



**Pentagon Protection Plc  
Interim Statement 2008**

## **Directors and Advisers**

<b>Directors</b>	A R Nicholl S D Harry H ElZayn L Chunlin (Appointed 6 November 2007)
<b>Secretary</b>	D C Stewart
<b>Company number</b>	4488281
<b>Registered office</b>	Solar House Amersham Road Chesham Buckinghamshire HP5 1NG
<b>Nominated advisers</b>	Seymour Pierce Limited 20 Old Bailey London EC4M 7EN
<b>Auditors</b>	Warrener Stewart Harwood House 43 Harwood Road London SW6 4QP
<b>Solicitors</b>	Mundays Cedar House 78 Portsmouth Road Cobham Surrey KT17 1HS
<b>Registrars</b>	Capita Registrars PO Box 25 Beckenham Kent BR3 4BR

## **Chairman's statement**

### **Introduction**

I am very pleased to be presenting the results for the six months ended 31 March 2008, which show the smallest loss reported by the Company since I have been in office. My interim report also includes details of some very positive events which have occurred since the half year end, indicating that the Group has entered a period of potential substantial growth.

### **Financial review**

The loss for the six months, at £79,311, has improved by 23% on the loss for the six months ended 31 March 2007 (£102,853 as reported under International Financial Reporting Standards (IFRS)). The loss has been reduced, despite the drop in turnover – turnover for the six months ended 31 March 2008 was £913,360, whereas for same period in 2007 it was £1,051,035, a decrease of 13%.

This reduction in turnover resulted from a lack of sales in the Far East, which in the six months were only £971 compared to £250,033 in the comparable period. The reason for this is explained under the Operational review below. The effect of this reduction has been mitigated by a 56% increase in UK sales of £489,669 (2007: £313,175).

I am pleased to say that we have continued to keep expenses under control – distribution costs are down by a very respectable 32%, and administrative expenses fell a further 7% on the same period last year. We have also managed to achieve an improved gross profit margin of 53.9%, compared with 52.7% in the six months to 31 March 2007.

Cash reserves are looking healthy at the balance sheet date; at 31 March 2008, we had a net balance of £497,169 in the bank compared to £408,905 at 31 March 2007. This is largely due to receiving proceeds from the issue of 50 million shares on 25 February 2008, which after expenses amounted to £475,000. At 31 March 2008, we were (by arrangement) still due a further £260,000 from the issue of 26 million shares to our largest shareholder, KCPT (our partners in Singapore).

The balance sheet remains strong – our net assets at 31 March 2008 were £3,308,107 compared to £3,014,608 at 31 March 2007. Trade and other receivables at 31 March 2008 were £644,212, compared to £429,090 at 31 March 2007. This 50% increase is largely represented by a high accrued income balance at 31 March 2008 due to delays in our ability to invoice contracts in progress. All of these amounts have been invoiced subsequent to the balance sheet date and will be settled under our normal terms of trade.

The basic loss per share was 0.02p, down from 0.03p for the six months ended 31 March 2007.

The Board does not propose a dividend.

## **Operational review**

The Board continues to review activity by reference to geographical markets, as explained further below.

In addition, we have recently announced the award of the largest contract in our history, which is valued initially at £2m. This contract is for an overseas government and involves upgrading the window security for its embassies and chanceries throughout the world. We are also on the approved list of tenderers for the more capital intensive physical security upgrades which we feel confident we can secure as we broaden the expertise of our business.

## **UK operations**

I am very pleased that our efforts to improve our share of the sluggish UK market are now beginning to pay off, with a very respectable 56% increase in turnover compared to the first six months of last year. I still believe there is more we can do to re-establish our position as market leader in our home territory. Therefore, we have continued to invest in Marketing and Sales and have created a great deal of positive interest in our extensive range of energy saving films. The films have been on test with two major retailers and a high profile property management group based in the City. The results to date show significant cuts in energy costs and the consequent reduction in the carbon footprint.

As with most innovative technology, the market tends to be slow and cautious in adopting it. However, as knowledge of our solutions builds, we are confident there will be strong future demand for our range of Infra-Max™ Films and that Pentagon will be well-positioned to capitalise on this opportunity.

The Glass and Glazing Federation has recently introduced NVQ qualifications for Film Installers, which your Board is fully supporting and we will be sending our team individually for training and accreditation over the next 12 months.

