WESTMINSTER
GROUP PLC

Interim Report 2009

Worldwide, **World Class Protection**

Westminster Group Plc

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2009

highlights

- First half revenues up 69% to £2.4m (2008 - £1.4m)
- Order book up 23% to £5.3 million at 30 June 2009, compared with £4.3 million at 30 June 2008
- Strong Balance sheet with £1.1 million net cash
- Enquiries running at double last year's rate since new website launched in April
- Close Protection and Risk Assessment specialist Longmoor Services Limited acquired in February
- Convertible Loan Notes of £1.2m issued in June 2009
- New contracts won in period for dam protection, airport security, ThruPORT rapid deployment security portals; and post period for close protection services and mobile surveillance systems.

advisers to the company

Nominated Adviser & Broker	**Seymour Pierce Limited** 20 Old Bailey London EC4M 7EN P: +44 (0)20 7107 8000 W: www.seymourpierce.com
Auditors	**Grant Thornton UK LLP** 1 Westminster Way Oxford OX2 OPZ P: +44 (0) 1865 799899 W: www.grant-thornton.co.uk
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Bankers	**HSBC Bank Plc** 17 Market Place Banbury Oxfordshire OX16 5ED. P: +44 (0)8457 404 404 W: www.hsbc.co.uk
Financial Public Relations	**Winningtons** St Brandon's House 29 Great George St. Bristol BS1 5QT. P: +44 (0)117 920 0092 W: www.winningtons.co.uk
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8. Convertible Loan Notes

On 29 June 2009 the Group issued Convertible Loan Notes with an aggregate principal amount of £1,200,000.

The right of the Loan Notes to be converted into Ordinary Shares was conditional upon resolutions being passed at the Extraordinary General Meeting held on 23 July 2009. The resolutions were duly passed. A summary of the key terms applying to the Loan Notes is as follows:

Term
- 5 years;

Coupon
- 10% per annum;

Conversion terms – a noteholder has the right to convert their Loan Notes into Ordinary Shares at the conversion price, which is the lower of
- 5% over the average share price for the 10 days prior to date of the Instrument and
- 5% over the price at which subsequent shares are issued as equity financing (i) for acquisitions and/or (ii) where the new shares represent 5% or more of the issued share capital of the Company prior to the date of issue;

Board observer status
- the lead investor will be paid a monitoring fee of £25,000 p.a. They will have the right to appoint a director if there is or is likely to be an event of default (as defined in the Instrument); and

Security
- There is a debenture secured against all the assets of the Company and its subsidiaries, which is subordinated to the Debenture held by HSBC.

9. Material post balance sheet events

There were no material post balance sheet events.

10. Approval of interim financial statements

The interim financial statements were approved by the board of directors on 22 September 2009.

Overview and strategic update

Westminster is continuing to make strong progress, despite the adverse global economic climate. The enquiries and orders received this year are evidence of the benefit of our business model, based on a combination of agents in over 45 countries, supported by one of the largest and most comprehensive websites in the security industry.

Our acquisition of the Close Protection and Risk Assessment specialists Longmoor Services Ltd in February has recently demonstrated the strategic value of their inclusion in the Group through the orders that are flowing through, the first of which has recently been announced.

The strength of our marketing through agents and our website has been enhanced with the launch of our new website for Westminster International and upgrading of the Longmoor website to Group standards.

A strong balance sheet is vital to allow the business to continue to expand organically, owing to the increasing need to provide bank guaranteed bonds to customers for bids, advance payments and performance guarantees. The issue of £1.2m of Convertible Loan Notes in June has improved our ability to meet these increased demands.

Looking at the progress of our business, we are confident of meeting our growth objectives.

Financial review

The Group recorded a 69% increase in revenues to £2.4m (2008: £1.4m). Recognised income was 72% from overseas operations and 28% from the UK. The Group continues to work for a variety of international clients including the United Nations and governments in Africa and the Middle East, as well as large UK lead contractors on a variety of significant residential and commercial developments.

