



Pentagon Protection Plc
Interim Statement 2013

Pentagon Protection PLC

UNAUDITED INTERIM FINANCIAL STATEMENTS

For the period ended

31 March 2013

PENTAGON PROTECTION PLC

DIRECTORS AND OFFICERS

Directors	S D Chambers H ElZayn S D Harrhy
Secretary	C R B Mather
Company Number	4488281
Registered office	Solar House Amersham Road Chesham Buckinghamshire HP5 1NG www.pentagonprotection.com
Nominated advisers	Cantor Fitzgerald Europe 1 America Square London EC3N 2LS
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 2013

Introduction

I have great pleasure in presenting the results for Pentagon Protection Plc for the interim period ended 31 March 2013. As I explained in my last statement, these results demonstrate the impact of all of the improvements that have been made in the Group so far since Steve Chambers was appointed as managing director.

Sales for the first half of the current financial year already represent 89% of the sales for the whole of the last financial year. We are reporting a small operating profit, instead of a large operating loss and encouragingly, the second half of this financial year is likely to be (as seen historically) stronger than the first half. I examine the numbers in more detail below and I am sure that you will be as encouraged as I am in our improvements and success stories.

Following Patric Fransco's resignation from the Board, as announced on 14 May 2013, we have approached two highly experienced individuals about joining the board in a non-executive capacity. I look forward to making a further announcement in this connection in the near future.

Financial review

Turnover of £1.75m for the six months to 31 March 2013 represents 189% of turnover for the same period last year. It is also the highest turnover reported in the interim accounts since the original flotation of the Company in 2003. This demonstrates the positive impact of all the hard work I explained in my report on the financial year ended 30 September 2012.

Specifically, turnover on protective film and anchoring has almost doubled from £531k to £1.1m, as a result of significant contract wins which represent the realisation of the sales pipeline that was built up during 2012.

The security division has also improved dramatically, even before the major portable X ray equipment contract which will fall into April 2013, with turnover up 76% to £693k (from £393k in the interim period to 31 March 2012). The security division turnover reported in these interims has already surpassed full year sales in 2012 of £685k and I am confident that the outlook for the remainder of the current financial year is even brighter.

In the 30 September 2012 financial statements, I was able to report an increased gross profit margin of 31%, resulting from improvements in our pricing policy and operational processes. I am pleased to report that these interim financial statements show a further improvement in overall gross profit margin, to 33%, an increase of 6 percentage points compared with the same period in last year.

Administrative costs were exactly in line with last year's interim period at £554k. We are, however, expecting an increase in administrative costs in the second half of the current financial year, as we will be moving our head office and consolidating our two UK-based divisions into one site. Although the combination of the two sites is unlikely to result in a decrease in costs, the much improved facilities and excellent working environment in the proposed new site will no doubt have a positive impact on working practices, staff morale and even income, as product demonstrations will be greatly facilitated by an integrated workshop.

The significant increase in turnover and the continuing improvements to gross profit margins combined with stable administrative costs have resulted in a much improved result for the period, being a modest operating profit of £10,652, compared to an operating loss of £317k in the first half of the financial year ended 31 March 2012.

PENTAGON PROTECTION PLC

CHAIRMAN'S STATEMENT (CONTINUED) FOR THE SIX MONTHS ENDED 31 MARCH 2013

As a result of this profit, the statement of financial position shows total equity attributable to the equity shareholders of the parent of negative £120,469 compared with negative £129,849 at 30 September 2012. I am delighted to report that this negative position has fully reversed since the period end date.

In the context of the above, the Board does not recommend the payment of an interim dividend.

Operational review and future prospects

The results we've achieved in the first six months of the financial year are the result of the significant effort made to develop the group's sales pipeline in FY 2012. Long sales cycles are an inherent part of the industries in which the Group operates, which requires us to devote significant sales efforts well in advance of expected results. The results to date have been impressive and the Group is continuing to focus on generating future business in order to extend the Group's performance into the next financial year and beyond.

We have several large potential projects we are pursuing in the UK but we continue to see greater opportunity overseas, primarily in Africa, the Middle East and the United States. For example, we are currently installing a large security window film project in Nigeria and have several large security equipment orders in Nigeria and Jordan. As part of our emphasis on the markets in Africa, we are also working with local companies in Nigeria and Cameroon. We look to these projects to be the first of many to come, as we have devoted significant sales resources to these areas.

