



**WESTMINSTER**  
GROUP PLC



# Interim Results

2020

Worldwide **World Class Protection**

MANAGED SERVICES / SECURITY TECHNOLOGY

## Chief Executive Officer's Review

### Overview

In our 2019 Annual Report I was pleased to state that we had delivered 4 consecutive years of double-digit percentage revenue growth with 2019 being 63% up on 2018. I am delighted therefore to report that for the first 6 months of 2020 that growth trend has continued, and we have delivered another outstanding result with a further 24% increase in revenues to c£7.0 million (2019: £5.6 million) being operationally cash positive and delivering a healthy pre-tax profit.

The defining aspect of our first six months trading in 2020 however is the COVID-19 pandemic and how we have successfully navigated the crisis so far. The COVID-19 pandemic has become the world's biggest health and economic crisis in a generation. Millions of people have been infected and hundreds of thousands have lost their lives. Businesses around the world have been severely impacted, not least in the aviation and travel industry, with thousands of businesses facing financial ruin and job losses being seen on an unprecedented scale. The pandemic is also far from over and considerable uncertainty still exists around the world.

Against this backdrop, our achievements and results for H1 2020 are all the more remarkable. Despite losing a large part of our revenues from our aviation security, training and guarding business, to have still delivered a 24% increase in revenues, an EBITDA of £893,000 and a profit before tax of £236,000 is an outstanding achievement and a testament to the dedication and hard work of all our employees, some of whom have been isolated overseas for several months.

Key factors in our successful performance during this period have partly been due to the business model we have developed with multiple revenue streams from varying sources around the world, limiting our exposure to regional issues, together with an agile management team. Based on our experience of the West African Ebola outbreak a few years ago we identified COVID-19 as both a threat and an opportunity to our business in early January, before it was even pronounced a pandemic, and took early action to protect our business, our people and our customers. We instigated regular risk assessments for all parts of our business on the developing pandemic and implemented a number of initiatives. We increased our targeted marketing, secured supply chains and identified additional products and suppliers. We increased our stockholding of detection and safety equipment by around £400,000, all out of our existing resources, to maximise our non-contact revenues from the sales of screening and safety equipment. This proved to be highly effective as explained further in our divisional review below.

Against a backdrop of challenging travel restrictions around the world we have continued to undertake business development where possible and to pursue our various large-scale project and strategic partnership opportunities, with much of the interaction now being undertaken via video conferencing.

We have undertaken a rebranding exercise bringing our diverse businesses under the 'One Company – One Vision' ethos which has involved rebranding parts of our business to better reflect the Westminster brand. As part of this exercise we have undertaken a complete overhaul of our extensive web presence with a view to bringing all our various websites together in a new and expanded website. Our extensive portfolio of products and services are all being integrated into the new website focussed on our three key sectors – Land, Sea & Air. The first phase of the website was launched in June 2020.

We also launched a UK wide TV advertising campaign in June 2020 both to help expand UK sales as part of our 'Back to Work' initiative and also to help increase brand awareness.

## **Divisional Review**

### **Services Division**

Our Services division had a good start to the year with visibility of over £8m in annual recurring revenues from our long-term managed services, guarding and maintenance contracts. Notwithstanding the effect of COVID-19 the revenues in H1 were only marginally down at £2.2 million (H1 2019: £2.5 million).

Our West African airport security contract, which runs until May 2027, under which we are providing full airport security services, produced record revenues in January 2020 but like most airports around the world has been impacted by COVID-19 and was closed to all but essential aircraft traffic in March 2020 although still requiring protection. During the closed period we have therefore maintained full employment of all our local staff and maintained the security of the airport, utilising any free time to put our various teams through intensive refresher training courses. This was not only the right and moral thing to do to protect our staff but has enabled us to ramp up operations at very short notice when required. I am pleased to report that the airport re-opened to air traffic on 22 July 2020 and Westminster is assisting the return of carriers and passengers by the installation of specialist systems such as sanitation tunnels and we look forward to a resumption of revenues as flights begin to return and passenger numbers recover in the weeks and months ahead.

I am also pleased to report that during the COVID-19 lockdown period in West Africa, not only did we maintain full employment of our local staff who would have otherwise suffered adversity, but we supported the local communities where we operate who were undergoing particular hardship with supplies of commodities such as rice, sugar and clean water.

It is pleasing to note that our container security screening operations at the new \$1.5 billion container port expansion project in Ghana, although impacted by COVID-19, continued to generate healthy revenues, even during the country's lockdown period, which demonstrates the value of this long term managed services contract. Under the 5-year extendable contract, Westminster and our local partners, Scanport, are responsible for the screening of containers passing through the port, with Westminster responsible for technical management and operations and Scanport being responsible for local management, costs and employment. Revenues are generated by a container screening fee which is shared between the port operator, Scanport and Westminster. The project went live in July 2019 and during the start-up phase in the second half of 2019, with just the initial two berths open, the project generated circa \$600,000 USD for Westminster with margins in line with our managed services model. Despite COVID-19, in H1 2020 the project has generated over \$1 million USD for Westminster. A third berth has recently opened, and the fourth berth is due to open later this year, expanding the TEU (Twenty Foot Equivalent) container throughput capacity from around 1 million to around 3.5 million per annum when completed. The project therefore has significant growth potential as the port builds capacity.

Our aviation security and associated training operations around the world also commenced 2020 on a strong footing but again was heavily impacted by COVID-19 restrictions on travel and the closure of airports. We had to put several secured training contracts on hold and furlough a number of our trainers, although business development work continued. I am pleased to report that our first 'face to face' training course resumed in July 2020 and when international travel restrictions are lifted, we anticipate a resumption of our

international training programmes in airports and elsewhere around the world. It is however pleasing to note that in May 2020 Westminster's aviation security training operations were graded as 'Outstanding' by the UK Civil Aviation Authority which is an accolade and clearly demonstrates the quality of our services.