Gross margins were lower for the first half of 2009 at 25% (2008: 28%). This is driven by the revenue mix between product sales and system solution sales in the period, where system solution sales carry a higher margin due to the bespoke nature of the sale. This is not expected to be a long term trend; we expect the margin for the second half of the year to be higher than for the first half.

Administrative expenses in the period increased to £1.26m (2008: £0.82m). Included in these costs is £88,000 for unrealised exchange losses. These result from the outstanding amount of $1.8m from the Government of Southern Sudan for the contract for Juba airport. Although this amount has been outstanding since 2008, we have regular meetings and communication with the relevant Ministers and are confident that payment will be forthcoming in full. Completion of our security contract is essential to allow the airport to receive major airlines, which underpins our confidence that we will be paid.

Excluding foreign exchange gains and losses, administrative expenses for the first half of 2009 are in line with the second half of 2008.

The Group recorded a loss after tax for the period of £493,000 (2008: £413,000), representing a basic loss per share of 3.36p (2008: 2.9p loss). This is a function of the timing of contracts and does not reflect any deterioration in the underlying business. Other than the Convertible Loan Notes the Group has no borrowings and at 30 June 2009 had cash reserves of £1.1m compared with £1.4m a year earlier.

Activity levels

The increase in revenues has been accompanied by a corresponding increase in activity levels within the business. Our largest contract completed in the period was for scanning equipment valued at £0.9m for a government in Sub-Saharan Africa. Other significant contracts for Westminster International, against which revenue could be recognised, included continuing work on Juba airport, Southern Sudan; security systems for bank branches in Ghana; diver disruption equipment for an African Navy; fever detection equipment for the World Health Organisation; and security equipment for the United Nations in Sudan.

RMS, our UK based integrated solutions subsidiary, supplies and installs data & telephone systems, CCTV surveillance, satellite TV systems, door entry and access control systems for high-rise buildings throughout the UK. Good progress was made in the period with the largest revenues coming from the fire and security system installed at an apartment building in Wembley, London. Other significant contracts for RMS on which revenue could be recognised included Castle House in London and Imperial College, London.

Longmoor had limited revenues in the first half of the year, as it was being integrated into the Group. The benefits of that integration process are now being seen in the rate of enquiries for training courses and for close protection services.

The Group responded to 798 enquiries during the first half of 2009, an increase of 4% over the first half of 2008. However, this statistic conceals the dip in enquiries that initially took place when we launched our new website, followed by a dramatic subsequent increase. This is a function of how search engines operate. The enquiry rate for July and August this year is 81% higher than the same two months last year. Whilst many of these are long term in nature and not all will convert into orders, the Board believes that the increasing rate of enquiries and quote activity underpins its confidence in the Group's growth prospects.

Orders secured in period

The secured order book has increased from £4.3m at 30 June 2008 to £5.3m at 30 June 2009.

As also reported in the annual report we announced a £1 million contract for the supply of Westminster's newly developed 'ThruPORT' rapid deployment, high security scanning portals which are to be deployed at airports within Iraq. The contract will be delivered within the next few months with the revenue being fully recognised in 2009.

We also reported in the annual report that we have been awarded an important and prestigious 2 million Euro contract for the supply and installation of an advanced security net across the river Nile to protect the new Nagaa Hammadi Dam complex in Egypt.

Orders secured post period end

Since the end of the period being reviewed, Westminster has been awarded a contract by a Sub Saharan African Government for the supply of bespoke mobile surveillance systems and equipment to assist with urban policing and state security. The contract valued at approximately $660,000 US will be completed during 2009. We have now been awarded a parallel contract valued at approximately $220,000 US to provide the Control & Command facility for the systems.

7. Acquisition of Longmoor Services Limited

On 25 February 2009 Westminster Group plc acquired 100% of the share capital of Longmoor Services Limited for an initial consideration of £389,210, which was satisfied by the issue of 894,735 Ordinary Westminster shares at 43.5p on the date of completion. The Directors considered that this constituted a fair value for the business acquired, but no external valuation was considered appropriate.

