



**Pentagon Protection Plc**  
**Interim Statement 2012**

# Pentagon Protection PLC

UNAUDITED INTERIM FINANCIAL STATEMENTS

for the period ended

31 March 2012

# PENTAGON PROTECTION PLC

## DIRECTORS AND OFFICERS

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<b>Directors</b>	S D Chambers H ElZayn P J Fransko S D Harrhy
<b>Secretary</b>	C R B Mather
<b>Company Number</b>	4488281
<b>Registered office</b>	Solar House Amersham Road Chesham Buckinghamshire HP5 1NG <a href="http://www.pentagonprotection.com">www.pentagonprotection.com</a>
<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>	Nabarro Lacon House 84 Theobald's Road London WC1X 8RW
<b>Registrars</b>	Capita Registrars PO Box 25 Beckenham Kent BR3 4BR

# PENTAGON PROTECTION PLC

## CHAIRMAN'S STATEMENT FOR THE SIX MONTHS ENDED 31 MARCH 2012

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### Introduction

The six months to 31 March 2012 have been a difficult period for the Group, however I am extremely pleased to report that we continue to grow our customer base across the globe and I will detail some of our exciting contracts wins later in my report. As previously reported, we acquired International Glass Solutions LLC (IGS) in November 2010 to strengthen our US coverage, and have since opened a new office in Amman to create a strong foothold in the MENA region. Hassan Chehaitelli, who is our newly appointed head of operations in the region, has extensive experience in the security industry and we are confident that his appointment will result in significant sales in the near future.

The results for the first six months show pleasing growth in Europe, USA and MENA, however the turbulent market in the UK has resulted in significant contraction in this region. We continue to monitor the performance of each region to establish the best strategic direction for the Group, and to ensure we are focussing our efforts on the most buoyant markets.

### Financial Review

As indicated above it has been a difficult trading period and as a result total turnover has decreased by 25% to £923,832. This is due to significant falls in UK and Far East activity but I am pleased with the strong growth shown in Africa, Europe and the US regions. In fact, these regions are showing a 145% increase in sales compared to the same period in 2011, and so we continue to focus our efforts on these productive areas.

Cost of sales decreased at a slightly lower rate of 21%, which means that overall gross profit has decreased for the first six months of the year to 26% (2011: 30%). This is also a decrease on the full year gross profit of 29% for the year ended 30 September 2011. This lower level of margin was fully expected, due to the concentration of lower margin contracts in this period; however we aim to have returned this to our previous high levels when we report for the full year to 30 September 2012.

Total distribution and administration expenses have risen slightly to £558,398 (2011: £547,311) from the same period in 2011. Efficiencies in areas such as legal and professional costs and general office costs have been offset by the cost of our new office in Amman.

Overall there has been a decrease in total assets from £1,329,348 at 30 September 2011 to £997,414 at 31 March 2012. As a result, the Group has net liabilities of £61,274 as at 31 March 2012. In order to support the business through this difficult period, I have pledged, immediately after the issue of this interim financial information, to capitalise more than £100,000 of my shareholder loan, to rectify the balance sheet. The capitalisation will be effected at market price on the date of conversion. In addition, I have agreed to provide the Group with needed liquidity on a temporary basis until such a time as the Group can once more service its own working capital needs. A further announcement will be made shortly.

Also of note, in April 2012, the Company undertook a share capital reorganisation in response to a fall in share price, whereby the ordinary shares had been trading around their nominal value. As such it was deemed prudent by the directors for a share reorganisation to take place whereby each 100 shares were replaced with 1 ordinary share of 1p and 1 deferred share of 9p, allowing continuing investment from the capital markets in the future.

# PENTAGON PROTECTION PLC

## CHAIRMAN'S STATEMENT (CONTINUED) FOR THE SIX MONTHS ENDED 31 MARCH 2012

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### Operational review

Despite the difficult trading period, there have recently been some significant and exciting contract gains, to the value of £535,000 at the time of publishing this report. We are well down the track with negotiations on some other major contracts and I look forward to reporting on these soon; our sales pipeline is currently the largest the Group has ever had, totalling nearly £40 million between the three divisions - £36,633,644 for the SDS Group, which includes a possible large border security contract in the Middle East, £2,737,634 for Window Film and £484,516 for IGS.

Many of the wins in the period have come via the SDS Group, which includes the procurement of X-Ray equipment by an overseas government. In addition, the renewal of a five year contract with the UK government for on-going support and maintenance of X-Ray equipment was also confirmed. The Group's close association with UK police forces also continues, in particular with the supply of search and detection equipment to a number of units.

Our window film division continues to make contract gains, including a recent large contract to complete a number of surveying and film work projects, in partnership with a global market leader in the window film industry, to local government bodies as part of their Climate Change Strategy to reduce their carbon footprint, as well as the supply and installation of both security and energy saving window films.

