. To receive and adopt the Company's annual accounts for the financial year ended 30th September 2007 together with the directors' report and auditors' report on those accounts.

2. To reappoint Stephen Derek Harrhy retiring by rotation as a director in accordance with the provisions of the Company's articles of association, and being eligible, offering himself for re-election as a director of the Company.

3. To reappoint Messrs Warrener Stewart as auditors and to reappoint them to hold office as auditors from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid before the company at a remuneration to be determined by the directors.

SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions, of which resolution 4 will be proposed as an ordinary resolution and resolution 5 will be proposed as a special resolution.

4. THAT the directors be and they are generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £165,000 provided that this authority is for a period expiring at the company's next AGM but the company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This authority is in substitution for all substituting authorities, to the extent unused.

5. THAT subject to the passing of the previous resolution the directors be and they are empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) of the Act) pursuant to the authority conferred by the previous resolution as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £165,000 and shall expire on the conclusion of the next Annual General Meeting of the company after the passing of this resolution save that the company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

BY ORDER OF THE BOARD

Registered office:

Solar House
Amersham Road
Chesham
Buckinghamshire HP5 1NG

Danielle Stewart

Company Secretary

Dated: 31 January 2008

NOTES:

1. A member entitled to attend and vote at the meeting convened by the notice set out above is entitled to appoint a proxy (or proxies) to attend and, on a poll, to vote in his place. A proxy need not be a member of the company.

2. A form of proxy is enclosed. To be effective, it must be deposited at the office of the company's registrars so as to be received not later than 48 hours before the time appointed for holding the annual general meeting. Completion of the proxy does not preclude a member from subsequently attending and voting at the meeting in person if he or she so wishes.

3. The register of interests of the directors and their families in the share capital of the company and copies of contracts of service of directors with the company or with any of its subsidiary undertakings will be available for inspection at the registered office of the company during normal business hours (Saturdays and public holidays excepted) from the date of this notice until the conclusion of the AGM.

4. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the company's register of members not later than 10 am on 21st February 2008 or, if the meeting is adjourned, shareholders entered on the company's register of members not later than 48 hours before the time fixed for the adjourned meeting shall be entitled to attend and vote at the meeting.