Pentagon Protection

Pentagon Protection Plc
Annual Report
30 September 2011

Company Registration No. 4488281 (England and Wales)

PENTAGON PROTECTION PLC

ANNUAL REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2011

PENTAGON PROTECTION PLC

DIRECTORS AND OFFICERS

Directors	S Chambers H ElZayn P J Fransko S D Harrhy
Secretary	C R B Mather
Company Number	04488281
Registered office	Solar House Amersham Road Chesham Buckinghamshire HP5 1NG www.pentagonprotection.com
Nominated adviser	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

CONTENTS

Introduction

I am pleased to present the results for Pentagon Protection Plc for the year ended 30 September 2011.

This has been a period of really positive change for the Group, marked by the acquisition of International Glass Solutions LLC (IGS) during the year and the appointment of Steve Chambers as Managing Director. Both these factors have helped the Group not only break into, but really establish itself, in the US market. A key distribution agreement for a liquid solar control product in the US has been another step forward for the Group. In November 2011, the Group also announced the opening of offices in Amman, which will present interesting opportunities in the Middle East and Gulf region where the credibility associated with being a listed, public company will give us a competitive advantage as well as allow us to bid on large government contracts.

The results for the year have shown a significant improvement from 2010 in many respects, with turnover increasing significantly in new markets. Whilst the Group is showing an overall loss for the year, the results before the exceptional items which were present in 2010 show a marked improvement over last year. A more detailed financial review is given below.

The Group has seen some significant contract gains in its subsidiary companies, SDS Group Limited and IGS, and has some exciting prospects for 2012.

Financial review

As noted above, turnover has increased dramatically from £1.8m to £2.9m, an increase of 62% and a return to 2009 levels. Each existing geographical market has seen improved turnover but the largest and most exciting increases for the group have been in the US, European and Far Eastern markets, which are a real indication of the global impact of the Group.

Gross profit margins have decreased as a higher proportion of the turnover this year has arisen from some large window film contracts which attract slightly lower margins. However the margin has only dropped to 29%, which is a reduction of 4% on the prior year, but is still a significant improvement on 2009 margins of 24%.

Distribution costs have dropped in the year, from £95k to £57k, as cost cutting measures continue to be implemented.

Administrative expenses show a drop to £1.07m from £1.18m in 2010, a decrease of 9%. This is largely due to acquisition related costs in the prior year and a smaller share option cost in the current year. (The cost of share options are a non-cash accounting adjustment only).

Although the Group has made an operating loss in the year, this loss has reduced from £681k in 2010 to £315k in 2011, a reduction of £366k or 54%.

The Group has no exceptional items in the current year and minimal finance costs.

The Group has net assets of £264k, down from £452k in 2010.

The Board does not recommend the payment of a dividend.

Operational review

The Group has continued to make progress this year across both the film and security services sectors.

We are nearing completion on the first of the two buildings on our European Commission contract and all indications are that this has been a successful project for the Group. The second building is due to start in 2012 and should provide a solid financial backdrop for the Group over the next twelve months.

During the year the UK film division secured a number of high value contracts for major shopping and retail centres and completed some large window film projects in the Middle East.

The security products division benefitted from some large equipment orders from the MOD and Police Forces around the country. We have also devoted increased resources to our sales efforts and expect to be awarded some valuable contracts in 2012.

Acquisition of International Glass Solutions LLC (IGS)

As previously reported, on 25 October 2010, the Group acquired 100% of the share capital of IGS.

IGS made a small loss before allocation of overhead expenses for the year and has also contributed to the Group's turnover. It has continued to build its project portfolio over the year with some exciting prospects for the year ahead, including securing an exclusive distribution agreement for a liquid solar control product.

Current trading and future prospects

The Group continues to expand its global coverage and is looking forward to a profitable year ahead. 2011 saw improvements in the Group's financial picture and we have very high hopes that even greater improvements will be made in 2012. The Group has a strong sales pipeline and a list of projects for which we are tendering, both for our line of specialist security products as well as for our window films. Whilst one can never be certain we will win a tender, we feel the Group is uniquely qualified and positioned to complete these projects, giving us a better than average probability of winning a significant proportion of tenders made.

We are tendering on several large projects within the UK which have arisen in preparation for the Olympic Games and which we feel we are well qualified to undertake. Several large projects which the Group had previously completed are also coming up for renovation, providing significant opportunities for additional work. In addition, the Group has tendered for several large overseas projects in Asia, the Middle East and Africa which we hope to be awarded in 2012.

I am excited by the potential we have with our new office in Amman. Aside from re-establishing our presence in the Middle East, this office opens up opportunities to pursue large projects in the region, several of which are already being tendered. Finally, we expect IGS to outperform last year as the US economy recovers and sales to both the commercial and residential markets in the United States increase.

Conclusion

This has been an exciting year for the Group and I am looking forward to the year ahead. The Group has established a strong position and has some fantastic opportunities which I am sure we will maximise.

On behalf of the Board, I would like to thank all of our employees for their continued hard work and support.

H ElZayn
Chairman
6 March 2012

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2011

The directors present their report and the financial statements for the year ended 30 September 2011 for Pentagon Protection Plc (the "Company", Company Registration No. 04488281) and its subsidiaries (the "Group").

The Company is a public listed company, quoted on AIM and is incorporated and domiciled in the UK.

Principal activities

The principal activity of the company is the supply and application of solar control, safety and security films to commercial buildings as well as that of a holding company. It is the parent company of SDS Group Limited and International Glass Solutions LLC.

SDS Group Limited is a company involved in the provision of bespoke security consultancy for high risk project management as well as the supply of specialist security equipment.

International Glass Solutions LLC, incorporated in the USA, produces film-based window glazing products for improving building energy efficiency and security.

Review of the business and future developments

A review of the business and future developments is included within the chairman's statement which immediately precedes this report.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group at the current time are the same as those faced by most businesses, given the depth and severity of the recession and the length of time it could take businesses to return to their traditional capital expenditure programmes.

If the pound were to weaken significantly or if there were large fluctuations in the currency market, this could lead to changes in price competitiveness.

In addition, the Group could face difficulties in raising capital due to the continuing dormant condition of the financial markets, in particular the Alternative Investment Market, as well as the much publicised lack of availability of debt finance and the European Debt Crisis.

The Group is continuing with its strategy of mitigating these risks by the creation and follow up of major contracts.

Operationally, the Group's employees continue to face personal safety issues, due to the nature of the work performed and the locations in which it is carried out.