In June 2020 we signed a new strategic alliance agreement with JP International Training Limited, a leading aviation, maritime, and commercial training organisation, extending our e-Learning platforms and further enhancing our e-product services. Non-contact distance learning is now a growing sector and has been accelerated by the current pandemic and this alliance will provide clients with access to industry-leading distance training, delivered at our clients' own pace and tailored to enhance their employees knowledge, skills and ability, so they may carry out their roles effectively.

Our guarding operations have had a mixed performance during the first 6 months of 2020. With the closure of businesses and sites where we had guarding operations around the country due to COVID-19, our revenues were naturally impacted. Conversely, during the same period we also secured new contracts such as the £1 billion Stanton Cross development project in Northamptonshire and recently another major building company in the UK. We are pleased to report that some of the closed sites are now once again reopening, generating revenues. HS2, which was given go ahead in February 2020, is another opportunity for our guarding business which we identified some time ago and have already become a registered security provider to the main contractors.

Our guarding operations are also involved in tendering for new opportunities in other market sectors including NHS & logistics companies, incorporating a cross section of skills from Group companies.

Our French business, Euro Ops which we acquired in May 2019, is proving to be a valuable strategic addition to the Group. The company has not only brought new skills, services and revenues to the Group but provides greatly improved access to Francophone countries for the wider Group services, with some interesting project opportunities being pursued. The company provides aviation focussed services such as humanitarian flights & logistics, emergency flights, flight operations, charter and storage management. An example of our ability to provide emergency services in challenging locations is that we have just successfully completed the emergency repatriation of 80 stranded NGO staff at short notice from Mali, West Africa.

We continue to pursue the many large-scale and long-term business opportunities around the world each one of which can deliver step changes in revenue growth. One of our key targets for 2020 is to secure at least one more large-scale managed services contract and we are working hard to deliver on that goal, although clearly international travel restrictions are creating challenges.

## **Technology Division**

The COVID-19 pandemic has demonstrated the value of the Group's product sales and technology business which has had an excellent start to the year with H1 revenues up by 54% to £4.7m (H1 2019: £3.1m), more than offsetting the impact of COVID-19 elsewhere in the business. This was largely due to a massive 323% increase in product sales to c£3.4 million (H1 2019: £0.8 million) where we have reaped the benefits of our forward planning.

We supplied safety and screening systems and products all over the world including some notable sales. By way of example one of the world's largest investment management companies selected Westminster to provide fever screening and sanitisation equipment to all of their worldwide offices as part of their back to

work programme. We were also contracted to provide screening equipment to a number of high-profile clients around the world including several major US football clubs, all of which demonstrates our global reach and profile and our status as a trusted brand.

I am pleased to report we recently conducted fever screening detection trials with Menzies Aviation at Stockholm International Airport. The trial, utilising Westminster's advanced fever screening systems, was conducted over several weeks with various airlines and proved to be very successful. Menzies operate at more than 200 airport locations across 6 continents and we are now in discussions with them regarding collaboration and business opportunities.

We have also instigated various other strategies to increase sales in anticipation of a changing business climate as the world continues to face challenges from the COVID-19 pandemic, which is likely to have an impact on business and travel for some considerable time yet. One such strategy was to develop the distribution of protective and sanitisation products through 'unattended retail' vending. We secured exclusive rights to medical vending machines for the UK and set about organising a professional distribution network. One of the challenges was how we would monitor, restock and maintain the units around the country, and we resolved this by entering into strategic alliances with SV365 who are specialists in the sector and have the distribution network. We are now involved in a rolling out systems to numerous locations, shopping malls, transport hubs etc. It is normal practice for owners of the vending locations to receive a percentage share of the items sold and one common theme with all owners is the lack of transparency with normal vending companies – we solved the issue by use of our advanced telemetry systems being installed in each machine which means not only ourselves but the 'host' can have complete visibility of everything sold, in real time. Our machines are vending a range of face masks and sanitisation products and we are developing relationships with a number of key manufacturers. In this respect I am pleased to confirm that we have recently agreed arrangements with a leading designer label, Mango, to vend their products.

In Q1 2020 just before travel restrictions were imposed, we managed to deliver and receive payment for the final container screening equipment unit to a second port in Asia as part of the \$3.4 million USD contract secured in 2019. Installation of the unit and collection of the installation fee of USD \$0.18 million will be finalised once travel restrictions have been lifted.

We are continuing to expand our portfolio of products and services to stay ahead of market demand. By way of example the demand for effective sanitisation equipment and systems is now overtaking the demand for fever screening systems and we have therefore expanded our range of sanitisation products, sourcing new suppliers from around the world.

The Kingdom of Saudi Arabia is a huge potential market for Westminster particularly given the Crown Prince's 2030 vision which offers opportunities for several of our Group services. We established offices and deployed a business development team to the Kingdom in late 2019 and together with our joint venture partners, Hazar International, are pursuing several large-scale opportunities. Progress on some of these developments have been hampered by the COVID-19 travel restrictions and lockdowns, although we are hopeful many of the restrictions will be eased soon, allowing for completion of the registration of Westminster Arabia in the Kingdom. We remain excited by the prospects from this venture.

We operate one of the world's largest security websites which is currently undergoing a major upgrade, the first phase of which launched in June 2020 and is already generating good levels of interest. The new website will, in due course, encompass an enlarged and sophisticated e-commerce section building our online, non-contact sales together with enlarged customer and investor engagement areas.

## Financial

Revenues at £7.0 million (H1 2019: £5.6 million) for the first half year were ahead of the Boards' expectations, this is despite the impact of COVID-19 on parts of our business. The Services division revenues were £2.2 million (H1 2019: £2.5 million). The Services revenue decrease reflects both the closure of our West African Airport and Training revenues affected by COVID-19. However, the decrease was mitigated by the acquisition of Euro Ops, Ghana Tema Port revenue and strong passenger numbers in our West African Airport up to its closure in March. Technology division revenues were up 54% at £4.7 million (H1 2019: £3.1 million). The Technology division benefited from strong product sales and the delivery of the second half of the Asia Port truck scanners.