I am also excited to report that our team in Brussels are currently in talks regarding the second part of our contract with the European Commission.

### Conclusion

The first six months of the year have been a challenging period for the Group although I am pleased that we have seen new markets blossom and we will continue to focus the strategic direction of the Group towards the most fruitful markets to ensure its on-going success.

Significant contract wins for the Group are reassurance of our continued commitment to growth and we hope to see an eventual turnaround in our domestic marketplace to consolidate our future success.

I'd like to take this opportunity to thank all the employees of the Group for their continued hard work and dedication.

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

Haytham ElZayn  
Chairman  
06 June 2012

# PENTAGON PROTECTION PLC

## CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 MARCH 2012

	Unaudited six months ended 31 March 2012	Unaudited six months ended 31 March 2011	Audited year ended 30 September 2011
	£	£	£
Revenue	923,832	1,238,595	2,851,631
Cost of sales	(681,950)	(865,362)	(2,036,104)
<b>GROSS PROFIT</b>	<b>241,882</b>	<b>373,233</b>	<b>815,527</b>
Distribution costs	(20,582)	(19,308)	(56,694)
Administrative expenses	(537,816)	(528,003)	(1,074,330)
<b>LOSS FROM OPERATIONS BEFORE FINANCING ACTIVITIES</b>	<b>(316,516)</b>	<b>(174,078)</b>	<b>(315,497)</b>
Finance income	-	11	29
Finance costs	(10,637)	(2,741)	(2,500)
<b>LOSS BEFORE TAX</b>	<b>(327,153)</b>	<b>(176,808)</b>	<b>(317,968)</b>
Tax	-	-	10,636
<b>LOSS FOR THE PERIOD</b>	<b>(327,153)</b>	<b>(176,808)</b>	<b>(307,332)</b>
Other comprehensive income	2,188	-	985
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD</b>	<b>(324,965)</b>	<b>(176,808)</b>	<b>(306,347)</b>
<b>Loss per share</b>			
Basic	(0.04)p	(0.02)p	(0.04)p
Diluted	(0.04)p	(0.02)p	(0.04)p

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

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 2012

		Unaudited 31 March 2012	Unaudited 31 March 2011  Restated	Audited 30 September 2011
Notes	£	£	£	£
<b>ASSETS</b>				
<b>Non-current assets</b>				
		14,145	5,614	5,366
		434,536	434,536	434,536
		16,025	16,103	13,075
		<u>464,706</u>	<u>456,253</u>	<u>452,977</u>
<b>Current assets</b>				
		204,698	192,178	252,210
		326,349	581,948	544,775
	5	1,661	76,125	79,386
		<u>532,708</u>	<u>850,251</u>	<u>876,371</u>
		<u>997,414</u>	<u>1,306,504</u>	<u>1,329,348</u>
<b>TOTAL ASSETS</b>				
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
	6	881,918	881,918	881,918
	6	7,056,785	7,056,785	7,056,785
		74,230	51,749	74,230
		14,632	11,459	12,444
		(8,088,839)	(7,631,162)	(7,761,686)
		<u>(61,274)</u>	<u>370,749</u>	<u>263,691</u>
<b>Total equity attributable to equity holders of the parent</b>				
<b>Current liabilities</b>				
		675,237	633,696	707,726
		383,451	302,059	357,931
		<u>1,058,688</u>	<u>935,755</u>	<u>1,065,657</u>
		<u>997,414</u>	<u>1,306,504</u>	<u>1,329,348</u>
<b>TOTAL EQUITY AND LIABILITIES</b>				

# PENTAGON PROTECTION PLC

## CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 MARCH 2012

	Share capital	Share premium account	Share based payments reserve	Other reserves	Retained earnings	Total
	£	£	£	£	£	£
<b>Audited at 1 October 2010</b>	801,918	7,056,785	51,749	(4,541)	(7,454,354)	451,557
Total comprehensive expense for the period	-	-	-	-	(176,808)	(176,808)
Transactions with owners as restated:						
Shares issued during the period	80,000	-	-	16,000	-	96,000
Share issue costs	-	-	-	-	-	(18,081)
<b>Unaudited at 31 March 2011 as restated</b>	881,918	7,056,785	51,749	11,459	(7,631,162)	370,749
Total comprehensive income/(expense) for the period	-	-	-	985	(130,524)	(129,539)
Transactions with owners:						
Share based payments	-	-	22,481	-	-	22,481
<b>Audited as at 30 September 2011</b>	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
<b>Unaudited at 31 March 2012</b>	881,918	7,056,785	74,230	14,632	(8,088,839)	(61,274)



# PENTAGON PROTECTION PLC

## CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 MARCH 2012

Group – Other reserves	Merger reserve	Currency reserve	Shares held by ESOP	Total
	£	£	£	£
<b>Audited At 1 October 2010</b>	-	-	(4,541)	(4,541)
Transactions with owners:				
Shares issued during the period	16,000	-	-	16,000
<b>Unaudited at 31 March 2011 as restated</b>	16,000	-	(4,541)	11,459
Total comprehensive income for the period	-	985	-	985
<b>Audited as at 30 September 2011</b>	16,000	985	(4,541)	12,444
Total comprehensive income for the period	-	2,188	-	2,188
<b>At 31 March 2011</b>	16,000	3,173	(4,541)	14,632

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.