Financial risk management

Details of the Group's financial risk management objectives and policies are disclosed in Note 21 to these financial statements, along with further information on the Group's use of financial instruments.

Results and dividends

The results of the Group are set out in the Consolidated Statement of Comprehensive Income on page 10.

The directors do not recommend payment of a dividend for the year (2010: £Nil).

Supplier payment policy

The Group's payment policy is to obtain the best possible terms for all business and hence there is no standard policy as to the terms applied. The Group seeks to abide by the payment terms agreed with suppliers when it is satisfied that the supplier has provided goods and services in accordance with contractual arrangements. Trade payables of the Group as at 30 September 2011 were equivalent to 49 days purchases based on the average daily purchases from suppliers during the year (2010: 78 days).

Directors

The following directors have held office since 1 October 2010:

S Chambers	(Appointed 15 November 2010)
H ElZayn	
P J Fransko	
S D Harrhy	
J R Wyatt	(Resigned 28 April 2011)

Substantial shareholdings

As of 9 February 2012, being the latest practical date before the date of this report, the Company has been notified of the following shareholders with interests of more than 3 per cent in the issued share capital of the Company.

Name of owner	Number of shares	Percentage of issued share capital
H ElZayn	122,322,349	13.87%
K&C Corporation pte	62,000,000	7.03%
D Thomas	40,797,988	4.63%
Boyce Investments	38,425,000	4.36%
Dr. J. and Mrs. J Wyatt	37,500,000	4.25%

Employee Involvement

Efforts are made to consult and inform employees on matters which concern them with an emphasis on the continued growth and development of the Group. Regular meetings are held to keep staff abreast of Group changes and progress.

It is the Group's policy to support the employment of disabled persons wherever possible, both through recruitment and through retention of those who have become disabled whilst in employment of the Group.

Going Concern

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.

Auditors

The auditor, Warrener Stewart, Chartered Accountants, of Harwood House, 43 Harwood Road, London, SW6 4QP has indicated its willingness to continue in office, and will be proposed for reappointment at the forthcoming annual general meeting.

Statement as to disclosure of information to the auditor

The directors who held office as at the date of approval of the Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the board

S Chambers

Director

6 March 2012

PENTAGON PROTECTION PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 30 SEPTEMBER 2011

The directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. In preparing these financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the European Union and IFRSs issued by the IASB;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirement in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the group's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ in other jurisdictions.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF PENTAGON PROTECTION PLC

We have audited the financial statements of Pentagon Protection Plc for the year ended 30 September 2011 which comprise the Group and Parent Company Statements of Financial Position, the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Cash Flow Statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purposes. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurances that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Director's Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 September 2011 and of the group's loss for the year then ended;

- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF PENTAGON PROTECTION PLC

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the financial statements, the group in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

J E Last (Senior statutory auditor)
for and on behalf of Warrener Stewart

6 March 2012

Chartered Accountants
Registered Auditor

Harwood House
43 Harwood Road
London
SW6 4QP

PENTAGON PROTECTION PLC

STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2011

	Notes	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
ASSETS					
Non-current assets					
Intangible asset	8	5,366	-	-	-
Investments	9	-	-	641,921	545,921
Goodwill	10	434,536	351,360	-	-
Property, plant and equipment	12	13,075	15,917	5,585	6,946
		452,977	367,277	647,506	552,867
Current assets					
Inventories		252,210	193,151	2,000	2,000
Trade and other receivables	13	544,775	360,417	618,877	383,640
Cash and cash equivalents		79,386	178,056	17,884	38,382
		876,371	731,624	638,761	424,022
TOTAL ASSETS		1,329,348	1,098,901	1,286,267	976,889
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	14	707,726	568,522	501,989	343,889
Shareholder loan	14	357,931	74,467	357,931	74,467
Borrowings	15	-	4,355	-	4,355
Total liabilities		1,065,657	647,344	859,920	422,711
Equity					
Issued capital	17	881,918	801,918	881,918	801,918
Share premium account		7,056,785	7,056,785	7,056,785	7,056,785
Share based payments	18	74,230	51,749	74,230	51,749
Other reserves		12,444	(4,541)	11,459	(4,541)
Retained earnings		(7,761,686)	(7,454,354)	(7,598,045)	(7,351,733)
Total equity attributable to equity shareholders of the parent		263,691	451,557	426,347	554,178
TOTAL EQUITY AND LIABILITIES		1,329,348	1,098,901	1,286,267	976,889

The financial statements on pages 9 to 41 were approved by the directors and authorised for issue on 6 March 2012 and are signed on their behalf by

S Chambers
Director

PENTAGON PROTECTION PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2011

	Notes	2011 £	2010 £
Revenue	2	2,851,631	1,763,809
Cost of sales		(2,036,104)	(1,173,690)
Gross profit		815,527	590,119
Distribution costs		(56,694)	(94,802)
Administrative expenses		(1,074,330)	(1,181,394)
Other operating income		-	4,610
OPERATING LOSS BEFORE PROVISIONS		(315,497)	(681,467)
Profit on disposal of subsidiary	9	-	461,865
Warranty claim provision		-	225,800
OPERATING (LOSS)/PROFIT BEFORE FINANCING ACTIVITIES		(315,497)	6,198
Finance income	3	29	41
Finance costs	4	(2,500)	(4,695)
(LOSS)/PROFIT BEFORE TAX	5	(317,968)	1,544
Tax	6	10,636	-
(LOSS)/PROFIT FOR THE YEAR		(307,332)	1,544
Other comprehensive expense		985	-
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR		(306,347)	1,544
(Loss)/profit attributable to:			
Equity holders of the parent		(307,332)	1,544
Total comprehensive (expense)/income for the year attributable to:			
Equity holders of the parent		(306,347)	1,544
(Loss)/earnings per share (pence per share)			
Basic	7	(0.04)p	0.00p
Diluted	7	(0.04)p	0.00p

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

PENTAGON PROTECTION PLC

STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2011

Group

	Share capital	Share premium account	Share based payments	Other reserves	Retained earnings	Total
	£	£	£	£	£	£
At 1 October 2009	641,418	6,914,366	-	(4,541)	(7,455,898)	95,345
For the year to 30 September 2010:						
Total comprehensive income for the year	-	-	-	-	1,544	1,544
Transactions with owners						
Shares issued - proceeds	160,500	160,500	-	-	-	321,000
Shares issued - costs	-	(18,081)	-	-	-	(18,081)
Share based payments	-	-	51,749	-	-	51,749
At 1 October 2010	801,918	7,056,785	51,749	(4,541)	(7,454,354)	451,557
For the year to 30 September 2011:						
Total comprehensive expense for the year	-	-	-	985	(307,332)	(306,347)
Transactions with owners						
Shares issued on acquisition of subsidiary	80,000	-	-	16,000	-	96,000
Share based payment	-	-	22,481	-	-	22,481
At 30 September 2011	881,918	7,056,785	74,230	12,444	(7,761,686)	263,691