The Group generated a gross profit of £2.8 million (H1 2019: £2.0 million) which equates to a gross margin of 40% (H1 2019: 36%). The percentage increase is due to product mix.

Despite the expansion of the Group and a revenue increase of 24%, H1 2020 administration expenses remained unchanged at £2.3 million (H1 2019: £2.3 million).

Exceptional items amounted to £0.3 million (H1 2019: £0.1 million). In H1 2020 the exceptional was due to the closure of the West African airport to all but essential aircraft traffic but which still required to be protected and restrictions on our training and guarding activities. H1 2019 the exceptional items primarily related to pre-contract costs.

Profit before tax was £0.24 million (H1 2019: loss of £0.79 million) and an EBITDA profit of £0.89 million (H1 2019: EBITDA loss of £0.05 million).

Our underlying cash interest cost was £0.18 million (H1 2019: £0.26 million) reflecting primarily the interest on the convertible loan notes. A further £0.06 million (H1 2019: £0.24 million) of non-cash financing charges arose from the amortisation and extension of the convertible loan notes. In total, the financing costs amounted to £0.24 million (H1 2019: £0.5 million).

Earnings per share were a profit of 0.16 pence (H1 2019: loss of 0.58 pence) on a higher number of shares.

## Statement of Financial Position and Cash Flow

The Group ended the period with a £1.6 million cash balance (2019: £0.3 million). The net cash inflow from operating activities was £0.7 million (H1 2019: inflow of £0.2 million). £0.2 million cash was used in investing activities (H1 2019: £0.1 million) and a movement of £1.85 million (before expenses) came from raising new equity (H1 2019: £0.5 million equity) for working capital and repayment of the Convertible Loan Note (CLN). £0.5 million cash was paid to redeem 25% of the CLN and £0.1 million of the CLN converted into ordinary shares.

£1.5 million of the cash inflow came from drawing down on the Financing Facility in January 2020 further details of this facility are set out in note 14.

At the end of the period, the Group had a Convertible Loan Note (CLN) outstanding with a principal of £1.6 million (H1 2019: £2.2 million). The coupon is 15% payable quarterly in arrears, it has a conversion price of 10 pence and is repayable in May 2021. It is our intention to redeem the CLN at the earliest opportunity.

## **Brexit**

The Board has considered the potential risks and impact of the Brexit negotiations on the business. A large portion of our revenues and direct costs are outside of both the UK and EU and conducted largely in US Dollars and potentially Euros. We do not at this time consider that Brexit, in whatever form, will materially affect our ability to conduct our business and our offices in both Germany and France provide us with European bases from which to mitigate some of the potential issues.

The one impact that Brexit is having on our business is on exchange rate movement between GBP and USD/Euro. The Board continues to monitor the situation.

## **Outlook**

The COVID-19 pandemic continues to create considerable uncertainty for businesses around the world although our business model with multiple revenue streams from diverse sources and regions worldwide does provide Westminster with both opportunities and a degree of resilience, as can be seen from the way we have successfully navigated the crisis so far.

No-one can accurately predict how long the pandemic will last nor how long or how severe the resulting financial impact will be on world business, however whilst we do not underestimate the challenges and uncertainties that remain, not least with air travel, we believe our business model, our multiple sources of revenue, many of which are from long term recurring revenue streams and our ability to adapt to changing circumstances means Westminster is well placed to continue to expand and prosper.

These uncertain times present both challenges and opportunities for Westminster, and over the next few months and years we have an opportunity to build on our current achievements and our year on year growth, with the potential for step changes in revenues from the many prospects we are pursuing. The Board and I remain committed to delivering on this potential.

Peter Fowler,  
Group Chief Executive  
14 August 2020

## Condensed consolidated statement of comprehensive income (unaudited)

for the six months ended 30 June 2020

	Note	Six months ended 30 June 2020 Total £'000	Six months ended 30 June 2019 Total £'000	Year ended 31 December 2019 Total £'000
Revenue	5	6,959	5,610	10,889
Cost of sales		(4,186)	(3,592)	(6,444)
<b>Gross profit</b>		<b>2,773</b>	2,018	4,445
Administrative expenses		(2,297)	(2,302)	(5,268)
<b>Operating profit / (loss)</b>	7a	<b>476</b>	(284)	(823)
<b>Analysis of operating profit/ loss</b>		<b>476</b>	(284)	(823)
Add back depreciation and amortisation		108	106	215
Add back share-based expense		-	-	556
Add back exceptional items	8	309	129	106
<b>EBITDA profit / loss from underlying operations</b>	6	<b>893</b>	(49)	54
Finance Costs	9	(240)	(503)	(620)
<b>Profit / (loss) before taxation</b>		<b>236</b>	(787)	(1,443)
Taxation	7b	-	-	26
<b>Total comprehensive income/ (loss) for the period</b>		<b>236</b>	(787)	(1,417)
<b>Profit / (loss) and total comprehensive income/ (loss) attributable to:</b>				
Owners of the parent		182	(762)	(1,398)
Non-controlling interest		54	(25)	(19)
<b>Profit / (loss) and total comprehensive income/ (loss)</b>		<b>236</b>	(787)	(1,417)
Earnings per share (pence) - profit / (loss)	7c	<b>0.16p</b>	(0.58)p	(1.02)p