Two further performance based payments will be made, calculated on 50% of net profit in each of the two years following completion, up to a maximum aggregate additional payment of £2 million. The sellers may elect to receive such payments in cash or in new Ordinary Westminster shares (to be calculated on the average closing mid-market price of the Westminster shares over the 5 business days preceding the issue of such shares).

This transaction will be accounted for by the purchase method of accounting.

Net assets acquired	Fair value At 25 February 2009 £000	Acquiree's carrying amount At 25 February 2009 £000
Plant, property & equipment	2	2
Trade & other receivables	23	23
Trade & other payables	(154)	(154)
Bank liabilities	(11)	(11)
Deferred tax asset	175	175
	35	35
Goodwill	392	
Total consideration including direct costs	427	
Satisfied by:		
Ordinary shares	389	
Cash	38	
	427	
Net cash outflow arising on acquisition		
Cash costs	38	

The goodwill is attributed to the synergies that are expected to arise in the post acquisition period, and to the reputation established by the business in its market. It is not possible to identify the value of the separable intangibles.

5. Taxation

In accordance with the policy adopted by the Group at the year end, deferred tax benefit has been recognised in full in respect of losses at the corporation tax rate of 28% in those subsidiaries where there is a reasonable expectation of future profitability to utilise those losses. This policy has been extended to Longmoor, so that a deferred tax asset was recognised at the time of its acquisition, since recent trading performance gives confidence that those brought forward losses will be utilised.

6. Loss per share

The calculation of the basic earnings/(loss) per share is based on the earnings/(loss) attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the period.

The calculation of diluted earnings/(loss) per share is based on the basic earnings/(loss) per share, adjusted to allow for the issue of shares and the post tax effect of interest, on the assumed conversion of all dilutive options and the Convertible Loan Notes at the conversion price established at the date of issue.

Reconciliation of the earnings/(loss) and weighted average number of ordinary shares used in the calculations are set out below:

	6 months to 30 June 2009 Unaudited £'000	6 months to 30 June 2008 Unaudited £'000	Year to 31 December 2008 Audited £'000
Continuing operations			
Profit/(loss) after tax attributable to ordinary shareholders	**(493)**	**(412)**	**204**
Weighted average number of shares (used for basic earnings per share)	**14,645**	**14,022**	**14,022**
Dilutive effect of options	**241**	-	252
Dilutive effect of Convertible Loan Notes	**31**	-	-
Diluted weighted average number of shares (used for diluted earnings per share)	**14,917**	14,022	14,274
Basic earnings/(loss) per share (pence)	**(3.36)**	(2.90)	1.45
Diluted earnings/(loss) per share (pence)	**(3.30)**	(2.90)	1.43

Recently we were able to announce that Longmoor, our Close Protection and Risk Assessment subsidiary, has been awarded its largest contract to date, a rolling 12 month contract for the protection of a High Net Worth Individual and his family based in the Middle East. Under the contract, Longmoor will supply both male and female close protection operatives (bodyguards), providing 24hr security to the principal and his family both within their home country and also during their worldwide travels. The Contract is valued at £540,000 per annum and has already commenced.

We have achieved preferred bidder status for the provision of comprehensive security solutions to the National Bank of Ethiopia. The project, with a value of up to US $800,000, subject to final negotiations which are still underway, comprises a comprehensive security and surveillance solution involving circa 140 high performance CCTV surveillance cameras covering the National Bank's three main buildings within Addis Ababa including the Mint, all of which will be controlled and monitored from a new central Control and Command system installed by Westminster. The project is expected to commence immediately following contract signature and be largely completed during 2009.