Group – Other reserves	**Merger reserve**	**Currency reserve**	**Shares held by ESOP**	**Total**
	£	£	£	£
At 1 October 2009	-	-	(4,541)	(4,541)
For the year to 30 September 2010:				
Total comprehensive income for the year	-	-	-	-
Transactions with owners				
Shares issued - proceeds	-	-	-	-
Shares issued - costs	-	-	-	-
Share based payments	-	-	-	-
At 1 October 2010	-	-	(4,541)	(4,541)
For the year to 30 September 2011:				
Total comprehensive income for the year	-	985	-	985
Transactions with owners				
Shares issued on acquisition of subsidiary	16,000	-	-	16,000
At 30 September 2011	16,000	985	(4,541)	12,444

All equity is attributable to equity shareholders of the parent.

PENTAGON PROTECTION PLC

STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2011

Company

	Share capital	Share premium account	Share based payments	Other reserves	Retained earnings	Total
	£	£	£	£	£	£
At 1 October 2009	641,418	6,914,366	-	(4,541)	(4,565,748)	2,985,495
For the year to 30 September 2010:						
Total comprehensive expense for the year	-	-	-	-	(2,785,985)	(2,785,985)
Transactions with owners						
Shares issued - proceeds	160,500	160,500	-	-	-	321,000
Shares issued - costs	-	(18,081)	-	-	-	(18,081)
Share based payments	-	-	51,749	-	-	51,749
At 1 October 2010	801,918	7,056,785	51,749	(4,541)	(7,351,733)	554,178
For the year to 30 September 2011:						
Total comprehensive expense for the year	-	-	-	-	(246,312)	(246,312)
Transactions with owners						
Shares issued on acquisition of subsidiary	80,000	-	-	16,000	-	96,000
Share based payments	-	-	22,481	-	-	22,481
At 30 September 2011	881,918	7,056,785	74,230	11,459	(7,598,045)	426,347

Company – Other reserves	Merger reserve	Shares held by ESOP	Total
	£	£	£
At 1 October 2009	-	(4,541)	(4,541)
For the year to 30 September 2010:			
Total comprehensive income for the year	-	-	-
Transactions with owners			
Shares issued - proceeds	-	-	-
Shares issued - costs	-	-	-
Share based payments	-	-	-
At 1 October 2010	-	(4,541)	(4,541)
For the year to 30 September 2011:			
Total comprehensive expense for the year	-	-	-
Transactions with owners			
Shares issued on acquisition of subsidiary	16,000	-	16,000
At 30 September 2011	16,000	(4,541)	11,459

STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2011

Share capital

Represents the par value of shares in issue.

Share premium

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

Share based payments

Represents the reserve account which is used for the corresponding entry to the share based payment charge through the income statement.

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.

Shares held by ESOP

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

Foreign currency translation reserve

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

PENTAGON PROTECTION PLC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2011

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Operating activities				
(Loss)/Profit before tax	(317,968)	1,544	(246,312)	(2,785,985)
Adjustments for:				
Depreciation of property, plant and equipment	5,222	7,133	1,589	429
Amortisation of intangibles	409	18,540	-	-
(Profit)/Loss on disposal of subsidiary	-	(461,865)	-	221,416
Share based payments	22,481	51,749	22,481	51,749
Loss on disposal of property, plant and equipment	-	14,960	-	-
Exchange adjustment	985	-	-	-
Changes in working capital:				
Increase in inventories	(59,059)	(20,093)	-	(2,000)
(Increase)/Decrease in trade and other receivables	(169,167)	438,127	(235,237)	1,924,413
Increase in trade and other payables	129,324	15,639	158,100	253,314
Decrease in provisions	-	(225,800)	-	-
Net finance cost	2,471	4,654	-	3,331
Net cash used in operating activities	(385,302)	(155,412)	(299,379)	(333,333)
Investing activities				
Payments to acquire property, plant and equipment	(829)	(8,071)	(228)	(3,020)
Receipts from sales of property, plant and equipment	-	5,224	-	-
Disposal of a subsidiary net of cash disposed of	-	(29,759)	-	1
Acquisition of a subsidiary net of cash received	187	-	-	-
Interest received	29	41	-	-
Net cash used in investing activities	(613)	(32,565)	(228)	(3,019)
Financing activities				
Decrease in factor finance	-	(45,915)	-	-
Capital element of finance lease contracts	(4,355)	(5,210)	(4,355)	-
Shareholder loan	283,464	74,467	283,464	74,467
Net proceeds from issue of shares	-	302,919	-	302,919
Interest paid	(2,500)	(4,695)	-	(3,331)
Net cash from financing activities	276,609	321,566	279,109	374,055
Taxation	10,636	-	-	-
Net (decrease)/increase in cash and cash equivalents	(98,670)	133,589	(20,498)	37,703
Cash and cash equivalents at the start of the year	178,056	44,467	38,382	679
Cash and cash equivalents at the end of the year	79,386	178,056	17,884	38,382
Cash and cash equivalents consists of:				
Cash and cash equivalents	79,386	178,056	17,884	38,382
	79,386	178,056	17,884	38,382

1 Accounting policies

1.1 Basis of preparation

The financial statements have been prepared in accordance with EU endorsed International Accounting Standards and International Financial Reporting Standards (collectively "IFRS") and the requirements of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements are presented in sterling and have been prepared on the historical cost basis, except where IFRS requires an alternative treatment. The principal variations from historical cost relate to financial instruments (IAS 39).

The Company is a public listed company, quoted on AIM and is incorporated and domiciled in the UK.

The Group had net assets of £263,691 as at 30 September 2011 (2010: net assets of £451,557) and generated a loss before tax of £317,968 (2010: profit £1,544) in the reporting period.

During the year, the Group has strengthened its team with the appointment of a new managing director.

In common with most businesses in its sector, the Group’s financial position has been adversely affected by contraction in its primary markets arising as a result of the economic recession. The holding company is currently being supported by the Group’s Chairman, Haytham ElZayn, via a shareholder’s loan of £358K as at 30 September 2011. Mr. ElZayn has agreed to defer repayment of this loan until the Group’s financial situation has improved.