With the continuing and current threat from terrorism and the longer term threats from global warming, your Board is confident they are able to offer viable and cost effective solutions which will maintain and improve Pentagon's position in the UK market.

## **European operations**

Results in Europe have been acceptable, with sales in the six months to 31 March 2008 running at just 1.5% below the same period last year. We continue a retro fit programme of filming and anchoring to an important building in Vienna, and have also recently successfully completed a contract for an international organisation based in Geneva.

The continued EU push for energy efficient buildings, coupled with the ambitious Clinton Climate Initiative will, we believe, keep energy saving films amongst the leading solutions for European buildings in the reduction of their carbon footprint.

## **Middle East and African operations**

Sales in the Middle East and Africa are slightly lower than in the six months to 31 March 2007, being 18% down at £301,429. This is because we are no longer selling as principals in some territories in the region, having assigned them to our former CEO, Graham Bannerman, under a licence agreement. He has made good progress in the period and the income we receive under the licence is pure commission on sales with no associated costs. Therefore, whilst turnover is reduced, the effect on profitability is entirely positive.

## **Far East operations**

The turnover from the Far East in the prior period originated from one large contract which is now complete. Although we do not currently have any other work in progress in the Far East, KCPT, our partner in Singapore, continues to win substantial security contracts in which Pentagon will play an important role in the supply and installation of film and anchoring systems.

Liu Chunlin, the principal of KCPT and Deputy Chairman of Pentagon, recently increased his shareholding and now owns 46 million shares which amount to 11.43% of the issued share capital; this clearly shows his enthusiasm and serious commitment to this business.

## **Business development**

As well as focussing on organic growth across the geographic regions in which we operate, to strengthen and expand our range of services, your Board is looking to make a number of smaller acquisitions. We hope to be in a position to report further on these shortly.

## **Outlook**

We are pleased that the Group's financial performance in the first half has been encouraging, particularly in the light of the global economic downturn. However, with the planned expansion of our business and the marketing of our new range of energy-saving films, the second half promises more positive developments.

We thank all staff for their hard work and loyalty, and shareholders for their continued support. We look forward with confidence to a productive and rewarding end to the year.

## **Alan Nicholl**

Chairman

**23 June 2008**

**PENTAGON PROTECTION PLC**  
**CONSOLIDATED INTERIM INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED 31 MARCH 2008**

		Unaudited six months ended 31 March 2008	Unaudited six months ended 31 March 2007	Audited year ended 30 September 2007
	Notes	£	£	£
<b>Continuing operations</b>				
Revenue	3	913,360	1,051,035	1,736,026
Cost of sales		(421,061)	(497,229)	(917,307)
Gross profit		492,299	553,806	818,719
Distribution costs		(110,042)	(162,938)	(356,761)
Administrative expenses		(463,456)	(498,731)	(791,745)
Loss from operations		(81,199)	(107,863)	(329,787)
Investment income		1,888	6,579	10,440
Finance costs		-	(1,569)	(6,196)
Loss before tax		(79,311)	(102,853)	(325,543)
Tax		-	-	-
<b>Loss for the period</b>		<b>(79,311)</b>	<b>(102,853)</b>	<b>(325,543)</b>
<b>Loss attributable to:</b>				
Equity holders of the parent		(79,311)	(102,853)	(325,543)
<b>Loss per share from continuing operations</b>				
Basic	6	(0.02)p	(0.03)p	(0.10)p
Diluted	6	(0.02)p	(0.03)p	(0.10)p

## PENTAGON PROTECTION PLC

### CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 MARCH 2008

	Share capital £	Share premium account £	Shares held by ESOP £	Retained earnings £	Total £
At 1 October 2006	310,918	5,600,303	(4,541)	(2,789,219)	3,117,461
Loss for the period	-	-	-	(102,853)	(102,853)
At 31 March 2007	310,918	5,600,303	(4,541)	(2,892,072)	3,014,608
Shares issued during the period	15,500	105,000	-	-	120,500
Loss for the period	-	-	-	(222,690)	(222,690)
At 30 September 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 period	-	-	-	(79,311)	(79,311)
At 31 March 2008	376,418	6,130,303	(4,541)	(3,194,073)	3,308,107

