



## Pentagon Protection PLC

UNAUDITED INTERIM FINANCIAL STATEMENTS  
for the period ended  
31 March 2011

# PENTAGON PROTECTION PLC

## DIRECTORS AND OFFICERS

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Directors	S D Chambers H ElZayn P J Fransko S D Harry
Secretary	C R B Mather
Company Number	4488281
Registered office	Solar House Amersham Road Chesham Buckinghamshire HP5 1NG <a href="http://www.pentagonprotection.com">www.pentagonprotection.com</a>
Nominated advisers	Seymour Pierce Limited 20 Old Bailey London EC4M 7EN
Auditors	Warrener Stewart Harwood House 43 Harwood Road London SW6 4QP
Solicitors	Nabarro Lacon House 84 Theobald's Road London WC1X 8RW
Registrars	Capita Registrars PO Box 25 Beckenham Kent BR3 4BR

# PENTAGON PROTECTION PLC

## CHAIRMAN'S STATEMENT FOR THE SIX MONTHS ENDED 31 MARCH 2011

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### Introduction

The six months to 31 March 2011 has reflected a period of significant change for the Pentagon Group. As previously announced, this period started with an acquisition when in November 2010, the Group acquired International Glass Solutions LLC (IGS), creating for the first time a local outlet in the US market. At the same time, Steve Chambers was appointed to the Board as Managing Director, and I am delighted to be able to report that his strong management has already had a positive impact on the results for the period.

The results for the first six months show significant improvement versus the same period in 2010 with turnover increasing 32% to £1,238,595 (2010: £ 937,414) and losses from operations before exceptional items reducing by 44% to £174,078 (2010: £309,929). These figures are explained in more detail below.

SDS Group Ltd, our security products subsidiary, continues to perform well and has had some significant contract gains during the period. While John Wyatt has retired as the executive director of SDS and from the board of Pentagon, he remains involved with SDS as a consultant.

### Financial Review

As I mentioned above, turnover has increased by 32% to £1,238,595. Over three quarters of this improvement has come from the SDS group, which has returned to historic levels of turnover, winning some large contracts from its traditional client base.

Cost of sales increased in line with this trend, which meant that gross profit has remained consistent with the first six months of last year at 30%. However, this is slightly down on the full year gross profit of 33%.

Total distribution and administration expenses have fallen by £40,292 from the same period in 2010, in part reflecting Steve Chamber's continual focus on operational efficiency.

The six months to 31 March 2010 included the reversal of a warranty claim provision of £225,800. There was no such write back in the period under review, therefore the loss before tax for the two periods is not directly comparable. However, the loss from operations before exceptional items has reduced from £309,929 to £174,078, a reduction of 44%.

The Interim Statement of Financial Position includes increased Goodwill of £725,158 (£351,360 at 30 September 2010) as a result of the acquisition of IGS LLC. The acquisition was paid for by an initial consideration of shares, as set out in Note 4 to the Consolidated Interim Financial Information. There is also potentially going to be contingent consideration based on profit multiples of IGS for a certain period, and our best estimate of this additional consideration has been included in this Interim Report. We will review this position for inclusion in the full year accounts to 30 September 2011.

Overall there has been an increase in total assets from £1,098,901 at 30 September 2010 to £1,597,126 at 31 March 2011.

# PENTAGON PROTECTION PLC

## CHAIRMAN'S STATEMENT (CONTINUED) FOR THE SIX MONTHS ENDED 31 MARCH 2011

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### Operational review

There has been significant progress made this year across both trading sectors; that is film and security products and services.

The film division has successfully negotiated a further one year extension to its contract with an overseas government for the upgrade of window security to its embassies and chanceries throughout the world and is generating additional revenue both in the UK and overseas. The European Commission contract also commenced during the second half of the year, and it is now proceeding well, according to our expectations.

The security products division built on its relationships with both police services and the armed forces, securing contracts with the Metropolitan Police and the British Transport Police for the supply of x-ray equipment, whilst continuing to support the Armed forces with supply and maintenance of portable x-ray equipment. In addition the Group's training and consultancy team have completed more than twenty projects in the past six months, and the 2012 Olympic Games continue to be a potential source of significant additional business over the next fifteen months.

### Acquisition of International Glass Solutions LLC (IGS)

On 25 October 2010, the Group acquired from me 100% of the share capital of IGS, a company incorporated in the USA. The acquisition was part of a series of measures to strengthen the position of the Group by diversifying its project portfolio and allowing it to develop its presence in the US market.