After significant reflection we decided to transition the Group's Beirut office to a sales agent status. We are also researching the potential of opening an office in Dubai as part of a joint venture with a Dubai based company and we will be introducing Pentagon's own brand Window Films in the Middle East and Africa.

After years of disappointing results from our US based division, we are focusing more resources and attention on this area, particularly since we are seeing increased activity in the US market at this time. Our operations in the United States are almost exclusively window film related with the window film market in the United States significantly different from the UK. Largely based on solar control film, the bulk of US window film sales come during the summer months, therefore this will be reflected in the last quarter of the current financial year. We are also considering introducing Pentagon's own brand products in a similar fashion to the venture in the Middle East.

Turning to the UK market, as I mentioned in the financial review above, our security business has benefited from a major portable X ray equipment contract this year, the results of which will be reflected in the end of year report. We have continued to broaden our product offerings in the security field in order to diversify the Company's customer base. Many of the new products show great promise for significant sales, both in the UK and abroad.

All in all I am very pleased with the results reported in this Interim statement and future prospects. It's exciting, we have a lot going on in all of our divisions and am extremely encouraged by and appreciate the hard work the employees have put in and the results they have achieved. We continue to progress towards our goal of becoming a sustainable, global security company and I expect continued significant improvement in results.

PENTAGON PROTECTION PLC

CHAIRMAN'S STATEMENT (CONTINUED) FOR THE SIX MONTHS ENDED 31 MARCH 2013

Conclusion

I believe that these interim accounts represent a turning point in Pentagon's story. Our patient investors will, we hope, soon have their faith in the Board rewarded. But most importantly, as in my view we are poised on the edge of a bright future, I would like to thank our highly talented, hardworking team for their extra energy and support over the last few exciting months.

Haytham El Zayn
Chairman
25 June 2013

PENTAGON PROTECTION PLC

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 MARCH 2013

	Unaudited six months ended 31 March 2013	Unaudited six months ended 31 March 2012	Audited year ended 30 September 2012
	£	£	£
Revenue	1,746,801	923,832	1,960,331
Cost of sales	(1,171,362)	(674,621)	(1,351,791)
GROSS PROFIT	575,439	249,211	608,540
Distribution costs	(10,944)	(11,986)	(24,974)
Administrative expenses	(553,843)	(553,741)	(1,107,050)
PROFIT/(LOSS) FROM OPERATIONS BEFORE FINANCING ACTIVITIES	10,652	(316,516)	(523,484)
Finance income	-	-	10
Finance costs	(7,864)	(10,637)	-
PROFIT/(LOSS) BEFORE TAX	2,788	(327,153)	(523,474)
Tax	(46)	-	(544)
PROFIT/(LOSS) FOR THE PERIOD	2,742	(327,153)	(524,018)
Other comprehensive income/(expense)	6,638	2,188	(2,748)
TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE PERIOD	9,380	(324,965)	(526,766)

Profit/(loss) before tax and total comprehensive income/(expense) for the period are all attributable to the equity shareholders of the parent.

Profit/(loss) per share

Basic	0.00 p	(3.7)p	(5.6)p
Diluted	0.00 p	(3.7)p	(5.6)p

Revenue and operating profit/(loss) for the period all derive from continuing operations.

PENTAGON PROTECTION PLC
CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2013

	Unaudited 31 March 2013	Unaudited 31 March 2012	Audited 30 September 2012
Notes	£	£	£
ASSETS			
Non-current assets			
Intangible assets	8,779	14,145	8,779
Goodwill	434,536	434,536	434,536
Property, plant and equipment	14,342	16,025	15,585
	457,657	464,706	458,900
Current assets			
Inventories	168,006	204,698	168,546
Trade and other receivables	1,695,277	326,349	626,081
Cash and cash equivalents	4 45,686	1,661	114,954
	1,908,969	532,708	909,581
TOTAL ASSETS	2,366,626	997,414	1,368,481
EQUITY AND LIABILITIES			
Equity			
Share capital	5 905,065	881,918	905,065
Share premium account	7,160,948	7,056,785	7,160,948
Share based payment reserve	80,146	74,230	80,146
Other reserves	16,334	14,632	9,696
Retained earnings	(8,282,962)	(8,088,839)	(8,285,704)
Total equity attributable to equity holders of the parent	(120,469)	(61,274)	(129,849)
Current liabilities			
Trade and other payables	2,044,920	675,237	1,006,774
Shareholder loan	442,175	383,451	491,556
Total liabilities	2,487,095	1,058,688	1,498,330
TOTAL EQUITY AND LIABILITIES	2,366,626	997,414	1,368,481