**PENTAGON PROTECTION PLC**  
**CONSOLIDATED INTERIM BALANCE SHEET**  
**AS AT 31 MARCH 2008**

	<b>Unaudited six months ended 31 March 2008</b>	<b>Unaudited six months ended 31 March 2007</b>	<b>Audited year ended 30 September 2007</b>
<b>Notes</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Non-current assets</b>			
Goodwill	2,389,093	2,389,093	2,389,093
Property, plant and equipment	8,274	17,893	6,459
	<u>2,397,367</u>	<u>2,406,986</u>	<u>2,395,552</u>
<b>Current assets</b>			
Inventories	96,536	115,636	105,984
Trade and other receivables	644,212	429,090	496,247
Cash and cash equivalents	4 497,187	410,410	260,904
	<u>1,237,935</u>	<u>955,136</u>	<u>863,135</u>
<b>Total assets</b>	<u>3,635,302</u>	<u>3,362,122</u>	<u>3,258,687</u>
<b>Current liabilities</b>			
Trade and other payables	(212,355)	(252,201)	(267,100)
Borrowings	(76,033)	(1,505)	(20,362)
	<u>(288,388)</u>	<u>(253,706)</u>	<u>(287,462)</u>
<b>Non-current liabilities</b>			
Provisions	(38,807)	(93,808)	(58,807)
	<u>(38,807)</u>	<u>(93,808)</u>	<u>(58,807)</u>
<b>Total liabilities</b>	<u>(327,195)</u>	<u>(347,514)</u>	<u>(346,269)</u>
<b>Net assets</b>	<u>3,308,107</u>	<u>3,014,608</u>	<u>2,912,418</u>
<b>Equity</b>			
Share capital	376,418	310,918	326,418
Share premium account	6,130,303	5,600,303	5,705,303
Shares held by ESOP	(4,541)	(4,541)	(4,541)
Retained earnings	(3,194,073)	(2,892,072)	(3,114,762)
<b>Total equity</b>	<u>3,308,107</u>	<u>3,014,608</u>	<u>2,912,418</u>

# PENTAGON PROTECTION PLC

## CONSOLIDATED INTERIM CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 31 MARCH 2008

	Unaudited six months ended 31 March 2008 £	Unaudited six months ended 31 March 2007 £	Audited year ended 30 September 2007 £
<b>Operating activities</b>			
Net loss of consolidated companies	(81,199)	(107,863)	(329,787)
Depreciation of property, plant and equipment	3,090	5,502	16,186
Loss on disposal of property, plant and equipment	1,721	750	200
Decrease/(increase) in inventories	9,448	9,554	19,206
Decrease/(increase) in trade and other receivables	(147,965)	262,236	195,078
(Decrease)/increase in trade and other payables	(54,745)	(329,170)	(314,271)
Interest received	1,888	6,579	10,440
Interest paid	-	(1,569)	(6,196)
<b>Net cash from operating activities</b>	<b>(267,762)</b>	<b>(153,981)</b>	<b>(409,144)</b>
<b>Investing activities</b>			
Payments to acquire property, plant and equipment	(6,965)	(559)	(559)
Receipts from sales of property, plant and equipment	340	-	1,300
Payment against provision for purchase of subsidiary undertaking	(20,000)	(89,999)	(124,999)
<b>Net cash used in investing activities</b>	<b>(26,625)</b>	<b>(90,558)</b>	<b>(124,258)</b>
<b>Financing activities</b>			
Increase/(decrease) in factor finance	56,207	(67,318)	(47,511)
Proceeds from shares issued	475,000	-	120,500
<b>Net cash (used in)/from financing activities</b>	<b>531,207</b>	<b>(67,318)</b>	<b>72,989</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>236,820</b>	<b>(311,857)</b>	<b>(460,413)</b>
Cash and cash equivalents at the start of the period	260,349	720,762	720,762
<b>Cash and cash equivalents at the end of the period</b>	<b>497,169</b>	<b>408,905</b>	<b>260,349</b>

**PENTAGON PROTECTION PLC**  
**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 MARCH 2008**

**1 General information**

Pentagon Protection Plc ('the Company') and its subsidiary (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. The Group has operations in over 65 countries worldwide.

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 23 June 2008.

**2 Accounting policies**

**2.1 Basis of preparation**

The interim consolidated financial information comprises the consolidated balance sheets at 31 March 2008, 31 March 2007 and 30 September 2007 and the consolidated statements of income, recognised income and expenses and cash flows for the periods then ended and related notes of Pentagon Protection Plc, (hereinafter referred to as 'the interim financial information').