## Condensed consolidated balance sheet (unaudited)

as at 30 June 2020

		As at 30 June 2020	As at 30 June 2019	As at 31 December 2019
	Note	£'000	£'000	£'000
Goodwill		616	607	614
Other intangible assets	10	205	130	129
Property, plant and equipment	11	1,947	2,077	1,979
Deferred Tax		907	889	907
<b>Total Non-Current Assets</b>		<b>3,675</b>	<b>3,703</b>	<b>3,629</b>
Inventories		444	47	47
Trade and other receivables		3,767	1,610	2,566
Cash and cash equivalents		1,582	309	557
<b>Total Current Assets</b>		<b>5,793</b>	<b>1,966</b>	<b>3,170</b>
Assets of disposal groups classified as held for sale		-	170	170
<b>Total Assets</b>		<b>9,468</b>	<b>5,839</b>	<b>6,969</b>
Called up share capital	13	16,040	13,503	14,540
Share premium account		9,579	9,525	9,577
Merger relief reserve		300	300	300
Share based payment reserve		1,318	858	1,166
Equity Reserve on Convertible Loan Note		398	352	423
Revaluation reserve		133	133	133
Retained earnings		(23,662)	(23,347)	(23,844)
<b>(Deficit)/Equity attributable to</b>				
Owners of the parent		4,106	1,324	2,295
Non-controlling interest		(310)	(371)	(365)
<b>Total Shareholders' (Deficit)/Equity</b>		<b>3,796</b>	<b>953</b>	<b>1,930</b>
Non-current borrowings	14	231	298	2,510
<b>Total Non-Current Liabilities</b>		<b>231</b>	<b>298</b>	<b>2,510</b>
Current borrowing	14	3,137	2,462	60
Contractual liabilities		58	432	73
Trade and other payables		2,246	1,641	2,396
<b>Total Current Liabilities</b>		<b>5,441</b>	<b>4,535</b>	<b>2,529</b>
Liabilities of disposal groups classified as held for sale		-	53	-
<b>Total Liabilities</b>		<b>5,672</b>	<b>4,886</b>	<b>5,039</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>9,468</b>	<b>5,839</b>	<b>6,969</b>

## Condensed consolidated statement of changes in equity (unaudited)

for the six months ended 30 June 2020

	Called up share capital	Share premium account	Merger relief reserve	Share based payment reserve	Equity reserve on CLN	Revaluation reserve	Retained earnings	Total	Non- controlling interest	Total share- holders ' equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 <sup>st</sup> January 2020	14,540	9,577	300	1,166	423	133	(23,844)	2,295	(365)	1,930
Profit for the period	-	-	-	-	-	-	182	182	54	236
Total comprehensive income for the period	-	-	-	-	-	-	182	182	54	236
<b>Transactions with owners in their capacity as owners:</b>										
Issue of new shares	1,500	350	-	-	-	-	-	1,850	-	1,850
Costs of new share issues	-	(348)	-	-	-	-	-	(348)	-	(348)
CLN Movements	-	-	-	-	(25)	-	-	(25)	-	(25)
Issue of new warrant	-	-	-	152	-	-	-	152	-	152
Other movements in equity	-	-	-	-	-	-	-	-	1	1
	<b>1,500</b>	<b>2</b>	<b>-</b>	<b>152</b>	<b>(25)</b>	<b>-</b>	<b>-</b>	<b>1,629</b>	<b>1</b>	<b>1,630</b>
<b>As at 30th June 2020</b>	<b>16,040</b>	<b>9,579</b>	<b>300</b>	<b>1,318</b>	<b>398</b>	<b>133</b>	<b>(23,662)</b>	<b>4,106</b>	<b>(310)</b>	<b>3,796</b>

	Called up share capital	Share premium account	Merger relief reserve	Share based payment reserve	Equity reserve on CLN	Revaluation reserve	Retained earnings	Total	Non- controlling interest	Total share- holders ' equity
As at 1 <sup>st</sup> January 2019	13,003	9,568	300	858	222	133	(22,595)	1,489	(346)	1,143
Loss for the period	-	-	-	-	-	-	(762)	(762)	(25)	(787)
Total comprehensive loss for the period	-	-	-	-	-	-	(762)	(762)	(25)	(787)
<b>Transactions with owners in their capacity as owners:</b>										
Issue of new shares	500	-	-	-	-	-	-	500	-	500
Costs of new share issues	-	(43)	-	-	-	-	-	(43)	-	(43)
CLN extension	-	-	-	-	130	-	-	130	-	130
IFRS 16 adjustment for prior years	-	-	-	-	-	-	1	1	-	1
Other movements in equity	-	-	-	-	-	-	9	9	-	9
	500	(43)	-	-	130	-	10	597	-	597
As at 30th June 2019	13,503	9,525	300	858	352	133	(23,347)	1,324	(371)	953

	Called up share capital	Share premium account	Merger relief reserve	Share based payment reserve	Equity reserve on CLN	Revaluation reserve	Retained earnings	Total	Non- controlling interest	Total share- holders ' equity
As at 1 <sup>st</sup> January 2019	13,003	9,568	300	858	222	133	(22,594)	1,490	(346)	1,144
Loss for the period	-	-	-	-	-	-	(1,398)	(1,398)	(19)	(1,417)
Total comprehensive loss for the period	-	-	-	-	-	-	(1,398)	(1,398)	(19)	(1,417)
<b>Transactions with owners in their capacity as owners:</b>										
Shares issued for cash	1,500	-	-	-	-	-	-	1,500	-	1,500
Cost of share issues	-	-	-	-	-	-	(100)	(100)	-	(100)
Share based payment charge	-	-	-	556	-	-	-	556	-	556
Lapse of share options	-	-	-	(44)	-	-	44	-	-	-
Lapse of warrants	-	-	-	(204)	-	-	204	-	-	-
Exercise of warrants and share options	37	9	-	-	-	-	-	46	-	46
CLN Movement	-	-	-	-	201	-	-	201	-	201
	1,537	9	-	308	201	-	148	2,203	-	2,203
AS AT 31 December 2019	14,540	9,577	300	1,166	423	133	(23,844)	2,295	(365)	1,930