We were awarded a contract to provide a high security perimeter intruder detection system (PID) to protect the Nigerian Communication Satellite Ltd (NIGCOMSAT) main operating base station in Nigeria. The contract, valued at circa $210,000, is to protect the high profile base against intrusion involving the installation of a high security detection system covering the 1.2km site perimeter that will detect any attempt to climb or penetrate the perimeter walls or fencing. The contract will be completed in Q4 2009

The UK Home Office Scientific Development Branch (HOSDD) orders state-of-the-art security screening metal detection equipment from Westminster. As part of an intended wider-stage rollout, the HOSDD purchased Body Orifice Security Scanning (BOSS) equipment from Westminster International. The BOSS equipment is a seated metal security scanner designed to uncover individuals who have concealed weapons in areas of the body that would otherwise result in more invasive and time consuming search procedures. This equipment is already extensively used in some of the toughest penitentiaries in America and has been proven to be a very effective and efficient way of detecting contraband such as concealed metallic weapons, including knives and lock picking devices, or narcotics if wrapped in foil. The intention of such an order is to trial the effectiveness of the equipment with the intention to supply the Police and Prison Service nationwide with the BOSS equipment. Westminster has been appointed as the exclusive UK distributor and supplier of the BOSS chairs.

The BOSS order complements another prison related order from HM Government under which the Ministry of Justice ordered Security Screening Walk-Through Metal Detection equipment from us.

We are also pleased to report that we have been appointed as sole UK agents and distributors for the Ensco Heart Beat Detector, which is now being installed in prisons and at border checkpoints. We will also provide maintenance support for this product.

We have recently announced that Westminster has been appointed by Pentagon Protection plc, the AIM quoted specialist in the supply and installation of enhanced glass protection, to be its exclusive agent and distributor for the Pentagon range of blast and solar reflective films and anchoring solutions in Asia. Under the agreement Westminster will market, promote and sell Pentagon's blast protection solutions through its extensive network of agents and offices in the region.

chairman & chief executive's joint statement

continued

Colombo seminar

In conjunction with the British High Commission (BHC) and UK Trade & Industry (UKTI), we held a two day security seminar in Colombo, Sri Lanka. The war in the North of Sri Lanka ended recently; however, the potential for insurgent activity is increasing and it was felt that this was an opportune time to conduct security seminars for commercial organisations and government/ defence departments. The focus of discussions was blast protection, security of buildings, enhancing perimeter security, protection of critical infrastructure and various anti terrorism and crime reduction solutions.

Outlook

Enquiry and order activity continue to be most encouraging and the Board is currently looking at a number of exciting new strategic initiatives, which could significantly enhance the Group over the next 12 months.

Historically, the business has shown a seasonal revenue pattern, with a bias towards the second half of the year and Westminster has started the second half of this year with a substantial order book of £5.3m. Whilst the Board continues to be very mindful of the current global economic uncertainty it has not seen any material impact on activity levels, which gives us confidence in the prospects for the full year and beyond.

Lt. Col Sir Malcolm Ross GCVO, OBE
Chairman

Peter Fowler
Chief Executive Officer

notes to the financial information

1. General information

Westminster Group plc together with its subsidiaries (together the Group) design, supply and provide ongoing support for advanced technology security, safety, fire and defence solutions to a variety of government and related agencies, non-governmental organisations and mainly blue chip commercial organisations. The Group operates through a global network of agents.

2. Basis of preparation

These condensed consolidated interim financial statements are for the six months ended 30 June 2009. The Group has not adopted the reporting requirements of International Accounting Standard (IAS) 34 'Interim Financial Reporting'. The statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2008.

The statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the 2008 financial statements, except to the extent required to adapt the presentation to IAS 1 (Revised 2007).

The adoption of IAS 1 (Revised 2007) does not affect the financial position or results of the Group, but gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses are unchanged; however, some items that were recognised directly in equity may now be recognised in other comprehensive income. IAS 1 (Revised 2007) affects the presentation of owner changes in equity and the income statement. The Statement of changes in equity has been adapted to disclose the owner changes in equity. The income statement has been expanded to show the comprehensive income for the period.