IGS provides project management and installation services for film-based glazing solutions covering a wide range of applications, including blast mitigation and energy efficiency improvements. IGS primarily serves the commercial market and has a number of strategic partnerships already in place. In addition, IGS has access to the US residential film market, which makes up the largest portion of the window film industry in the United States and will contribute significantly to the Group's financial stability. I am confident this acquisition will give the Group a strong foothold in the USA.

While IGS has made a small loss in the period to 31 March 2011, (which is part of the Film division result in the divisional analysis), it has a strong project portfolio and is projected to grow significantly in terms of revenue and profitability over the next few years.

### Conclusion

As stated in my introduction, this first six months has been a period of significant change and I am confident that with continued investment in both our management team and product development programme, we can and will continue to improve the company over the next twenty four months.

I look forward to reporting further on our progress when we publish our full year results.

Haytham ElZayn  
Chairman  
30 June 2011

# PENTAGON PROTECTION PLC

## CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 MARCH 2011

	Unaudited six months ended 31 March 2011 £	Unaudited six months ended 31 March 2010 £	Audited year ended 30 September 2010 £
Revenue	1,238,595	937,414	1,763,809
Cost of sales	(865,362)	(659,740)	(1,173,690)
Gross profit	373,233	277,674	590,119
Distribution costs	(19,308)	(61,633)	(94,802)
Administrative expenses	(528,003)	(525,970)	(1,181,394)
Other operating income	-	-	4,610
LOSS FROM OPERATIONS BEFORE EXCEPTIONAL ITEM	(174,078)	(309,929)	(681,467)
Profit on disposal of subsidiary	-	-	461,865
Exceptional item – provision	-	225,800	225,800
LOSS FROM OPERATIONS BEFORE FINANCING ACTIVITIES	(174,078)	(84,129)	6,198
Finance income	11	31	41
Finance costs	(2,741)	(1,100)	(4,695)
LOSS BEFORE TAX	(176,808)	(85,198)	1,544
Tax	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(176,808)	(85,198)	1,544

Loss before tax and total comprehensive income for the period are all attributable to the equity shareholders of the parent.

(Loss)/earnings per share

Basic	(0.020)p	(0.013)p	0.000p
Diluted	(0.020)p	(0.013)p	0.000p

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

# PENTAGON PROTECTION PLC

## CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

		Unaudited 31 March 2011	Unaudited 31 March 2010	Audited 30 September 2010
Notes	£	£	£	£
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets		5,614	13,902	-
Goodwill		725,158	351,360	351,360
Property, plant and equipment		16,103	31,077	15,917
		<u>746,875</u>	<u>396,339</u>	<u>367,277</u>
<b>Current assets</b>				
Inventories		192,178	230,756	193,151
Trade and other receivables		581,948	899,822	360,417
Cash and cash equivalents	5	76,125	57,541	178,056
		<u>850,251</u>	<u>1,188,119</u>	<u>731,624</u>
<b>TOTAL ASSETS</b>		<u><u>1,597,126</u></u>	<u><u>1,584,458</u></u>	<u><u>1,098,901</u></u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	6	881,918	801,918	801,918
Share premium account	6	7,176,785	7,056,785	7,056,785
Share based payment reserve		51,749	-	51,749
Shares held by ESOP		(4,541)	(4,541)	(4,541)
Retained earnings		(7,631,162)	(7,541,096)	(7,454,354)
<b>Total equity attributable to equity holders of the parent</b>		<u>474,749</u>	<u>313,066</u>	<u>451,557</u>
<b>Non-current liabilities</b>				
Borrowings		-	1,747	-
Provisions		-	700,000	-
Deferred tax liability		-	-	-
		<u>-</u>	<u>701,747</u>	<u>-</u>
<b>Current liabilities</b>				
Trade and other payables		820,318	505,364	642,989
Shareholder loan		302,059	-	-
Borrowings		-	64,281	4,355
		<u>1,122,377</u>	<u>569,645</u>	<u>647,344</u>
<b>Total liabilities</b>		<u>1,122,377</u>	<u>1,271,392</u>	<u>647,344</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>1,597,126</u></u>	<u><u>1,584,458</u></u>	<u><u>1,098,901</u></u>