PENTAGON PROTECTION PLC

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 MARCH 2013

	Share capital	Share Premium account	Share based payments reserve	Other reserves	Retained earnings	Total
	£	£	£	£	£	£
Audited at 1 October 2011	881,918	7,056,785	74,230	12,444	(7,761,686)	263,691
Total comprehensive income/(expense) for the period	-	-	-	2,188	(327,153)	(324,965)
Unaudited at 31 March 2012	881,918	7,056,785	74,230	14,632	(8,088,839)	(61,274)
Total comprehensive expense for the period	-	-	-	(4,936)	(196,865)	(201,801)
Transactions with owners:						
Shares issued	23,147	104,163	-	-	-	127,310
Share based payments	-	-	5,916	-	-	5,916
Audited as at 30 September 2012	905,065	7,160,948	80,146	9,696	(8,285,704)	(129,849)
Total comprehensive income for the period	-	-	-	6,638	2,742	9,380
Unaudited at 31 March 2013	905,065	7,160,948	80,146	16,334	(8,282,962)	(120,469)

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.

PENTAGON PROTECTION PLC

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE SIX MONTHS ENDED 31 MARCH 2013

Group – Other reserves	Merger reserve	Currency reserve	Shares held by ESOP	Total
	£	£	£	£
Audited At 1 October 2011	16,000	985	(4,541)	12,444
Transactions with owners:				
Total comprehensive income for the period	-	2,188	-	2,188
Unaudited at 31 March 2012	16,000	3,173	(4,541)	14,632
Total comprehensive income for the period	-	(4,936)	-	(4,936)
Audited as at 30 September 2012	16,000	(1,763)	(4,541)	9,696
Total comprehensive income for the period	-	6,638	-	6,638
At 31 March 2013	16,000	4,875	(4,541)	16,334

Merger reserve

Represents the difference between the fair value and nominal value of the equity consideration provided in exchange for 90% or more of the equity instruments acquired in another entity.

Foreign currency translation reserve

The translation reserve represents the exchange gains and losses that have arisen on the retranslation of overseas operations.

Shares held by ESOP

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

PENTAGON PROTECTION PLC

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 31 MARCH 2013

	Unaudited six months ended 31 March 2013 £	Unaudited six months ended 31 March 2012 £	Audited year ended 30 September 2012 £
Operating activities			
Profit/(loss) before tax	2,788	(327,153)	(523,474)
Depreciation of property, plant and equipment	1,243	1,891	4,365
Share based payments	-	-	5,916
Exchange adjustment	6,638	2,188	(2,748)
Changes in working capital:			
Decrease in inventories	540	47,512	83,664
(Increase)/decrease in trade and other receivables	(1,069,196)	218,426	(81,306)
Increase/(decrease) in trade and other payables	1,038,146	(32,489)	305,358
Net finance cost/(income)	7,864	10,637	(10)
Net cash used in operating activities	(11,977)	(78,988)	(208,235)
Investing activities			
Payments to acquire property, plant and equipment	-	(4,841)	(6,875)
Payments to acquire intangible assets	-	(8,779)	(3,413)
Interest received	-	-	10
Net cash used in investing activities	-	(13,620)	(10,278)
Financing activities			
(Decrease)/increase in shareholder loan	(49,381)	25,520	133,625
Net proceeds from issue of shares	-	-	121,000
Interest paid	(7,864)	(10,637)	-
Net cash (used in)/from financing activities	(57,245)	14,883	254,625
Taxation	(46)	-	(544)
Net (decrease)/increase in cash and cash equivalents	(69,268)	(77,725)	35,568
Cash and cash equivalents at the start of the period	114,954	79,386	79,386
Cash and cash equivalents at the end of the period	45,686	1,661	114,954

PENTAGON PROTECTION PLC

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 31 MARCH 2013

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 25 June 2013

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2 Accounting policies

2.1 Basis of preparation

The interim consolidated financial information comprises the consolidated Statements of Financial Position at 31 March 2013, 31 March 2012 and 30 September 2012 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 2012.

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 2012 are an extract from the Group's 2012 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 2013) 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 2013

2.2 Going concern

The Group has net liabilities of £120,469 as at 31 March 2013. The directors have reviewed the projections for the forthcoming 12 month period from the date of signing these financial statements, and based on the level of existing cash, projected income and expenditure, and other sources of funding, the directors are satisfied that the Company and Group have adequate resources to continue in business for the foreseeable future. Accordingly, the going concern basis has been used in preparing these financial statements.