The Group intends to conduct a fundraising during the third quarter for the purpose of raising working capital. With projected sales totalling £3.6 million and £1.5 million in orders to be completed, including €1.3 million for the next stage of a project valued at €3 million in total, to apply security film to the European Commission buildings in Brussels, the Group is projected to return to profitability in 2012.

In the light of this and after taking into account all information that could reasonably be expected to be available, the directors are confident that the Group will remain in operational existence for the foreseeable future and that the going concern basis of preparation is appropriate to the Group's financial statements.

Adoption of international accounting standards.

Amendments to published standards effective for the year ended 30 September 2011

The following standards have been adopted during the year:

- IAS 1 (Revised) “Presentation of Financial Statements”;
- IAS 7 (Revised) “Statement of Cash Flows”;
- IAS 17 (Revised) “Leases”;
- IAS 27 (Revised) “Consolidated and Separate Financial Statements”;
- IAS 32 (Revised) “Financial Instruments: Presentation”;
- IAS 36 (Revised) “Impairment of Assets”;
- IAS 39 (Revised) “Financial Instruments: Measurement”;

1 Accounting policies (continued)

1.1 Basis of preparation (continued)

Although the adoption of these amendments has had no impact on the financial position and performance of the Group, additional disclosures have been provided to comply with the revised standards.

Standards adopted early by the Group
The Group has not adopted any standards or interpretations early in either the current or the preceding financial year.

Adoption of standards and interpretations

As at the date of authorisation of these financial statements, there were standards and interpretations in issue but that are not yet effective and have not been applied in these financial statements, as listed below:

Standards, amendments and interpretations in issue but not effective

- IFRS 7 "Financial Instruments: Disclosure (amendment)";
- IFRS 9 "Financial Instruments: Classification and Measurement";
- IFRS 10 "Consolidated Financial Statements";
- IFRS 11 "Joint Arrangements";
- IFRS 12 "Disclosure of Interests in Other Entities";
- IFRS 13 "Fair Value Measurement";
- IAS 12 "Income Taxes (amendment)";
- IAS 24 "Related Party Disclosures (revised)";
- IAS 28 "Investments in Associates (revised)".

The Directors do not anticipate that the adoption of these standards and interpretations in future periods could have a material effect on the financial position or performance of the Group and Company.

1 Accounting policies (continued)

1.1 Basis of preparation (continued)

On adoption of IAS 1 (revised) the consolidated income statement and statement of recognised income and expense have been re-presented as a single statement of comprehensive income. The balance sheet has been renamed 'Statement of Financial Position' and the cash flow statement has been re-named 'Statement of Cash Flows'.

At the date of issue of these financial statements, there were no other Standards or interpretations which have not been applied, that were in issue but not yet effective, that the directors consider would have a material effect on the financial statements.

1.2 Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all its subsidiary undertakings as at 30 September 2011. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, contingent consideration and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The Company has applied the exemptions under s408 of the Companies Act 2006 to not prepare a Company income statement. The result for the year of the Company was a loss of £246,312 (2010: loss £2,785,985).

1.3 Revenue

Revenue is recognised when revenue and associated costs can be measured reliably and future economic benefits are probable. Revenue is measured at fair value of consideration received or receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

1.4 Goodwill

Goodwill arising on consolidation represents the excess of the consideration transferred, the amount of any non-controlling interest and the fair value of any previous interest in the acquired entity over the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is separately disclosed.

Disclosures have been included to reflect amendments to IFRS 3.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit and loss on disposal.

1 Accounting policies (continued)

1.5 Interest income

Interest income is accrued on a time apportioned basis, by reference to the principal outstanding and at the effective interest rate applicable.

1.6 Intangible assets

The intangible asset relates to a website, acquired with the subsidiary during the year and is valued at purchase cost and amortised on a straight-line basis over its useful life.

At the end of the year of acquisition the intangible was reviewed for impairment and the directors considered that there was no impairment necessary.

1.7 Property, plant and equipment

All property, plant and equipment is stated at historical cost less accumulated depreciation and subject to an impairment review. Cost includes expenditure attributable to the acquisition of the items.

Subsequent costs, including replacement parts, are capitalised only when it is probable that such costs will generate future economic benefits. All other costs of repairs and maintenance are charged to profit and loss as incurred.

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Plant and machinery	25% on written down value
Fixtures and fittings	25% on written down value
Motor vehicles	25% on written down value

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

1.8 Impairment

Fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable or as otherwise required by relevant accounting standards. Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of net realisable value and value-in-use, are recognised as impairments. Impairment losses are recognised in the profit and loss account.

1.9 Foreign currencies

Transactions in currencies other than the functional currency of the Company are initially recorded at the exchange rate prevailing on the dates of the transaction. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the exchange rate prevailing at the reporting date.

1 Accounting policies (continued)

1.10 Leasing

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payment, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below).

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

1.11 Pensions

The Group operates a defined contribution scheme for its employees. The funds of this scheme are administered by trustees and are separate from the Group. All payments are charged to the income statement as and when they arise.

1.12 Deferred taxation

The tax expense represents the sum of the current tax expense and deferred tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from accounting profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and further excludes items that are never taxable or deductible. The Group's liability for current tax is measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available, against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or if from the initial liabilities in a transaction that affect either the taxable profit or the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. .

1 Accounting policies (continued)

1.13 Inventories

Inventories are all finished goods and are included at the lower of cost and net realisable value, after making provision for slow moving and obsolete items.

1.14 Financial instruments

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term deposits with maturities of three months or less. Bank overdrafts also form part of net cash and cash equivalents for the purposes of the cash flow statement.

Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred and such interest bearing liabilities are subsequently stated at amortised cost using the effective interest rate method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the balance sheet date.

Trade and other receivables

Trade and other non-interest bearing receivables are initially recognised at cost and are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective and probable evidence that it is uncertain if the amount due can be collected. Movement in the provision charged or credited in the period is recognised in the income statement.

The Group discounts some of its trade receivables. The accounting policy is to continue to recognise the trade receivables within current assets and to record cash advances as borrowings within current liabilities. Discounting fees are charged to the income statement as finance costs.

Trade and other payables

Trade and other payables are not interest bearing and are initially recognised at cost and are subsequently measured at amortised cost using the effective interest method.

Investments in subsidiaries

Investments in subsidiaries are included in these financial statements at the cost of the ordinary share capital acquired. Adjustments to this value are only made when, in the opinion of the directors, a permanent diminution in value has taken place and where there is no prospect of an improvement in the foreseeable future.

Equity instruments

Equity instruments issued by the company are recorded at fair value on initial recognition net of transactions costs.