# PENTAGON PROTECTION PLC

## CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 MARCH 2011

	Share capital	Share premium account	Share based payments reserve	Shares held by ESOP	Retained earnings	Total
	£	£	£	£	£	£
Audited at 1 October 2009	641,418	6,914,366	-	(4,541)	(7,455,898)	95,345
Total comprehensive income for the period	-	-	-	-	(85,198)	(85,198)
Transactions with owners:						
Shares issued during the period	160,500	160,500	-	-	-	321,000
Share issue costs	-	(18,081)	-	-	-	(18,081)
Unaudited at 31 March 2010	801,918	7,056,785	-	(4,541)	(7,541,096)	313,066
Transactions with owners:						
Share based payments	-	-	51,749	-	-	51,749
Total comprehensive income for the period	-	-	-	-	86,742	86,742
Audited as at 30 September 2010	801,918	7,056,785	51,749	(4,541)	(7,454,354)	451,557
Total comprehensive income for the period	-	-	-	-	(176,808)	(176,808)
Transactions with owners:						
Shares issued during the period	80,000	120,000	-	-	-	200,000
Unaudited at 31 March 2011	881,918	7,176,785	51,749	(4,541)	(7,631,162)	474,749

All equity is attributable to equity shareholders of the parent.

### Share premium

Represents amounts subscribed for share capital in excess of its nominal value, net of directly attributable issue costs.

### Share based payment reserve

Represents the reserve account which is used for the corresponding entry to the share based payment charge through the Statement of Comprehensive Income.

### Shares held by ESOP

These relate to shares held by Pentagon Employee Share Ownership Plan and are used to assist in meeting the obligations under employee remuneration schemes.

# PENTAGON PROTECTION PLC

## CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 31 MARCH 2011

	Unaudited six months ended 31 March 2011 £	Unaudited six months ended 31 March 2010 £	Audited year ended 30 September 2010 £
<b>Operating activities</b>			
(Loss)/profit before tax	(176,808)	(85,198)	1,544
Depreciation of property, plant and equipment	4,086	4,086	7,133
Amortisation of intangibles	161	4,638	18,540
Profit on disposal of subsidiary	-	-	(461,865)
Share based payments	-	-	51,749
Loss on disposal of property, plant and equipment	-	-	14,960
<b>Changes in working capital:</b>			
(Increase)/decrease in inventories	973	(57,698)	(20,093)
Decrease/(increase) in trade and other receivables	(206,340)	545,291	438,127
(Increase)/decrease in trade and other payables	(19,173)	(156,734)	90,106
Decrease in provisions	-	(225,800)	(225,800)
Net finance cost/(income)	2,730	1,069	4,654
<b>Net cash from/(used in) operating activities</b>	<b>(394,371)</b>	<b>29,654</b>	<b>( 80,945)</b>
<b>Investing activities</b>			
Payments to acquire property, plant and equipment	(2,721)	-	(8,071)
Receipts from sales of property, plant and equipment	-	-	5,224
Acquisition of a subsidiary net of cash acquired	(199,813)	-	-
Disposal of a subsidiary net of cash disposed of	-	-	(29,759)
Interest received	11	-	41
<b>Net cash used in investing activities</b>	<b>(202,523)</b>	<b>-</b>	<b>(32,565)</b>
<b>Financing activities</b>			
Increase in shareholder loan	302,059	-	-
(Decrease)/increase in factor finance	(4,355)	(26,346)	(45,915)
Capital element of finance lease rental	-	(2,601)	(5,210)
Net proceeds from issue of shares	200,000	-	302,919
Interest paid	(2,741)	(1,069)	(4,695)
<b>Net cash (used in)/from financing activities</b>	<b>494,963</b>	<b>(30,016)</b>	<b>247,099</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(101,931)</b>	<b>(362)</b>	<b>133,589</b>
Cash and cash equivalents at the start of the period	178,056	44,467	44,467
Cash and cash equivalents at the end of the period	76,125	44,105	178,056



# PENTAGON PROTECTION PLC

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 31 MARCH 2011

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### 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 2011.

### 2 Accounting policies

#### 2.1 Basis of preparation

The interim consolidated financial information comprises the consolidated Statements of Financial Position at 31 March 2011, 31 March 2010 and 30 September 2010 and the consolidated Statements of Comprehensive Income, Changes in Equity and Cash Flows for the periods then ended and the related notes of Pentagon Protection Plc, (hereinafter referred to as 'the interim financial information'.)

The interim financial information has been prepared in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. In preparing this information, management have used the accounting policies set out in the Group's annual financial statements as at 30 September 2010.

This interim financial information does not constitute a set of statutory accounts under the requirements of the Companies Act 2006 and is neither audited nor reviewed. The comparative figures for the financial year ended 30 September 2010 are an extract from the Group's 2010 financial statements, which have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified.