### 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 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 2012

	Unaudited six months ended 31 March 2012 £	Unaudited six months ended 31 March 2011 £ Restated	Audited year ended 30 September 2011 £
<b>Operating activities</b>			
Loss before tax	(327,153)	(176,808)	(317,968)
Depreciation of property, plant and equipment	1,891	2,194	5,222
Amortisation of intangibles	-	161	409
Share based payments	-	-	22,481
Exchange adjustment	2,188	-	985
<b>Changes in working capital:</b>			
Decrease/(increase) in inventories	47,512	973	(59,059)
Decrease/(increase) in trade and other receivables	218,426	(206,340)	(169,167)
(Decrease)/increase in trade and other payables	(32,489)	55,294	129,324
Net finance cost/(income)	10,637	2,730	2,471
<b>Net cash from/(used in) operating activities</b>	<b>(78,988)</b>	<b>(321,796)</b>	<b>(385,302)</b>
<b>Investing activities</b>			
Payments to acquire property, plant and equipment	(4,841)	(829)	(829)
Payments to acquire intangible assets	(8,779)	-	-
Acquisition of a subsidiary net of cash acquired	-	187	187
Interest received	-	11	29
<b>Net cash used in investing activities</b>	<b>(13,620)</b>	<b>(631)</b>	<b>(613)</b>
<b>Financing activities</b>			
Increase in shareholder loan	25,520	227,592	283,464
Capital element of finance lease rental	-	(4,355)	(4,355)
Interest paid	(10,637)	(2,741)	(2,500)
<b>Net cash from/(used in) financing activities</b>	<b>14,883</b>	<b>220,496</b>	<b>276,609</b>
<b>Taxation</b>	<b>-</b>	<b>-</b>	<b>10,636</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(77,725)</b>	<b>(101,931)</b>	<b>(98,670)</b>
Cash and cash equivalents at the start of the period	79,386	178,056	178,056
Cash and cash equivalents at the end of the period	1,661	76,125	79,386

# PENTAGON PROTECTION PLC

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 31 MARCH 2012

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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 06 June 2012.

### 2 Accounting policies

#### 2.1 Basis of preparation

The interim consolidated financial information comprises the consolidated Statements of Financial Position at 31 March 2012, 31 March 2011 and 30 September 2011 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 Statement of Financial Position and Statement of Cash Flows for the period ended 31 March 2011 have been restated in the current period to reflect the correct accounting for the acquisition of IGS LLC, which was not complete as at 31 March 2011.

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 2011.

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 2011 are an extract from the Group's 2011 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 2012) 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 FOR THE SIX MONTHS ENDED 31 MARCH 2012

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### **2.3 Going concern**

The Group has net liabilities of £61,274 as at 31 March 2012. The Chairman, Haytham ElZayn, has pledged to capitalise, immediately after the issue of this interim financial information, more than £100,000 of the shareholder loan due to him in order to rectify the balance sheet. The capitalisation will be effected at market price on the date of conversion. In addition, he has agreed to provide the Group with needed liquidity on temporary basis until such a time as the Group can once more service its own working capital needs. The Directors are confident this will adequately support the Group through this difficult period and are satisfied that the interim financial information should be drawn up on the Going Concern basis.

# PENTAGON PROTECTION PLC

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE SIX MONTHS ENDED 31 MARCH 2012