## Consolidated Cash Flow Statement (unaudited)

for the six months ended 30 June 2020

		Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
	Note	Total £'000	Total £'000	Total £'000
<b>Profit / (loss) after taxation</b>		<b>236</b>	<b>(787)</b>	<b>(1,417)</b>
Tax		-	-	(26)
<b>Profit / (loss) before taxation</b>		<b>236</b>	<b>(787)</b>	<b>(1,443)</b>
Non-cash adjustments	12	<b>43</b>	909	1,412
Net changes in working capital	12	<b>457</b>	59	(552)
<b>Cash inflow/(outflow) from operating activities</b>		<b>736</b>	<b>181</b>	<b>(583)</b>
<b>Investing activities</b>				
Purchase of property, plant and equipment	11	<b>(84)</b>	(105)	(70)
Purchase of intangible assets	10	<b>(103)</b>	-	(72)
Acquisition of subsidiary		-	(16)	(18)
<b>Cash outflow from investing activities</b>		<b>(187)</b>	<b>(121)</b>	<b>(160)</b>
<b>Financing activities</b>				
Gross proceeds from the issue of ordinary shares and exercise of warrants		<b>1,850</b>	500	1,547
Equity placing and sharing agreement loan		<b>(1,750)</b>	-	-
Costs of share issues		<b>(348)</b>	(43)	(100)
Mezzanine Loan		<b>1,500</b>	-	-
Repayment of CLN in cash		<b>(508)</b>	-	-
Reduction in finance lease debt		<b>(66)</b>	-	(60)
Finance cost on lease liabilities	9	<b>(20)</b>	-	(54)
Interest paid	9	<b>(182)</b>	(498)	(323)
<b>Cash inflow/(outflow) from financing activities</b>		<b>476</b>	<b>(41)</b>	<b>1,010</b>
<b>Change in cash and cash equivalents in the period</b>		<b>1,025</b>	<b>19</b>	<b>267</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>557</b>	<b>290</b>	<b>290</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>1,582</b>	<b>309</b>	<b>557</b>

**Notes to the unaudited financial statements  
for the six months ended 30 June 2020**

**1. General information and nature of operations**

Westminster Group Plc (the “Company”) was incorporated on 7 April 2000 and is domiciled and incorporated in the United Kingdom and quoted on AIM. The Group’s financial statements for the six-month period ended 30 June 2020 consolidate the individual financial information of the Company and its subsidiaries. The Group designs, supplies and provides advanced technology security solutions and services to governmental and non-governmental organisations on a global basis.

The Group does not show any distinct seasonality.

**2. Significant changes in the current reporting period**

The Coronavirus (COVID-19) outbreak was declared a Public Health Emergency of international Concern on 30 January 2020 and on the 11 March 2020 the World Health Organisation (WHO) elevated the outbreak to a global pandemic. In just a few weeks the COVID-19 virus had spread from a single city in China right across the globe, creating a worldwide healthcare crisis with millions of citizens infected and a tragic toll of life. Governments around the world reacted in various ways with many closing borders, some putting large parts of their populations on lockdown and imposed travel restrictions. This has had a profound impact on the global economy and businesses across the globe, the like of which has not been experienced in a generation.

Westminster is fortunate in that the business model we have developed is based on multiple revenue streams, many of which are from long term or recurring contracts, from diverse sources in varying parts of the world. As such Westminster is in a better position than many companies to weather the impact of the crisis. Whilst the COVID-19 crisis had an impact on our airport security operations including a disruption to our guarding, training and the closure of our West African Airport from 22 March to 22 July, our sales of products has risen significantly.

Whilst uncertainty still exists around the world, particularly in terms of travel, we remain positive about our prospects for H2 and the full year.

**3. Basis of preparation**

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2020 has been prepared in accordance with Accounting Standard IAS 34 Interim Financial Reporting.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2019 and any public announcements made by Westminster Group Plc during the interim reporting period.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period and the adoption of new and amended standards as set out below.

Reference has already been made in the Statement of Financial Position and Cash Flow above to the Finance Facility drawn down in January 2020. This has been accounted for as two separate transactions the sale of £1.75m shares on deferred terms and a loan facility. Because the sale of shares over time is meant to extinguish the loan should there be any imbalance whereby either a profit is made on the share sales or the proceeds may not cover

the debt these will be treated as either a contingent asset or a contingent liability respectively. As at the 30 June 2020 it was determined that it was too early in the process to assess the likely outcome.

These consolidated interim financial statements for the six months ended 30 June 2020 have neither been audited nor formally reviewed by the Group's auditors. The financial information for the year ended 31 December 2019 set out in this interim report does not constitute statutory accounts as defined in section 435 of the Companies Act 2006 but is derived from those accounts. The statutory financial statements for the year ended 31 December 2019 have been reported on by the Company's auditors and delivered to the Registrar of Companies. A copy is available at <https://www.wsg-corporate.com/investor-relations/publications/>.

### **3(a) New and amended standards adopted by the Group**

A number of new or amended standards became applicable for the current reporting period. These include:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- Revised Conceptual Framework for Financial Reporting

The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

### **3(b) Impact of standards issued but not yet applied by the entity**

The Group does not expect to be significantly impacted by the adoption of standards issued but not yet applied.

## **4. Going concern**

The directors have considered the impact of COVID-19 and the way the Group has traded positively through the crisis during the first 6 months together with the recent reopening of the West African Airport and a return of training and guarding operations. At the time of approving this interim report, and in view of the foregoing, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

## 5. Segment reporting

### Operating segments

The Board considers the Group on a Business Unit basis. Reports by Business Unit are used by the chief decision-makers in the Group. The Business Units operating during the period are the main operating work streams, Services and Technology (products and solutions)

6 Months to

**30 JUNE 2020**

	Services Division	Technology Division	Group and Central	Group Total
	£'000	£'000	£'000	£'000
<b>6 MONTHS TO JUNE 2020</b>				
Supply of products	22	3,360	-	3,382
Supply and installation contracts	-	1,184	-	1,184
Maintenance and services	2,146	167	-	2,313
Training courses	80	-	-	80
<b>Revenue</b>	<b>2,248</b>	<b>4,711</b>	<b>-</b>	<b>6,959</b>
Segmental underlying EBITDA	966	1,060	(1,133)	893
Exceptional items	8	(309)	-	(309)
Depreciation & amortisation	(54)	(4)	(50)	(108)
<b>Segment operating result</b>	<b>603</b>	<b>1,056</b>	<b>(1,183)</b>	<b>476</b>
Finance cost	-	-	(240)	(240)
<b>Profit/ (loss) before tax</b>	<b>603</b>	<b>1,056</b>	<b>(1,423)</b>	<b>236</b>
Income tax charge	-	-	-	-
<b>Profit/(loss) for the financial year</b>	<b>603</b>	<b>1,056</b>	<b>(1,423)</b>	<b>236</b>
Segment assets	4,234	1,724	3,550	9,508
Segment liabilities	2,584	692	2,311	5,587
Capital expenditure	28	9	150	187