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 2013 £	Unaudited six months ended 31 March 2012 £	Audited year ended 30 September 2012 £
Protective Film and Anchoring			
Turnover	1,053,643	530,791	1,275,470
Cost of sales	(687,637)	(402,379)	(875,544)
<i>Gross profit</i>	366,006	128,412	399,926
Overheads (net)	(294,249)	(317,117)	(681,482)
Operating profit/(loss)	71,757	(188,705)	(281,556)
Security Products and Services			
Turnover	693,158	393,041	684,861
Cost of sales	(483,725)	(272,242)	(476,247)
<i>Gross profit</i>	209,433	120,799	208,614
Overheads	(242,596)	(229,400)	(402,520)
Operating loss	(33,163)	(108,601)	(193,906)
Group Operating Expenses (net)			
Overheads	(27,942)	(19,210)	(48,022)
Totals			
Turnover	1,746,801	923,832	1,960,331
Cost of sales	(1,171,362)	(674,621)	(1,351,791)
<i>Gross profit</i>	575,439	249,211	608,540
Overheads	(564,787)	(565,727)	(1,132,024)
Operating profit/(loss)	10,652	(316,516)	(523,484)

PENTAGON PROTECTION PLC

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE SIX MONTHS ENDED 31 MARCH 2013

3 Business and geographical segments (continued)

Assets and liabilities by business segment are as follows:

	Unaudited 31 March 2013 £	Unaudited 31 March 2012 £	Audited 30 September 2012 £
Protective Film and Anchoring			
Total assets	1,432,285	692,245	1,127,754
Total liabilities	(1,578,491)	(724,659)	(1,144,559)
Depreciation and amortisation in period	598	794	2,132
Capital expenditure	-	2,134	3,407
Security Products and Services			
Total assets	934,341	305,169	240,727
Total liabilities	(908,604)	(334,029)	(353,771)
Depreciation and amortisation in period	645	1,097	2,233
Capital expenditure	-	11,198	3,468
TOTAL ASSETS	2,366,626	997,414	1,368,481
TOTAL LIABILITIES	(2,487,095)	(1,058,688)	(1,498,330)

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

	Unaudited six months ended 31 March 2013 £	Unaudited six months ended 31 March 2012 £	Audited year ended 30 September 2012 £
United Kingdom	554,188	345,237	953,234
Americas	291,857	74,671	297,551
Europe	569,548	347,850	364,618
Africa and Middle East	295,288	150,114	300,687
Far East	35,920	5,960	44,241
	1,746,801	923,832	1,960,331

PENTAGON PROTECTION PLC

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE SIX MONTHS ENDED 31 MARCH 2013

4 Cash and cash equivalents

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

	Unaudited 31 March 2013 £	Unaudited 31 March 2012 £	Audited 30 September 2012 £
Cash at bank and in hand	45,686	1,661	114,954

5 Share capital

	Unaudited six months ended 31 March 2013 £	Unaudited six months ended 31 March 2012 £	Audited year ended 30 September 2012 £
Issued and fully paid			
As at 30 September 2012 and at 31 March 2013			
Ordinary shares (11,133,908 shares of 1p each)	111,339	881,918	111,339
Deferred shares (8,819,181 shares of 9p each)	793,726	-	793,726
	<u>905,065</u>	<u>881,918</u>	<u>905,065</u>

6 Dividends paid and proposed

Equity dividends on ordinary shares:

No interim dividend was paid or is proposed for the half year ended 31 March 2013.

PENTAGON PROTECTION PLC

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE SIX MONTHS ENDED 31 MARCH 2013

7 Profit/(loss per share)

The calculations of profit/(loss) per share are based on the following results and number of shares:

	Unaudited six months ended 31 March 2013 £	Unaudited six months ended 31 March 2012 £	Audited year ended 30 September 2012 £
Profit/(loss) for the financial period	<u>2,742</u>	<u>(327,153)</u>	<u>(524,018)</u>
Weighted average number of shares for diluted loss per share	<u>10,575,836</u>	<u>8,705,519</u>	<u>9,421,643</u>
Weighted average number of shares for basic loss per share	<u>10,575,836</u>	<u>8,705,519</u>	<u>9,421,643</u>

At 31 March 2013, the number of ordinary shares in issue was 11,133,907.

In accordance with the provisions of IAS 33 for the periods ended 31 March 2013, 30 September 2012 and 31 March 2012, shares under option were not regarded as dilutive in calculating earnings per share.

8 Seasonality of interim operations

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