1 Accounting policies (continued)

1.15 Share based payments

The Group has applied the exemption available under IFRS 1 and elects to apply IFRS 2 only to awards of equity instruments made after 7 November 2002 that had not vested by 1 January 2006.

The Group issues equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of instruments that will eventually vest with a corresponding adjustment to equity. Fair value is measured by use of a Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

Non-vesting and market vesting conditions are taken into account when estimating the fair value of the option at grant date. Service and non-market vesting conditions are taken into account by adjusting the number of options expected to vest at each reporting date.

Options over the Company's shares granted to employees of subsidiaries are recognised as a capital contribution by the Company to the subsidiaries.

Employee Share Ownership Plan (ESOP)

The Group has an Employee Share Ownership Plan to assist with the obligations under share option and other employee remuneration schemes. Shares in the Group held by the ESOP are stated at cost and presented in the Balance Sheet as a deduction from equity under the heading of Shares Held by ESOP.

1.16 Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience, internal controls, advice from external experts and other factors, including expectations of future events that are believed to be reasonable under circumstances.

1 Accounting policies (continued)

1.16 Critical accounting judgements and key sources of estimation uncertainty (continued)

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

Value of goodwill

The recoverable amount of goodwill and other intangible assets is based on value in use which requires estimates in respect of the allocation of goodwill to cash generating units, the future cash flows and an appropriate discount rate. An assessment has been made of the goodwill acquired on acquisition of IGS and the directors consider that it relates to one cash generating unit which is not attributable to any individual intangible asset other than goodwill.

Value of contingent consideration on acquisition

The value of contingent consideration on the acquisition of IGS is partly based on forecast information which by nature is a key source of estimation uncertainty. The value of such consideration is adjusted at each reporting date when actual information becomes available, with any movement in value taken to the Income Statement.

Cost of investment in parent company

The acquisition of IGS in the year was on the basis of a share-for-share exchange transaction as consideration. In accordance with relevant accounting standards and company legislation, the value of the investment in the parent company is at the fair value of the shares issued as consideration, using the market price of the shares at the date of acquisition.

Leases

In categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the Group. In making the assessment at inception of the lease, management consider a range of factors including whether the lease term is for the major part of the economic life of the asset being leased, whether the present value of the minimum lease payments at inception of the lease amount to substantially all of the fair value of the leased asset, if the lease transfers ownership of the asset at the end of the term, whether there is an option to purchase the asset for less than its fair value, the nature of the asset being leased, penalties for early cancellation of the lease and options to extend the lease for a secondary period/term.

2 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:

	2011 £	2010 £
Protective Film and Anchoring		
Turnover	1,645,002	834,106
Cost of sales	(1,216,182)	(564,889)
Gross profit	428,820	269,217
Overheads (net)	(684,771)	(811,641)
Operating loss before exceptional item	(255,951)	(542,424)
Exceptional items	-	687,665
Operating (loss)/profit	(255,951)	145,241
Security Products and Services		
Turnover	1,206,629	929,703
Cost of sales	(819,922)	(608,801)
Gross profit	386,707	320,902
Overheads (net)	(405,959)	(433,136)
Operating loss	(19,252)	(112,234)
Group Operating Expenses (net)		
Overheads	(40,294)	(26,809)
Totals		
Turnover	2,851,631	1,763,809
Cost of sales	(2,036,104)	(1,173,690)
Gross profit	815,527	590,119
Overheads (net)	(1,131,024)	(1,271,586)
Operating loss before exceptional items	(315,497)	(681,467)
Exceptional items	-	687,665
Operating (loss)/profit	(315,497)	6,198

Assets and liabilities by business segment are as follows:

	2011 £	2010 £
Protective Film and Anchoring (including overheads)		
Total assets	948,946	594,136
Total liabilities	(766,199)	(234,519)
Depreciation and amortisation in period	3,140	429
Capital expenditure	76	7,375
Security Products and Services		
Total assets	380,402	504,765
Total liabilities	(299,458)	(412,825)
Depreciation and amortisation in period	2,082	6,704
Capital expenditure	753	696
TOTAL ASSETS	1,329,348	1,098,901
TOTAL LIABILITIES	(1,065,657)	(647,344)

2 Business and geographical segments (continued)

The secondary reporting format is by geographic segment based on location of customers. £33,595 (2010: £Nil) of business assets are located in the Americas, with the rest located in the United Kingdom. External revenue by segment is as follows:

	2011 £	2010 £
Continuing operations		
United Kingdom	1,585,844	1,540,633
Americas	217,574	6,319
Europe	673,328	59,429
Africa and Middle East	124,133	121,357
Far East	250,752	36,071
	2,851,631	1,763,809

3 Finance income

	2011 £	2010 £
Bank interest received	29	41

4 Finance costs

	2011 £	2010 £
On factored debts	-	4,695
Other finance costs	2,500	-
	2,500	4,695

5 (Loss)/Profit for the year before tax

	2011 £	2010 £
(Loss)/Profit for the year is stated after charging/(crediting):		
Warranty claim provision	-	(225,800)
Depreciation:		
- on owned assets	4,127	4,662
- on leased assets	1,095	2,471
Loss on disposal of property, plant and equipment	-	14,960
Operating lease rentals:		
- Plant and machinery	1,590	2,527
- Other assets	5,523	16,512
Amounts payable to Warrener Stewart:		
- for audit of subsidiaries	9,000	13,750
- for audit of parent company	9,000	5,250
Amounts payable to Fentress & Barnes		
- for audit of USA subsidiary	5,632	-
Foreign exchange losses	14,523	9,200

6 Taxation

	2011 £	2010 £
Domestic current year tax		
U.K. corporation tax	-	-
Adjustment in respect of prior periods	(10,636)	-
Deferred tax		
Deferred tax charge current year	-	-
Tax credit for the year	(10,636)	-
Factors affecting the tax charge for the year		
(Loss)/profit on ordinary activities before taxation	(317,968)	1,544
(Loss)/profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 20.5% (2010: 21%)	(65,183)	324
Effects of:		
Non deductible expenses	36,776	141
Accelerated capital allowances	90	(32)
Carried forward losses	28,232	53,470
Other tax adjustments	85	(53,903)
Adjustment in respect of prior periods	(10,636)	-
	55,007	(324)
Current tax credit	(10,636)	**-**

The group has tax losses of approximately £839,000 (2010: £701,400) available to carry forward against future trading profits, subject to agreement by HMRC.

No provision has been made for a potential deferred tax asset of approximately £172,000 at 20.5% (2010: £147,000 at 21%) arising from these losses.