6 Months to

30 JUNE 2019

	Services Division	Technology Division	Group and Central Costs	Ongoing Operations
	£'000	£'000	£'000	£'000
6 MONTHS TO JUNE 2019				
Supply of products	-	799	-	799
Supply and installation contracts	-	2,122	-	2,122
Maintenance and service	2,371	141	-	2,512
Training and Consultancy	176	1	-	177
Revenue	2,547	3,063	-	5,610
Segmental underlying EBITDA	617	84	(750)	(49)
Exceptional items	7	(129)	-	(129)
Depreciation & Amortisation	(48)	(15)	(43)	(106)
Segment Operating result	440	69	(793)	(284)
Finance Cost	(2)	(2)	(499)	(503)
Profit/(loss) before tax	438	67	(1,292)	(787)
Segment assets	2,917	1,191	1,731	5,839
Segment liabilities	1,348	935	2,603	4,886
Capital expenditure	6	6	63	75

Year to:

31 DECEMBER 2019

	Services Division	Technology Division	Group and Central	Group Total
	£'000	£'000	£'000	£'000
12 MONTHS TO DECEMBER 2019				
Supply of products	-	1,598	-	1,598
Supply and installation contracts	-	3,468	-	3,468
Maintenance and services	5,291	298	-	5,589
Training courses	234	-	-	234
Revenue	5,525	5,364	-	10,889
Segmental underlying EBITDA	1,084	525	(1,555)	54
Share option expense	-	-	(556)	(556)
Exceptional items (note 4)	(105)	-	(1)	(106)
Depreciation & amortisation	(72)	(30)	(113)	(215)
Segment operating result	907	495	(2,225)	(823)
Finance cost	(1)	(3)	(616)	(620)
Profit/ (loss) before tax	906	492	(2,841)	(1,443)
Income tax charge	18	-	8	26
Profit/(loss) for the financial year	924	492	(2,833)	(1,417)
Segment assets	2,949	2,023	1,997	6,969
Segment liabilities	1,072	1,433	2,534	5,039
Capital expenditure	48	4	18	70

## Marketing segments

Our extensive portfolio of products and services are categorised in three key focus sectors – Land, Sea and Air. We are starting to report on these sectors.

	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000	Twelve months ended 31 December 2019 £'000
Land	3,654	3,102	4,348
Sea	1,985	16	1,911
Air	1,320	2,492	4,630
<b>Total revenue</b>	<b>6,959</b>	<b>5,610</b>	<b>10,889</b>

The increase in sea is related to the delivery of one of the two advanced container screening solutions to an Asian port and the managed services contract in Tema Port Ghana. The decline in Air is due to the temporary closure in Q2 by the government, in response to COVID-19, of our West African Airport and the suspension of training.

## Geographical areas

The Group's international business is conducted on a global scale, with agents present in all major continents. The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services.

	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000	Year ended 31 December 2019 £'000
United Kingdom and Europe	1,458	1,204	1,957
Africa	1,930	2,085	4,899
Middle East	582	2,226	2,397
Rest of the World	2,989	95	1,636
<b>Total revenue</b>	<b>6,959</b>	<b>5,610</b>	<b>10,889</b>

## 6. Reconciliation of adjusted EBITDA

A reconciliation of adjusted EBITDA to operating profit before income tax is provided as follows:

	Note	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000	Year ended 31 December 2019 £'000
Profit / (loss) from operations		476	(284)	(823)
Depreciation, amortisation and impairment charges		108	106	215
EBITDA		584	(178)	(608)
Share based expense		-	-	556
Exceptional items	8	309	129	106
Adjusted EBITDA profit / (loss)		893	(49)	54

Adjusted EBITDA is an alternative reporting measure. For further details refer to the 31 December 2019 accounts.

## 7. Profit and Loss information

### a. Significant Items

Profit for the half year includes the following items that are unusual because of their nature, size or incidence:

- A Solutions delivery of one of the two advanced container screening solutions to an Asian port £1.2m (In 2019 there was a Solutions delivery in the Middle East of £2.1m);
- Refer Note 8 exceptional items.

### b. Income Tax

Income tax expense is recognised based on management's estimate. The Group has significant tax losses in the UK brought forward from prior years and does not expect to have to provide any material amount for tax.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The Group's projections show the expectation of future profits, hence in 2018 a deferred tax asset was recognised. A review was performed in 2019 and again this year, considering COVID-19, which has confirmed those expectations.

### c. Earnings per share

Earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. For diluted earnings per share the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. Only those outstanding options that have an exercise price below the average market share price in the period have been included. For each period, the issue of additional shares on exercise of outstanding share options would decrease the basic loss per share and therefore there is no dilutive effect.

The weighted average number of ordinary shares is calculated as follows:

	Six months ended 30 June 2020 '000	Six months ended 30 June 2019 '000	Year ended 31 December 2019 '000
Number of issued ordinary shares at the start of period	145,403	130,028	130,028
Effect of shares issued during the period	6,186	3,923	8,834
<b>Weighted average basic and diluted number of shares for period</b>	<b>151,589</b>	<b>133,951</b>	<b>138,862</b>
Earnings	£'000	£'000	£'000
Loss and total comprehensive expense (continuing)	236	(763)	(1,445)
Loss and total comprehensive expense (discontinued)	-	(24)	28
Loss and total comprehensive expense	236	(787)	(1,417)
Earnings per share	0.16p	(0.58)p	(1.02)p

## 8. Exceptional items

	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000	Year ended 31 December 2019 £'000
Middle East contract pre-contract costs	-	105	105
Ferry closure costs	-	24	1
Temporary West African Airport closure	291	-	-
Training Suspended	9	-	-
Guarding Curtailed	9	-	-
<b>Total exceptional items</b>	<b>309</b>	<b>129</b>	<b>106</b>

The project signed in 2018 for a long-term security support service in a Middle East airport pre-contract costs ceased on 30 June 2019 when the project was permanently put on hold.