This 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 2007.

**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 2008:

- IFRIC 7, 'Applying the restatement approach under IAS 29', effective for annual periods beginning on or after 1 March 2006. This interpretation is not relevant for the Group.
- IFRIC 8, 'Scope of IFRS 2', effective for annual periods beginning on or after 1 May 2006. This interpretation has not had any impact on the recognition of share-based payments in the Group.
- IFRIC 9, 'Reassessment of embedded derivatives', effective for annual periods beginning on or after 1 June 2006. This interpretation has not had any impact on the Group.
- IFRIC 10, 'Interim financial reporting and impairment', effective for annual periods beginning on or after 1 November 2006. This interpretation has not had any impact on the Group.

**PENTAGON PROTECTION PLC**  
**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 MARCH 2008**

**2.2 New accounting standards and interpretations (contd.)**

- IFRIC 11, 'IFRS 2 - Group and treasury share transactions', effective for annual periods beginning on or after 1 March 2007. This interpretation has not had any impact on the recognition of share-based payments in the Group.
- IFRS 7, 'Financial instruments: Disclosures', effective for annual periods beginning on or after 1 January 2007. IAS 1, 'Amendments to capital disclosures', effective for annual periods beginning on or after 1 January 2007. IFRS 4, 'Insurance contracts', revised implementation guidance, effective when an entity adopts IFRS 7. As this interim report contains only condensed financial statements, and as there are no material financial instruments related to transactions in the period, full IFRS 7 disclosures are not required at this stage. The full IFRS 7 disclosures, including the sensitivity analysis to market risk and capital disclosures required by the amendment of IAS 1, will be given in the annual financial statements.

The following new standards, amendments to standards or interpretations have been issued, but are not effective for the financial year ending 30 September 2008 and have not been adopted early:

- IFRIC 12, 'Service concession arrangements', effective for annual periods beginning on or after 1 January 2008. Management do not expect this interpretation to be relevant for the Group.
- IFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009, subject to EU endorsement. Management do not currently foresee any changes to the Group's segmental analysis.

This interim financial information does not constitute a set of statutory accounts under s.240 of the UK Companies Act 1985 and is unaudited. The comparative figures for the financial year ended 30 September 2007 are an extract from the Group's 2007 financial statements, which have been reported on by the company'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 2007/08) 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 and the work carried out by the auditors does not involve consideration of these matters. 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.

# PENTAGON PROTECTION PLC

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### FOR THE SIX MONTHS ENDED 31 MARCH 2008

#### 3 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 buildings' glass. Therefore the necessary disclosures have already been provided elsewhere in the financial statements.

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:

	<b>Unaudited six months ended 31 March 2008 £</b>	<b>Unaudited six months ended 31 March 2007 £</b>	<b>Audited year ended 30 September 2007 £</b>
<b>Continuing operations</b>			
United Kingdom	489,669	313,175	606,232
Europe	121,291	119,457	204,283
Africa and Middle East	301,429	368,369	526,740
Far East	971	250,033	398,771
	<hr/>	<hr/>	<hr/>
	913,360	1,051,035	1,736,026

#### 4 Cash and cash equivalents

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

	<b>Unaudited six months ended 31 March 2008 £</b>	<b>Unaudited six months ended 31 March 2007 £</b>	<b>Audited year ended 30 September 2007 £</b>
Cash at bank and in hand	497,187	410,410	260,904
Bank overdraft	(18)	(1,505)	(555)
	<hr/>	<hr/>	<hr/>
	497,169	408,905	260,349

#### 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 2008.

## PENTAGON PROTECTION PLC

### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

#### FOR THE SIX MONTHS ENDED 31 MARCH 2008

#### 6 Loss per share

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

	<b>Unaudited six months ended 31 March 2008 £</b>	<b>Unaudited six months ended 31 March 2007 £</b>	<b>Audited year ended 30 September 2007 £</b>
Loss for the financial period	(79,311)	(102,853)	(325,543)
Weighted average number of shares for basic and diluted loss per share	340,953,675	310,918,156	312,271,580

At 31 March 2008 the number of ordinary shares in issue was 402,418,156.

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

#### 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

There were no significant events subsequent to the balance sheet date.