7 Loss per share

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

	2011 Basic	2011 Diluted	2010 Basic	2010 Diluted
(Loss)/profit for the financial year	(307,332)	(307,332)	1,544	1,544
Weighted average number of shares for basic and diluted loss per share	876,438,548	876,438,548	722,327,745	755,499,384

In accordance with the provisions of IAS33, in 2011 shares under option were not regarded as dilutive in calculating diluted earnings per share. In 2010 the 33,171,639 outstanding options (note 18) are considered dilutive and reconcile the weighted average number of shares for basic and diluted earnings per share above.

8 Intangible Asset

Group	**£**
Cost	
At 1 October 2009	27,810
On disposal of subsidiary	(27,810)
At 30 September 2010	-
Acquired with subsidiary	5,775
Additions	-
At 30 September 2011	5,775
Accumulated amortisation	
At 1 October 2009	9,270
Amortisation	18,540
On disposal of subsidiary	(27,810)
At 30 September 2010	-
Amortisation	409
At 30 September 2011	409
Carrying amount	
At 30 September 2011	5,366
At 30 September 2010	-
At 1 October 2009	18,540

The intangible asset acquired relates to computer software and website design.

Amortisation is included within administrative expenses on the Consolidated Statement of Comprehensive Income.

9 Investments

Company	Shares in group undertakings £
Cost or valuation	
At 1 October 2009	3,156,431
Disposal	(2,610,510)
At 30 September 2010	545,921
Acquisition of subsidiary	96,000
At 30 September 2011	641,921
Provision	
At 1 October 2009	2,389,093
Disposal	(2,389,093)
At 30 September 2010 and 2011	-
Net book value	
At 30 September 2011	641,921
At 30 September 2010	545,921
At 1 October 2009	767,338

The Company owns 100% of the ordinary share capital of the following subsidiary companies:

Name:	Principal activity:	Country of Incorporation:
SDS Group Limited	Supply of security equipment and security training consultancy	England
International Glass Solutions LLC	Supply of window film solutions	USA

During the prior year one of the subsidiaries, Pentagon Protection (UK) Limited was disposed of, for initial consideration of £1 plus a contingent element.

The contingent element is to be calculated at 20% of the profits arising in Pentagon Protection (UK) Limited on the satisfactory resolution of the warranty claim.

The directors have not recognised the contingent consideration at the date of sale due to the fact profits on the warranty claim cannot be classified as virtually certain at this date. Any additional consideration will be recognised as profit in the period to which it arises.

The contingent consideration has not been included in the calculation of profit on disposal as the directors do not believe there is adequate evidence that this additional consideration will become due.

9 Investments (continued)

The accumulated provision above related to the impairment of the carrying value of the investment in Pentagon Protection (UK) Limited in prior years, which was based on the directors' consideration of its current value. The provision was reversed on disposal of Pentagon Protection (UK) Limited in the year.

The group realised a profit on sale of the subsidiary of £461,865 in the prior year.

10 Goodwill

Group	**£**
At 1 October 2009	2,740,453
On disposal of subsidiary	(2,389,093)
At 30 September 2010	351,360
On purchase of subsidiary	83,176
At 30 September 2011	434,536
Accumulated impairment losses	
At 1 October 2009	2,389,093
On disposal of subsidiary	(2,389,093)
At 30 September 2010 and 2011	-
Carrying amount	
At 30 September 2011	434,536
At 30 September 2010	351,360
At 1 October 2009	351,360

Goodwill is allocated to cash generating units on the basis of business operations, with each subsidiary acquired representing a separate operation.

Goodwill arose in 2003 on the acquisition of Pentagon Protection (UK) Limited (formerly Pentagon Filmtek Limited). Prior to 1 October 2005, the goodwill arising was amortised over its estimated useful economic life of 20 years. After this date, the policy was changed to undertake annual impairment reviews in accordance with International Financial Reporting Standards.

£2,389,093 was recognised historically on the acquisition of Pentagon Protection (UK) Limited. Due to an historic lack of demand for the offerings of this business segment, the directors considered the entire carrying value to be impaired in respect of this operation and wrote off the full value in 2008. This balance was derecognised on the disposal of Pentagon Protection (UK) Limited in the prior year.

£351,360 was recognised in 2008 as an addition to goodwill on the purchase of SDS Group Limited.

10 Goodwill (continued)

£83,176 was recognised during the year as an addition to goodwill on the purchase of International Glass Solutions LLC (see note 11).

The Group tests annually for impairment or more frequently if there are indications that goodwill might be impaired. The Directors have carried out impairment tests on each operation and have concluded the following:

On the basis of forecast results for the next financial year, based principally on anticipated contract wins, the directors do not consider the goodwill recognised in respect of SDS Group Limited or International Glass Solutions LLC to be impaired.

11 Acquisition of 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 £96,000 in shares, representing 80 million shares at market value, and contingent consideration, also to be paid in shares, unless the exceptional circumstances described below apply in which case an element of the consideration could be paid in cash.

On completion, the Company issued 80 million shares as initial consideration. The fair value of these shares, which is calculated by reference to market price at the acquisition date, was £96,000.

The remainder of the consideration payable for the acquisition will been determined based on annualised profit multiples of IGS during the period ending twenty four months after completion of the acquisition, and will be satisfied by the issue of shares to the seller. The number of shares will be determined based on the calculated earn out figure divided by the average market price of the Group's ordinary shares in a given period. If the issue of shares to the seller in satisfaction of the deferred consideration would cause the seller to hold more that 29.9% of the entire issued share capital of the Group, the balance of the outstanding consideration will be paid in cash.

Contingent consideration cannot exceed £904,000 and cannot be less than £Nil. The fair value of the contingent consideration has been measured at the present value of the potential outcomes, which has been estimated using historical patterns of trade and forecasted results. At 30 September 2011, the value of the contingent consideration was £Nil. Any subsequent adjustment to the fair value of contingent consideration will be accounted for in profit or loss.

Directly attributable acquisition costs of £22,159 have been expensed through profit and loss as incurred within administrative expenses.

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.

11 Acquisition of subsidiary (continued)

Fair value of identifiable assets and liabilities acquired:

	Fair value	Total
	£	£
Property, plant and equipment	1,551	
Intangible assets	5,775	
Trade receivables	15,191	
Cash and cash equivalents	187	
Total assets		22,704
Trade payables	(9,880)	
Total liabilities		(9,880)
Total identifiable net assets		12,824
Value of goodwill		83,176
Total consideration (excluding direct costs)		96,000

	£
Satisfied by:	
Initial consideration of ordinary 0.1p shares	96,000
Fair value of contingent consideration at 30 September 2011	-
	96,000

IGS contributed £212,878 of revenue and £20,283 of net loss before group recharges for the period between the date of acquisition and the reporting date. The turnover and loss before tax of the Group for the year ended 30 September 2011 would not have been materially different to that reported had the acquisition occurred on the first day of the financial year, due to the proximity of the acquisition to the start of the financial year.