The Sierra Queen Ferry was contracted to be sold in December 2019 with the sale being recognised in Q1 2020.

Our West African airport operations had been seeing record passenger number in Q1 2020, but on 22 March the government announced it was restricting and cancelling flights for 3 months. We therefore had a cost without any revenue. We had to maintain the security of the airport and our ability to return to normal operations once the airport re-opened.

The imposition of lockdown and the closure of borders has disrupted our Training business. Again, there is cost without any revenue associated with it.

## 9. Finance costs

	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000	Year ended 31 December 2019 £'000
Finance cost on lease liabilities	(20)	(49)	(54)
Interest payable on bank and other borrowings	-	(1)	(1)
Interest expenses on convertible loan notes	(182)	(263)	(375)
Other financing costs	(38)	(190)	(190)
<b>Total finance costs</b>	<b>(240)</b>	<b>(503)</b>	<b>(620)</b>

## 10. Other Intangible assets

	<i>Group Website and Software</i>		
	Six months to 30 June 2020	Six months to 30 June 2019	Twelve months to 30 December 2019
	£'000	£'000	£'000
<b>Cost</b>			
At start of period	297	225	225
Additions	103	50	72
Disposals	(3)	-	-
<b>At end of period</b>	<b>397</b>	<b>275</b>	<b>297</b>
<b>Accumulated amortisation and impairment</b>			
At start of period	168	125	125
Charge for the year	26	20	43
Disposals	(2)	-	-
<b>At end of period</b>	<b>192</b>	<b>145</b>	<b>168</b>
<b>Net book value</b>	<b>205</b>	<b>130</b>	<b>129</b>

## 11. Property, plant and equipment

Group	Freehold property	Plant and equipment	Office equipment fixtures and fittings	Motor vehicles	Right of use assets	Total
2020	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>						
At 1 January 2020	1,039	727	998	164	260	3,188
Additions	34	34	16	-	-	84
Disposals	-	(1)	(17)	(6)	(62)	(86)
<b>At 30 June 2020</b>	<b>1,073</b>	<b>760</b>	<b>997</b>	<b>158</b>	<b>198</b>	<b>3,186</b>
<b>Accumulated depreciation and impairment</b>						
At 1 January 2020	38	476	428	160	107	1,209
Charge for the year	10	21	19	1	31	82
Disposals	-	(1)	(17)	(6)	(28)	(52)
<b>At 30 June 2020</b>	<b>48</b>	<b>496</b>	<b>430</b>	<b>155</b>	<b>110</b>	<b>1,239</b>
<b>Net book value at 30 June 2020</b>	<b>1,025</b>	<b>264</b>	<b>567</b>	<b>3</b>	<b>88</b>	<b>1,947</b>

<b>2019</b>	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>						
At 1 January 2019	1,031	471	1,194	159	260	3,115
Additions	7	35	7	5	-	54
Disposals	-	-	-	-	-	-
Transfer	-	224	(158)	-	-	66
At 30 June 2019	1,038	730	1,043	164	260	3,235

**Accumulated depreciation and impairment**

At 1 January 2019	17	236	553	151	46	1,003
Charge for the year	10	18	24	4	31	87
Disposals	-	-	-	-	-	-
Transfer	-	202	(134)	-	-	68
At 30 June 2019	27	456	443	155	77	1,158

Net book value at 30 June 2019	1,010	274	600	9	184	2,077
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<b>2019</b>	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>						
At 1 January 2019	1,031	471	1,194	159	260	3,115
Additions	8	32	25	5	-	70
Disposals	-	-	(63)	-	-	(63)
Transfer	-	224	(158)	-	-	66
At 31 December 2019	1,039	727	998	164	260	3,188

**Accumulated depreciation and impairment**

At 1 January 2019	17	236	553	151	46	1,003
Charge for the year	21	38	43	9	61	172
Disposals	-	-	(34)	-	-	(34)
Transfer	-	202	(134)	-	-	68
At 31 December 2019	38	476	428	160	107	1,209

Net book value at 31 December 2019	1,001	251	570	4	153	1,979
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## 12. Cash flow adjustments and changes in working capital

	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000	Year ended 31 December 2019 £'000
<b>Adjustment for non-cash items</b>			
Depreciation, amortisation and impairment of non-financial assets	108	106	215
Effect of assets / liabilities acquired	-	-	2
Finance costs	240	503	620
Disposal & adjustment of fixed assets	-	-	2
IFRS 16 interest adjustment	(4)	(5)	-
Non-cash accounting for CLN	(199)	296	35
Adjustment to deferred tax	-	-	(18)
FX effect on goodwill	(2)	-	-
Shares not issued for cash on conversion	(100)	9	-
Share-based payment expenses	-	-	556
Total adjustments	43	909	1,412
<b>Net changes in working capital:</b>			
(Increase) / decrease in inventories	(397)	27	27
(Increase) / decrease in trade and other receivables	549	3,006	2,050
(Decrease) / increase in contract liabilities	(15)	(2,006)	(2,365)
(Decrease) / increase in trade and other payables	150	(968)	(113)
Decrease in assets of disposal group classified as held for sale	170	-	-
Decrease in liabilities of disposal group classified as held for sale	-	-	(151)
Total changes in working capital	457	59	(552)

## 13. Called up share capital

Ordinary Share Capital	6 months to 30th June 2020		6 months to 30th June 2019		Year to 31st December 2019	
	Number	£'000	Number	£'000	Number	£'000
At the beginning of the period	145,402,511	14,540	130,027,511	13,003	130,027,511	13,003
Arising on exercise of warrants and share options	-	-	-	-	375,000	37
Arising on conversion of convertible loan note	1,000,000	100	-	-	-	-
Other issues for cash	14,000,000	1,400	5,000,000	500	15,000,000	1,500
<b>At the end of the period</b>	<b>160,402,511</b>	<b>16,040</b>	<b>135,027,511</b>	<b>13,503</b>	<b>145,402,511</b>	<b>14,540</b>

The 14m shares were all issued to RiverFort Global Opportunities PCC and YA II PN Ltd. (together the "Investor") under the Financing Facility described in Note 14.