The information relating to the six months ended 30 June 2009 and 30 June 2008 is unaudited and does not constitute statutory accounts. The statutory accounts for the year ended 31 December 2008 have been reported on by the company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. These interim financial statements for the six months ended 30 June 2009 have neither been audited nor reviewed by the Group's auditors.

3. Basis of consolidation

The Group financial statements consolidate those of the Group and its subsidiary undertakings drawn up to 30 June 2009. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The Group obtains and exercises control through voting rights. Consolidation is conducted by eliminating the investment in the subsidiary together with the parent's share of the net equity of the subsidiary.

4. Functional and presentational currency

The financial information has been presented in pounds sterling, which is the Group's presentational currency. All financial information presented has been rounded to the nearest thousand.

condensed consolidated statement of cash flows

for the six months ended 30 June 2009

	6 months to 30 June 2009 Unaudited £'000	6 months to 30 June 2008 Unaudited £'000	Year to 31 December 2008 Audited £'000
PROFIT/(LOSS) AFTER TAXATION	**(493)**	(413)	204
ADJUSTMENTS FOR:			
Loss on disposal of fixed assets	**-**	-	1
Share-based payment	**-**	7	4
Finance income	**(1)**	-	(39)
Finance costs	**-**	-	4
Taxation (expense)/benefit recognised in profit or loss	**(180)**	-	(3)
Depreciation and amortisation	**56**	27	82
	(618)	(379)	253
CHANGES IN WORKING CAPITAL:			
(Increase)/decrease in inventories	**112**	(257)	(125)
(Increase)/decrease in trade and other receivables	**(385)**	(57)	(1,912)
Increase/(decrease) in trade and other payables	**391**	580	1,020
	(500)	(113)	(764)
Interest paid	**-**	(1)	(4)
Interest received	**1**	17	39
NET CASH FROM OPERATING ACTIVITIES	**(499)**	(97)	(729)
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	**(54)**	(118)	(238)
Purchase of intangible assets	**(13)**	-	(35)
Cash costs of acquisition of Longmoor Services Limited net of cash acquired	**(49)**	-	
Proceeds from disposal of fixed assets	**-**	15	
CASH USED IN INVESTING ACTIVITIES	**(116)**	(103)	(273)
CASH FLOW FROM, FINANCING ACTIVITIES:			
Gross proceeds from the issue of Convertible Loan Notes	**1,200**	-	-
Costs of Loan Note issue	**(87)**	-	-
Finance lease repayments	**-**	(3)	(14)
NET CASH FLOW FROM FINANCING ACTIVITIES	**1,113**	(3)	(14)
Net change in cash and cash equivalents	**498**	(202)	(1,016)
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	**572**	1,588	1,588
CASH AND EQUIVALENTS AT END OF PERIOD	**1,070**	1,386	572

condensed consolidated statement of comprehensive income

for the six months ended 30 June 2009

	Note	6 months to 30 June 2009 Unaudited £'000	6 months to 30 June 2008 Unaudited £'000	Year to 31 Dec 2008 Audited £'000
Revenues		**2,372**	1,400	5,477
Cost of sales		**(1,788)**	(1,013)	(3,568)
Gross Profit		**584**	387	1,909
Administrative expenses		**(1,257)**	(816)	(1,743)
PROFIT/(LOSS) BEFORE INTEREST AND TAXES (EBIT)		**(673)**	(429)	166
Finance costs		**-**	(1)	(4)
Finance income		**1**	17	39
PROFIT/(LOSS) BEFORE TAX		**(672)**	(413)	201
Income tax benefit	**5**	**179**	0	3
PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**(493)**	(413)	204
EARNINGS PER SHARE ON CONTINUING ACTIVITIES:				
Basic in pence		**(3.36)**	(2.9)	1.45
Fully diluted in pence		**(3.30)**	(2.9)	1.43

All the activities of the Group are classed as continuing.

PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**(493)**	(413)	204
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**(493)**	(413)	204

condensed consolidated statement of financial position

for the six months ended 30 June 2009

	Note	6 months to 30 June 2009 Unaudited £'000	6 months to 30 June 2008 Unaudited £'000	Year to 31 31 December 2008 Audited £'000
Property, plant and equipment		**1,120**	1,135	1,113
Intangible assets		**437**	-	37
Deferred tax asset		**538**	181	183
Costs of Convertible Loan Note issue		**87**	-	-
TOTAL NON-CURRENT ASSETS		**2,182**	1,316	1,333
Inventories		**74**	304	186
Trade and other receivables		**3,204**	942	2,796
Cash and cash equivalents		**1,079**	1,385	588
TOTAL CURRENT ASSETS		**4,357**	2,631	3,570
TOTAL ASSETS		**6,539**	3,948	4,903
Share capital		**1,492**	1,402	1,402
Share premium		**2,603**	2,304	2,304
Share based payment reserve		**14**	18	14
Revaluation reserve		**116**	265	116
Retained earnings		**(1,028)**	(1,154)	(537)
TOTAL SHAREHOLDERS' EQUITY		**3,197**	2,835	3,299
Convertible Loan Notes		**1,200**	-	-
Trade and other payables		**-**	0	2
Deferred tax liabilities		**101**	52	101
TOTAL NON-CURRENT LIABILITIES		**1,301**	52	103
Borrowings		**9**	11	16
Trade and other payables		**2,032**	1,050	1,485
TOTAL CURRENT LIABILITIES		**2,041**	1,061	1,501
TOTAL LIABILITIES		**3,342**	1,113	1,604
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**6,539**	**3,948**	**4,903**

condensed consolidated statement of changes in equity

for the six months ended 30 June 2009

	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000
AS OF 1 JANUARY 2009	**1,402**	**2,304**	**14**	**116**	**(537)**	**3,299**
Issue of share capital for acquisition of Longmoor	**90**	**299**	**-**	**-**	**-**	**389**
TRANSACTIONS WITH OWNERS	**1,492**	**2,603**	**14**	**116**	**(537)**	**3,688**
Loss for the period	**-**	**-**	**-**	**-**	**(493)**	**(493)**
Prior year adjustment	-	-	-	-	2	**2**
TOTAL COMPREHENSIVE INCOME	**-**	**-**	**-**	**-**	**(491)**	**(491)**
AS AT 30 JUNE 2009	**1,492**	**2,603**	**14**	**116**	**(1,028)**	**3,197**
AS OF 1 JANUARY 2008	**1,402**	**2,304**	**11**	**265**	**(741)**	**3,241**
Share based payment charge	-	-	7	-	-	**7**
TRANSACTIONS WITH OWNERS	**1,402**	**2,304**	**18**	**265**	**(741)**	**3,248**
Loss for the period	**-**	**-**	**-**	**-**	**(413)**	**(413)**
TOTAL COMPREHENSIVE INCOME	**-**	**-**	**-**	**-**	**(413)**	**(413)**
AS AT 30 JUNE 2008	**1,402**	**2,304**	**18**	**265**	**(1,154)**	**2,835**
AS OF 1 JANUARY 2008	**1,402**	**2,304**	**11**	**265**	**(741)**	**3,241**
Share based payment charge	-	-	4	-	-	**4**
Deferred tax adjustments	-	-	(1)	-		**(1)**
TRANSACTIONS WITH OWNERS	**1,402**	**2,304**	**14**	**265**	**(741)**	**3,244**
Profit for the period	-	-	-	-	204	**204**
Other comprehensive income						
Revaluation of non-current assets	-	-	-	(100)	-	**(100)**
Deferred tax liability on revaluation of non-current assets	-	-	-	(49)	-	**(49)**
TOTAL COMPREHENSIVE INCOME	**-**	**-**	**-**	**(149)**	**204**	**55**
AS AT 31 DECEMBER 2008	**1,402**	**2,304**	**14**	**116**	**(537)**	**3,299**