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.

As part of the agreement package entered into with Haytham ElZayn, which included the acquisition of IGS detailed above, the Group also received a loan in the form of a working capital facility (note 23).

12 Property, plant and equipment

Group	Plant and machinery £	Fixtures & fittings £	Motor vehicles £	Total £
Cost or valuation				
At 1 October 2009	47,501	20,462	21,922	89,885
Additions	544	2,302	5,225	8,071
On disposal of subsidiary	(48,045)	(10,929)	(17,485)	(76,459)
At 30 September 2010	-	11,835	9,662	21,497
Additions	-	829	-	829
On acquisition of subsidiary	-	1,551	-	1,551
At 30 September 2011	-	14,215	9,662	23,877
Depreciation				
At 1 October 2009	37,574	11,091	6,057	54,722
Charge for the year	1,739	2,161	3,233	7,133
On disposal of subsidiary	(39,313)	(9,781)	(7,181)	(56,275)
At 30 September 2010	-	3,471	2,109	5,580
Charge for the year	-	3,533	1,689	5,222
At 30 September 2011	-	7,004	3,798	10,802
Net book value				
At 30 September 2011	-	7,211	5,864	13,075
At 30 September 2010	-	8,364	7,553	15,917
At 1 October 2009	9,927	9,371	15,865	35,163

Assets with a net book value of £3,810 (2010: £4,905) are held under finance leases. Depreciation of £1,095 (2010: £320) was charged in the year on these assets.

Depreciation is included within administrative expenses on the Consolidated Statement of Comprehensive Income.

12 Property, plant and equipment (continued)

Company	Fixtures & fittings £	Motor vehicles £	Total £
Cost or valuation			
At 1 October 2009	-	-	-
Additions	2,150	5,225	7,375
At 30 September 2010	2,150	5,225	7,375
Additions	228	-	228
At 30 September 2011	2,378	5,225	7,603
Depreciation			
At 1 October 2009	-	-	-
Charge for the year	109	320	429
At 30 September 2010	109	320	429
Charge for the year	494	1,095	1,589
At 30 September 2011	603	1,415	2,018
Net book value			
At 30 September 2011	1,775	3,810	5,585
At 30 September 2010	2,041	4,905	6,946
At 1 October 2009	-	-	-

Assets with a net book value of £3,810 (2010: £4,905) are held under finance leases. Depreciation of £1,095 (2010: £320) was charged in the year on these assets.

13 Trade and other receivables

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Trade receivables	203,972	100,720	154,173	67,339
Amounts owed by Group undertakings	-	-	176,649	188,192
Prepayments and accrued income	212,153	213,945	170,451	94,565
Other receivables	128,650	45,752	117,604	33,544
	544,775	360,417	618,877	383,640

The directors consider the carrying value of trade receivables to equal their fair value. The average credit period taken on sales of goods is 26 days (2010: 25 days). No interest is charged on receivables.

At 30 September 2011, £79,894 (2010: £12,279) of trade receivables were denominated in Euros and £27,195 (2010: £31,184) in US Dollars.

The allowance for doubtful debts is made up as follows:

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Opening balance as at 1 October	1,395	7,891	-	-
Provisions for receivables impairment	1,657	-	-	-
Receivables written off in the year	-	-	-	-
Unused amounts reversed	-	-	-	-
Removed on disposal of subsidiary	-	(6,496)	-	-
	3,052	1,395	-	-

13 Trade and other receivables (continued)

The ageing analysis of the allowance for doubtful debts is as follows:

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Up to 3 months	-	-	-	-
Older than 3 months	3,052	1,395	-	-
	3,052	1,395	-	-

The ageing analysis of receivables past due but not impaired is as follows:

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Up to 3 months	10,541	16,275	9,261	-
Older than 3 months	15,993	6,623	9,182	-
	26,534	22,898	18,443	-

14 Trade and other payables

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Trade payables	305,287	430,375	223,596	246,646
Other taxes and social security costs	20,612	60,599	5,966	26,196
Other payables	156,840	4,648	59,476	4,648
Accruals and deferred income	224,987	72,900	219,951	66,399
	707,726	568,522	501,989	343,889
Shareholder loan	357,931	74,467	357,931	74,467
	1,065,657	642,989	859,920	418,356

Shareholder loan

On 25 October 2010, one of the directors, Haytham ElZayn, loaned the Group a working capital facility, as part of a package of measures whereby the Company acquired 100% of the share capital of a company owned by him. See note 11 for full details of the acquisition.

The directors consider the carrying value of trade payables to equal their fair value. At 30 September 2011, £19,919 (2010: £93,522) of trade payables were denominated in US Dollars, £15,641 (2010: £26,490) in Euros £Nil (2010: £6,091) in Singapore Dollars, and £Nil (2010: £20,056) in United Arab Emirates Dirhams.

15 Borrowings

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Amounts due within one year:				
Amounts payable under finance leases	-	4,355	-	4,355
	-	4,355	-	4,355

The directors consider the carrying value of borrowings to equal their fair value. All balances are denominated in Sterling.

Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2011	2010	2011	2010
	£	£	£	£
Amounts payable under finance leases:				
Within one year	-	4,355	-	4,355

The Group has a vehicle purchased under a finance lease. The lease term was 3 years, having commenced in August 2008 and repaid in 2011.

16 Pension costs

The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund.

	2011 £	2010 £
Contributions payable by the Group for the year	13,051	16,754
Contributions payable at the year end included in Other Payables	293	113

17 Share capital

	2011 £	2010 £
1,000,000,000 Ordinary shares of 0.1p each	1,000,000	1,000,000
Issued and fully paid		
As at 1 October 2010 (801,918,156 Ordinary shares of 0.1p each)	801,918	641,418
Issue of 80,000,000 Ordinary shares of 0.1p each	80,000	160,500
At 30 September 2011 (881,918,156 Ordinary shares of 0.1p each)	881,918	801,918

Share transaction history	**Quantity of 0.1p shares**	**Value**
Share placings in the year were as follows:		
25 October 2010 on acquisition of subsidiary	80,000,000	0.12p

18 Share based payments

Enterprise Management Initiative

During the year ended 30 September 2010, the company issued further options under its EMI scheme as part of the remuneration of key management personnel. Under the plan, the options were granted for consideration of £1; they were granted for the periods specified and will vest once certain performance criteria had been met for certain financial periods. Options granted under the plan carry no dividend or voting rights.