### 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 2012 £	Unaudited six months ended 31 March 2011 £ Restated	Audited year ended 30 September 2011 £
<b>Protective Film and Anchoring</b>			
Turnover	530,791	575,163	1,645,002
Cost of sales	(409,708)	(397,998)	(1,216,182)
<i>Gross profit</i>	121,083	177,165	428,820
Overheads (net)	(314,290)	(369,456)	(684,771)
<i>Operating profit/(loss) before exceptional item</i>	(193,207)	(192,291)	(255,951)
Exceptional item	-	-	-
<b>Operating loss</b>	<b>(193,207)</b>	<b>(192,291)</b>	<b>(255,951)</b>
<b>Security Products and Services</b>			
Turnover	393,041	663,432	1,206,629
Cost of sales	(272,242)	(467,364)	(819,922)
<i>Gross profit</i>	120,799	196,068	386,707
Overheads	(229,400)	(154,963)	(405,959)
<b>Operating(loss)/profit</b>	<b>(108,601)</b>	<b>41,105</b>	<b>(19,252)</b>
<b>Group Operating Expenses (net)</b>			
Overheads	(14,708)	(22,892)	(40,294)
<b>Totals</b>			
Turnover	923,832	1,238,595	2,851,631
Cost of sales	(681,950)	(865,362)	(2,036,104)
<i>Gross profit</i>	241,882	373,233	815,527
Overheads	(558,398)	(547,311)	(1,131,024)
<b>Operating loss</b>	<b>(316,516)</b>	<b>(174,078)</b>	<b>(315,497)</b>

# PENTAGON PROTECTION PLC

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE SIX MONTHS ENDED 31 MARCH 2012

### 3 Business and geographical segments (continued)

Assets and liabilities by business segment are as follows:

	Unaudited 31 March 2012 £	Unaudited 31 March 2011 £	Audited 30 September 2011 £
<b>Protective Film and Anchoring</b>			
Total assets	692,245	939,171	948,946
Total liabilities	(724,659)	(613,492)	(766,199)
Depreciation and amortisation in period	794	2,480	3,140
Capital expenditure	2,134	-	76
<b>Security Products and Services</b>			
Total assets	305,169	367,333	380,402
Total liabilities	(334,029)	(322,263)	(299,458)
Depreciation and amortisation in period	1,097	1,761	2,082
Capital expenditure	11,198	-	753
<b>TOTAL ASSETS</b>	<u>997,414</u>	<u>1,306,504</u>	<u>1,329,348</u>
<b>TOTAL LIABILITIES</b>	<u>(1,058,688)</u>	<u>(935,755)</u>	<u>(1,065,657)</u>

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 2012 £	Unaudited six months ended 31 March 2011 £	Audited year ended 30 September 2011 £
<b>Continuing operations</b>			
United Kingdom	345,237	883,990	1,585,844
Americas	74,671	63,022	217,574
Europe	347,850	168,941	673,328
Africa and Middle East	150,114	1,575	124,133
Far East	5,960	121,067	250,752
	<u>923,832</u>	<u>1,238,595</u>	<u>2,851,631</u>

# PENTAGON PROTECTION PLC

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE SIX MONTHS ENDED 31 MARCH 2012

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### 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 2012 £	Unaudited 31 March 2011 £	Audited 30 September 2011 £
Cash at bank and in hand	1,661	76,125	79,386

### 5 Share capital

	Unaudited six months ended 31 March 2012 £	Unaudited six months ended 31 March 2011 £	Audited year ended 30 September 2011 £
<b>Authorised</b> 1,000,000,000 Ordinary shares of 0.1p each	1,000,000	1,000,000	1,000,000
<b>Issued and fully paid</b> As at 30 September 2011 and at 31 March 2012 (881,918,156 ordinary shares of 0.1p each)	881,918	881,918	881,918

### 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 2012.

# PENTAGON PROTECTION PLC

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE SIX MONTHS ENDED 31 MARCH 2012

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### 7 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 2012 £</b>	<b>Unaudited six months ended 31 March 2011 £</b>	<b>Audited year ended 30 September 2011 £</b>
Loss for the financial period	<u>(327,153)</u>	<u>(176,808)</u>	<u>(307,332)</u>
Weighted average number of shares for diluted loss per share	<u>881,918,156</u>	<u>870,551,880</u>	<u>876,438,548</u>
Weighted average number of shares for basic loss per share	<u>881,918,156</u>	<u>870,551,880</u>	<u>876,438,548</u>

At 31 March 2012, 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 2012 and 31 March 2011, shares under option were not regarded as dilutive in calculating earnings per share. In the year to 30 September 2011, there were 30,727,566 outstanding options which were not considered dilutive.

### 8 Seasonality of interim operations

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



# PENTAGON PROTECTION PLC

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE SIX MONTHS ENDED 31 MARCH 2012

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### 9 Prior period adjustment

In the interim financial statement for the period to 31 March 2011 goodwill of £373,798 had been recognised, including contingent consideration of £186,622, in relation to the acquisition of International Glass Solutions LLC. As at 31 March 2011 the accounting for the consideration was incomplete and in accordance with IFRS 3 the goodwill arising on the acquisition has been retrospectively adjusted in these financial statements to reflect this.

The effect of the restatement on those financial statements is summarised below:

	Effect on the 6 Month period to 31 March 2011 £
Decrease in goodwill	(290,622)
Decrease in other payables	186,622
Decrease in share premium	120,000
Increase in merger reserve	(16,000)
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