## 14. Borrowings

In January 2020, the Group announced that it had commenced a staged redemption programme of the Company's existing £2.245m Convertible Secured Loan Notes ("CSLNs"). It also announced a Financing Facility to provide the Company with a £3m Mezzanine Loan Facility which may be drawn down in tranches, each repayable over 18 months, together with monthly cash inflows under the Equity Placing and Sharing Agreement, based on the Company's share price performance, which will go towards the monthly repayment costs of the loan.

The Mezzanine Loan Facility is subject to a 0.75% Commitment Fee and each drawdown will have a term of 18 months at a 6.5% rate of interest and a 5% drawdown fee. Repayments will commence 3 months after drawdown and be followed by 15 equal monthly payments. The Company can if it wishes, elect to convert any of its monthly payments or amounts due by issuing the Investor with a convertible note giving conversion rights equal to the amount concerned, in which case the Investor will have 12 months to convert the note into ordinary shares of the Company at the lower of 14.54p or the 90% 5 day volume weighted average price immediately preceding the date of such notice. The Company may also elect to make early repayment of any outstanding amount subject to a 5% early redemption premium.

Separately under the Equity Placing and Sharing Agreement ("EPSA") the Investor subscribed £1.75m ("Subscription Amount") for ordinary shares in the Company at a price of 12.5p per ordinary share ("Subscription Shares") on deferred payment terms subject to a 3% placing commission. The Investor will have the right to sell the Subscription Shares, subject to certain volume restrictions, over a 12-month period, extendable to 24 months at the Investor's discretion. We have extended the facility by 2 months to wait for the share price to recover after the COVID-19 stock market reduction. Under the EPSA the Investor and its affiliates are prohibited from holding any short position in or to forward or short sell Westminster shares. The Investor may elect to convert the balance, if any, of the remaining Mezzanine Loan into ordinary shares of 14.54p once all the Subscription Shares have been sold. The Investor has also agreed that Subscription Shares may be sold to any third party introduced by Westminster, individually or as part of a future fundraising.

Under the EPSA, in each calendar month, the Investor will make a payment to the Company calculated as 1/12 of the Subscription Amount adjusted by the proportionate difference between the Market Price (being the volume weighted average price of the lowest 10 days in the month of settlement) and the benchmark price of 13.625p ("Benchmark Price"). Where the Market Price is greater than the Benchmark Price both the Company and Investor will receive 50% of the excess so that the Company and the Investor will share the benefit of growth in the Company's share performance over a 12-month period.

The Company agreed to issue to the Investor 3,499,222 warrants at 14.54p, being a premium of 34% to the closing price of 10.85p on 21 January 2020, that can be exercised between 6 and 48 months from issue.

The 14,000,000 Subscription Shares were issued on 23 January 2020. Funds from share sales are offsetting payments of capital and interest under the Mezzanine Loan.



	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000	Year ended 31 December 2019 £'000
<b>Current borrowings (due &lt; 1 year)</b>			
Mezzanine Loan	1,500	-	-
Convertible loan note	1,593	2401	-
Lease Debt	44	61	60
Total current borrowings	3,137	2,462	60
<b>Non-current borrowings (due &gt; 1 year)</b>			
Convertible loan note	-	-	2,233
Convertible Unsecured loan note	183	171	179
Lease Debt	48	127	98
Total non-current borrowings	231	298	2,510
Total borrowings	3,368	2,760	2,570

## 15. Discontinued operation

### a. Description

At 30 September 2017 the Group took the decision to dispose of its ferry operation in Sierra Leone, from this date the operation together with the related finance obligations was being actively marketed for sale, and therefore has been reclassified as a disposal group held for sale within the financial statements.

### b. Financial performance and cash flow information

	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
Revenue	565	-	-
Expenses	(537)	-	-
Other gains/(losses)	(28)	(24)	28
(Loss)/profit before income tax	-	(24)	28
Income tax benefit/(expense)	-	-	-
<b>(Loss)/profit from discontinued operation</b>	-	(24)	28
Net changes in working capital	(362)	(98)	(151)
<b>Net cash used in discontinued operations</b>	(362)	(122)	(123)
Earnings per share from discontinued operations (pence)	-	(0.02)	0.02

### c. Sale of the Sierra Queen

In December 2019, we finalised the sale of the Sierra Queen which had a book value of £170,000. The vessel has been sold for a total consideration of \$699,250 US Dollars, payable by \$40,000 deposit and the balance by 45 monthly payments ending Q1 2024. Under the sale agreement the Company, at its own cost, shipped the vessel to the purchaser in Greece in Q1 2020 and it will be secured by a mortgage charge over the vessel until final payment has been received.

## **16. Contingencies**

There are no material contingent assets and contingent liabilities (2019: Nil).

## **17. Events after the Reporting Period**

In July we recommence faced to face training programme at our training centre in Oxfordshire and also on 22 July our West African airport was reopened for air traffic.

## **18. Basis of preparation and approval of half-year report**

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2020 has been prepared in accordance with Accounting Standard IAS 34 Interim Financial Reporting.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2019 and any public announcements made by Westminster Group Plc during the interim reporting period.

## **19. Copies of interim financial statements**

A copy of these interim financial statements is available on the Company's website, [www.wsg-corporate.com](http://www.wsg-corporate.com) and from the Company Secretary at the company's registered office, Westminster House, Blacklocks Hill, Banbury, Oxfordshire, OX17 2BS.