Details of options granted are as follows:

	2011		2010	
	Options (No.)	Weighted average exercise price (p)	Options (No.)	Weighted average exercise price (p)
Outstanding at 1 October 2010	26,602,566	1.87	6,602,566	1.87
Granted during the year	-	-	20,000,000	0.42
At 30 September 2011	26,602,566	1.87	26,602,566	1.87
Exercisable at 30 September 2011	21,602,566	0.60	14,102,566	1.10

No share options were exercised in this or the prior period.

The fair value of options granted in the year was £Nil (2010: £80,145).

The options outstanding at 30 September 2011 had an exercise price between 4.75p and 0.42p, and a weighted average remaining contractual life of 7.23 years.

The inputs into the Black Scholes model are as follows:

	2011	2010
Share Price	0.41p	0.41p
Exercise Price	0.42p	0.42p
Expected volatility	181%	181%
Expected life	7 years	7 years
Risk free rate	5%	5%
Expected dividends	-	-

Expected volatility was determined by reference to the historical volatility of the Group’s share price. The expected life used in the model has been adjusted, based on management’s best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The Group recognised total expenses of £22,481 (2010: £51,749) relating to equity-settled share-based payment transactions in the year.

18 Share based payments (continued)

Unapproved scheme

As at 30 September 2011 there were 4,125,000 share options outstanding under an Unapproved Executive Share Option scheme. 3,000,000 of these shares are exercisable at 1p; the remaining 1,125,000 options are exercisable at 4.75p. All are exercisable on or before 11 December 2014.

In the opinion of the directors, any charge in respect of the deemed cost of these options as determined under IFRS 2 "Share based payments" is immaterial to the results and financial position of the Group and Company.

Employee Share Ownership Plan

On flotation 4,541,262 shares were gifted into an Employee Share Ownership Plan at par. At 30 September 2011 1,941,635 of these shares remained unallocated.

	Group and Company	
	2011	**2010**
	£	**£**
Shares held by ESOP	4,541	4,541

19 Directors' emoluments

	2011	**2010**
	£	**£**
Aggregate emoluments including benefits in kind by director are as follows:		
Steve Harrhy	67,935	50,523
Steve Chambers	45,671	-
John Wyatt	34,385	75,785
Aggregate emoluments	147,991	126,308

No director benefited from any increase in the value of share options during the year.
No director exercised share options in the year.

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2010: 2).

20 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2011 Number	2010 Number
Operations	5	7
Administration	3	4
Sales	3	2
	11	13

Employment costs

	2011 £	2010 £
Wages and salaries	358,366	473,540
Social security costs	35,409	53,165
Other pension costs	13,051	16,754
	406,826	543,459

21 Financial instruments

The Group's financial instruments comprise cash, borrowings, factor finance and hire purchase and finance liabilities as well as various items such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. Short term receivables and payables have been excluded from the following disclosures.

The fair value of the Group's financial assets and liabilities are not materially different from their carrying values in the statement of financial position, as such no fair value hierarchy analysis has been produced.

It is and has been throughout the period under review, the Group's policy that no trading in financial derivatives shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate movements, liquidity risk, adverse foreign currency rate movements and credit risk. The directors do not consider there to be significant exposure to market or price risk.

Interest rate risk

It is the Group's policy to regularly review the Group's exposure to interest rate risk.

Interest rate risk profile of financial assets and financial liabilities:

Financial assets
The Group's exposure to interest rate risk currently applies only to the interest received on cash deposits which is based on the Barclays base rate. The Group's floating rate cash balances at the year end were £79,386 (2010: £178,056).

21 Financial instruments (continued)

Financial liabilities
The interest rate profile of the Group's financial liabilities was as follows:

	Fixed rate financial liabilities £
At 30 September 2011: Sterling	-
At 30 September 2010: Sterling	4,355

The floating rate financial liabilities comprise sterling denominated overdrafts that bear interest based on the Barclays base rate and borrowing from a factor that bears interest based on the Royal Bank of Scotland base rate.

Liquidity risk

The principal risk to which the company is exposed is liquidity risk. The nature of the Group's activities means it finances its operations through retained earnings and the issue of new shares to investors. The principal cash requirements are in relation to developing and securing new contracts and meeting working capital requirements. The Group seeks to manage liquidity through planning, forecasting, and careful cash management.

Foreign currency risk

The majority of the Group's operating revenues and expenses are denominated in sterling, although there are a number of Euro and US Dollar denominated transactions. A natural hedge exists through the matching of anticipated foreign currency expenses with foreign currency revenues reducing the foreign currency risk. Any excess exposure over and above this natural hedge is monitored by the directors who will implement further measures to mitigate it if necessary.

The foreign currency risk is not considered material and therefore no sensitivity analysis is included in these financial statements.

Credit risk

The Group carries out credit checks on potential customers and monitors and chases debts that are overdue to mitigate their credit risk.

Capital management

The Group's main objective when managing capital is to protect returns to shareholders by ensuring the Group will continue to trade profitably in the foreseeable future. The Group also aims to maximise its capital structure of equity so as to minimise its cost of capital.

The Group has not made any changes to its capital management during the year.

22 Control

The Company is listed on AIM and there is no individual controlling party. The Directors' Report provides details of those shareholders with an individual holding exceeding 3% of issued share capital.

23 Related party disclosures

As well as remuneration of directors (note 19), the following transactions fall within the scope of IAS 24 Related Party Disclosures.

On 25 October 2010, one of the directors, Haytham ElZayn, entered into an agreement with the Group in the form of a working capital facility, as part of a package of measures whereby the Company acquired 100% of the share capital of a company owned by him. See note 11 for full details of the acquisition.

Accordingly, at 30 September 2011, the Group owed Haytham ElZayn, the Chairman, £357,931 (2010: £74,467) in the form of a working capital loan. This represents the maximum value of the loan in the year. The loan bears interest at 3% over The Royal Bank of Scotland Plc's base rate and was secured during the year by a debenture and share charge over the investments of the Company, and any income and other rights relating to such investments.

24 Operating lease commitments

The Group leases offices and various plant and machinery under non-cancellable operating agreements. The lease terms are between 3 and 5 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2011 £	2010 £
No later than 1 year	35,541	30,805
Later than 1 year and no later than 5 years	54,964	-
	90,505	30,805