This document (the Interim Statement 2011) will be published on the company's website and will be publicly available from the London Stock Exchange regulatory publications. The maintenance and integrity of the Pentagon Protection Plc website is the responsibility of the directors. Legislation in the UK governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

# PENTAGON PROTECTION PLC

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE SIX MONTHS ENDED 31 MARCH 2011

### 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 2011 £	Unaudited six months ended 31 March 2010 £	Audited year ended 30 September 2010 £ <i>As restated</i>
<b>Protective Film and Anchoring</b>			
Turnover	575,163	509,959	834,106
Cost of sales	(397,998)	(376,164)	(564,889)
<i>Gross profit</i>	177,165	133,795	269,217
Overheads (net)	(219,126)	(283,559)	(702,734)
<i>Operating profit/(loss) before exceptional item</i>	(41,961)	(149,764)	(433,517)
Exceptional item	-	225,800	687,665
<i>Operating(loss)/profit</i>	(41,961)	76,036	254,148
<b>Security Products and Services</b>			
Turnover	663,432	427,455	929,703
Cost of sales	(467,364)	(283,576)	(608,801)
<i>Gross profit</i>	196,068	143,879	320,902
Overheads	(154,963)	(185,002)	(306,352)
<i>Operating loss</i>	41,105	(41,123)	14,550
<b>Group Operating Expenses (net)</b>			
Overheads	(173,222)	(119,042)	(262,500)
<b>Totals</b>			
Turnover	1,238,595	937,414	1,763,809
Cost of sales	(865,362)	(659,740)	(1,173,690)
<i>Gross profit</i>	373,233	277,674	590,119
Overheads	(547,311)	(587,603)	(1,271,586)
<i>Operating loss before exceptional item</i>	(174,078)	(309,929)	(681,467)
Exceptional item	-	225,800	687,665
<i>Operating (loss)/profit</i>	(174,078)	(84,129)	6,198

# PENTAGON PROTECTION PLC

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE SIX MONTHS ENDED 31 MARCH 2011

### 3 Business and geographical segments (continued)

Assets and liabilities by business segment are as follows:

	Unaudited 31 March 2011 £	Unaudited 31 March 2010 £	Audited 30 September 2010 £
<b>Protective Film and Anchoring</b>			
Total assets	1,229,793	1,259,612	594,136
Total liabilities	(800,114)	(1,125,503)	(234,519)
Depreciation and amortisation in period	2,480	7,463	429
Capital expenditure	-	-	7,375
<b>Security Products and Services</b>			
Total assets	367,333	324,846	504,765
Total liabilities	(322,263)	(145,889)	(412,825)
Depreciation and amortisation in period	1,761	-	6,704
Capital expenditure	-	-	696
<b>TOTAL ASSETS</b>	<b>1,597,126</b>	<b>1,584,458</b>	<b>1,098,901</b>
<b>TOTAL LIABILITIES</b>	<b>(1,122,377)</b>	<b>(1,271,392)</b>	<b>(647,344)</b>

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 2011 £	Unaudited six months ended 31 March 2010 £	Audited year ended 30 September 2010 £
<b>Continuing operations</b>			
United Kingdom	883,990	820,285	1,540,633
Americas	63,022	2,185	6,319
Europe	168,941	43,521	59,429
Africa and Middle East	1,575	51,092	121,357
Far East	121,067	19,281	36,071
Australasia	-	1,050	-
	<b>1,238,595</b>	<b>937,414</b>	<b>1,763,809</b>

# PENTAGON PROTECTION PLC

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE SIX MONTHS ENDED 31 MARCH 2011

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### 4 Acquisition of a subsidiary

On 25 October 2010, the Company acquired 100% of the share capital of International Glass Solutions LLC ("IGS"), a company incorporated in the USA.

IGS was sold to the Company by Haytham ElZayn, the company chairman, for an initial consideration of £200,000 in shares and contingent consideration to be paid in shares or cash (see below).

The Company acquired IGS to further develop its market penetration, giving it a strong foothold in the USA.

The transaction has been accounted for using the acquisition method of accounting.

	Fair value £	Total £
Property, plant and equipment	1,551	
Intangible assets	5,775	
Trade receivables	15,191	
Cash and cash equivalents	187	
Total assets		<u>22,704</u>
Trade payables	(9,880)	
Total liabilities		<u>(9,880)</u>
Total identifiable net assets		<u>12,824</u>
Provisional fair value of goodwill including contingent consideration		373,798
Total consideration (including direct costs and contingent consideration)		<u>386,622</u>
Satisfied by:		
Initial consideration of ordinary 0.1p shares		200,000
Fair value of contingent consideration		<u>186,622</u>
		<u>386,622</u>

On completion, the Company issued 80 million shares at an issue price of 0.25 pence, a sum of £200,000.

The fair value of shares issued was based on published prices at the date of acquisition.

