IN THE MATTER OF

PENTAGON PROTECTION PLC
AND IN THE MATTER OF

INSOLVENCY ACT 1986

PROPOSAL BY THE BOARD OF DIRECTORS FOR
A COMPANY VOLUNTARY ARRANGEMENT ("CVA") UNDER PART 1
OF THE INSOLVENCY ACT 1986

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1. HISTORY OF THE COMPANY

1.1. Background

Pentagon Protection plc, ("the Company"), was incorporated on 17 July 2002 and trades as a supplier of protective films for solar control, security, and blast protection window film and anchoring from its office in Croxley Green Business Park, Watford, WD18 8YX.

The company was admitted to the Alternative Investment Market in April 2003.

1.2. In 2008, the whole of the share capital of SDS Group Limited ("SDS") was acquired; this company supplies specialist security equipment. In 2010, the Company acquired International Glass Solutions LLC ("IGS") to establish a presence in the US protective film market.

1.3. The Company went to the market in November 2013 to fund expansion in USA but did not manage to raise any funds.

1.4. The group had a successful year in 2013 in terms of turnover and reported profits. The cash generated was used to repay company debt.

1.5. The Group has sustained losses every month from October 2013 and in January 2014, the directors foresaw a working capital shortfall and so entered into an Accelerated Mergers and Acquisitions process to sell part of the business (see 1.11.1 below).

1.6. On 20 February 2014, the Company issued its unqualified audited accounts for the period ended 30 September 2013. In the Chairman's statement, the Company commented on its best year of trading and future prospects. In this the Shareholders were warned of cash difficulties and re-focusing of sales effort on the Middle East and Africa – but pointing out the additional risks associated with these markets. A sales pipeline of several times the existing annual sales was also noted.

1.7. Trading recently has been more difficult than anticipated with orders in the pipeline not being realised giving rise to significant cash flow problems.

1.8. The business has been partly funded by shareholder loans provided by its former chairman, Haytham ElZayn. These loans increased over the past trading year to the level of £326,365 shown in this document. The loans are secured firstly by a fixed charge on the shares in SDS and secondly by a debenture given by SDS directly to Mr ElZayn.

As the financial difficulties become more acute during April 2014, Mr ElZayn was advised to resign as a Director in view of potential conflicts of interest arising; this resignation took effect on 7 April 2014.

1.9. On 17 April 2014, the Company dismissed Steve Harrhy – a director of the Company – for gross misconduct. At the time of this proposal, the Company has completed the dismissal and appeals process although no compromise agreement has been reached. The Directors do not believe any monies are due to Mr Harrhy.

1.10. On 21 May 2014, Haytham ElZayn exercised his security rights over the shares of SDS and now fully controls this company. He has since injected further funds of £18,500 to provide working capital and maintain its solvency. An agreed value of £110,000 has been attributed to these shares which has been used to reduce Mr ElZayn's loan account, which compares favourably with advice received from the Company's advisors when seeking to sell the subsidiary recently. In addition, Mr ElZayn took an assignment of intercompany balances due by SDS totalling approximately £80,000.

1.11. Therefore the Company made the following changes to rectify its financial situation:-

1.11.1. Appointed Baker Tilly to conduct an accelerated sale of SDS and the Company's film business during March / April 2014. Although one offer was received for SDS, it did not proceed to completion as the Directors considered the offer to be substantially below its true market value. Baker Tilly was appointed on a wholly contingent fee basis and since no sale was completed, Baker Tilly was not paid for this work.

1.11.2. The ownership of SDS has now been transferred to Haytham ElZayn who has enforced his security over the company.

1.11.3. As noted above, Mr Harrhy has been removed as a Director.

1.12. This proposal will allow the creditors some return on their debt. This is to be funded by an introduction from Peterhouse Corporate Finance Limited who are proposing that the Company issues new shares, bringing in new shareholders and to use part of those proceeds to discharge the claims of the creditors as set out below and to fund the on-going listing costs of the Company.

1.13. **Benefit of CVA proposal**

It is now clear to the Directors that the group is no longer viable in its present position and furthermore, the Direct Film trade is not viable – requiring significant sums of new working capital to meet the costs of delivering the work when it comes in.

Accordingly, the Board of Directors consider that this proposal provides an opportunity for the unsecured creditors to make a partial recovery of their debt which is based on realising a value for the existing AIM listing status of the business. As demonstrated elsewhere in this proposal, the unsecured creditors are most unlikely to make any recovery from a liquidation or administration of the business and thus this