The remainder of the consideration payable for the acquisition has been determined based on annualised projected profit multiples of IGS during the period ended twenty four months after completion of the acquisition, and will be satisfied by the issue of shares to the seller. If the issue of shares to the seller in satisfaction of the deferred consideration would cause the seller to hold more than 29.9% of the entire issued share capital of the Group, the balance of the outstanding consideration will be paid in cash.

# PENTAGON PROTECTION PLC

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE SIX MONTHS ENDED 31 MARCH 2011

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### 4 Acquisition of a subsidiary (continued)

Contingent consideration cannot exceed £800,000 and cannot be less than £Nil. The fair value of the contingent consideration is measured at the present value of the potential outcomes, which has been estimated taking into account historical patterns of trade and forecasted results. The contingent consideration has been classified as a liability. There is no right to return of previously transferred consideration.

Directly attributable acquisition costs have been expensed through profit and loss as incurred within administrative expenses. Costs directly incurred in relation to the issue of ordinary shares by the Company as consideration for the acquisition, have been deducted from the share premium account directly in equity.

IGS contributed £25,682 of revenue and £2,657 of net loss for the period between the date of acquisition and the reporting date.

The fair and gross value of trade receivables amounts to £15,191. Since it is expected that the full contractual amount will be collected, none of them have been impaired.

The goodwill is not deductible for tax purposes and is attributable to the operational and strategic synergies that are expected to arise in the post acquisition period. These have not been recognised as a separate intangible asset on the basis they could not be separated from the value generated from the business as a whole.

### 5 Cash and cash equivalents

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

	Unaudited 31 March 2011 £	Unaudited 31 March 2010 £	Audited 30 September 2010 £
Cash at bank and in hand	76,125	57,541	178,056
Bank overdraft	-	(13,436)	-
	<u>76,125</u>	<u>44,105</u>	<u>178,056</u>

# PENTAGON PROTECTION PLC

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE SIX MONTHS ENDED 31 MARCH 2011

6 Share capital	Unaudited six months ended 31 March 2011 £	Unaudited six months ended 31 March 2010 £	Audited year ended 30 September 2010 £
Authorised 1,000,000,000 Ordinary shares of 0.1p each	1,000,000	1,000,000	1,000,000
Issued and fully paid			
As at 1 October 2010 (801,915,156 ordinary shares of 0.1p each)	801,918	641,418	641,418
Issue of Ordinary shares of 0.1p each	80,000	160,500	160,500
At 31 March 2011 (881,918,156 ordinary shares of 0.1p each)	881,918	801,918	801,918
Share transaction history		Quantity of 0.1p shares	Value
<i>Shares issued in the period were as follows:</i>			
25 October 2010 (see note 4)		<u>80,000,000</u>	<u>0.25p</u>

## 7 Dividends paid and proposed

Equity dividends on ordinary shares:

No interim dividend was paid or is proposed for the half year ended 31 March 2011.

# PENTAGON PROTECTION PLC

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE SIX MONTHS ENDED 31 MARCH 2011

### 8 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 2011 £	Unaudited six months ended 31 March 2010 £	Audited year ended 30 September 2010 £
(Loss)/profit for the financial period	<u>(176,808)</u>	<u>(85,198)</u>	<u>1,544</u>
Weighted average number of shares for diluted (loss)/profit per share	<u>870,551,880</u>	<u>641,857,882</u>	<u>755,499,384</u>
Weighted average number of shares for basic (loss)/profit per share	<u>870,551,880</u>	<u>641,857,882</u>	<u>722,327,745</u>

At 31 March 2011, the number of ordinary shares in issue was 881,918,156.

In accordance with the provisions of IAS 33 for the periods ended 31 March 2011 and 31 March 2010, shares under option were not regarded as dilutive in calculating earnings per share. In the year to 30 September 2010, there were 33,171,639 outstanding options which were considered dilutive.

### 9 Seasonality of interim operations

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

### 10 Provisions

	Unaudited six months ended 31 March 2011 £	Unaudited six months ended 31 March 2010 £	Audited year ended 30 September 2010 £
Other provision	<u>-</u>	<u>700,000</u>	<u>-</u>

The other provision related to a warranty claim in respect of some work performed in March 2005. As at 30 September 2009, the directors were confident that the cost of the remedial works would be covered by the Group's insurance policy. Nonetheless, in accordance with IAS 37, the anticipated insurance income could not be recognised in the prior reporting period so a provision was made for the cost of remedial works. However, the claim and related provision were disposed of as part of the sale of Pentagon Protection (UK) Limited in the year to 30 September 2010; therefore the provision was released in full.