



WESTMINSTER
G R O U P P L C



Interim Report
2008

Worldwide, **World Class Protection**

highlights

- First half revenues up 100% to £1.4m (2007 - £706,000)
- Order book up 286% to £4.3 million at 30 June 2008, compared with £1.5 million at 30 June 2007
- Strong Balance sheet with £1.4 million net cash
- New offices opened in Abu Dhabi and Kuala Lumpur
- Enquiries up 11% compared to first half of 2007
- New agents appointed in Burundi, Cote D'Ivoire, Democratic Republic of Congo (DRC), Libya, Malaysia, Mauritius & Sudan; bringing total to over 75 worldwide
- New contracts won for airport security, perimeter fencing, scanning equipment, banking security systems, interception systems and low voltage, integrated systems for high-rise buildings



chairman's review

I am pleased to report that the Westminster Group has made substantial progress in the first half of 2008, with first half revenues doubling and outstanding orders nearly trebling.

Governments and corporations continue to have to pay close attention to the security of their critical infrastructure, citizens and staff. As threats become more sophisticated, so do the counter-measures required to defend against them. The Group is continually developing and expanding its range of solutions for our customers in response to their concerns. Often we find that we are able to assist them in identifying risks of which they were previously unaware and provide relevant solutions for them.

With the growth in our order book in the last half year, I am pleased that the efforts made by management and staff are being rewarded with the business growth that they deserve.

I would like to take the opportunity to express my appreciation to all our employees who have worked extremely hard during the period. Our success and achievements to date are largely down to their efforts.

Lt. Col Sir Malcolm Ross GCVO, OBE
Chairman

4 chief executive's report

Financial review

The Group recorded a 100% increase in revenues (£1.4m) compared with the six months to 30 June 2007 (£0.7m). Recognised income was 59% from overseas operations and 41% 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 2008 at 28%, compared with 32% for the first half of 2007. This is primarily the result of the mix between product and system solutions being different in the first half and is not expected to be a long term trend. The margin was also affected by the delay in certain major RMS contracts in the first two months of the period, but these contracts are now on track again.

Administrative expenses in the period increased to £818,000 from £396,000 in the first half of 2007, reflecting the investment in staff, the further development of our presence in the global market place and costs resulting from being a quoted company. The Board believes that these increased costs are an excellent investment in our future development and are fully justified.

The Group recorded a loss for the period of £413,000, compared with £182,000 in the first half of 2007, representing a basic loss per share of 2.9p (2007: 2.2p loss). The Group had no borrowings and at 30 June 2008 and had cash reserves of £1.4m compared with £2.1m 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 GSM Interception equipment valued at 900,000 USD for a government in Sub-Saharan Africa. Other significant contracts for Westminster International, against which revenue could be recognised, included a perimeter detection system for Kuwait, security equipment for the United Nations in Khartoum, Sudan, and a perimeter detection system for an oil company in the Yemen.

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 a student accommodation building in Woburn Place, London. Other significant contracts for RMS on which revenue could be recognised included an apartment block in Milton Keynes, an apartment building in Cambridge, a college in Lincolnshire, the next phase of Chelsea Bridge Wharf and an apartment building in Camberley, Surrey.

Orders Secured

The order book has increased from £1.5m at 30 June 2007 to £4.3m at 30 June 2008.

The most significant order in the period was for the Juba airport contract in Southern Sudan, valued at circa 4.7 million USD, which involves the installation of a high security perimeter fence which will be protected by Westminster's FOSS fibre detection system. It will detect any attempt to cut, climb or lift the fence. The contract also includes airport surveillance cameras, a control & command system and a range of specialist scanning equipment. This contract will largely be delivered in the second half of 2008. No revenues were recognised on it in the first half.

In the Middle East, Westminster International has secured a number of contracts including a contract valued at £66,000 for the provision of specialised radio frequency (RF) & GSM frequency jamming equipment for the protection of a Middle East government agency to help protect against IED's (Improvised Explosive Devices) and roadside bombs.

Westminster International has also been awarded a contract to provide a specialist GSM interception system for a government in Sub-Saharan Africa, valued at 900,000 USD, which has already been delivered, as mentioned above.

In Kuwait, Westminster International has been awarded a contract to provide a specialist perimeter protection system to a petrochemical production plant. The contract, valued at over 200,000 USD, involves the installation of a high security, covert detection system, concealed below an area of 'no-man's-land' between the two external perimeter fences. The system has been designed to detect any movement by intruders trying to gain entry to the facility at any point along the 2km perimeter fence and to pinpoint the exact location of the intrusion to within a few metres. Information will be displayed in the central control centre where action can then be taken to avert breaches of security.

I am pleased to report that we have won a further contract with Ecobank, a leading independent West African Banking Group, with an initial value of circa 90,000 USD. Ecobank serves wholesale and retail customers from its network of over 350 branches across 18 countries throughout West and Central Africa. Westminster conducted a pilot installation for Ecobank in 2007 with a view to testing its integrated security solutions for roll out throughout the branch network. As a result of the successful pilot, Westminster has already installed systems in seven Ecobank branches within Ghana. The latest contract is for two additional branches in Accra, Ghana, and is part of an extended roll out programme expected over the next year or so. This contract involves the installation of high security, fully integrated security systems at each branch including CCTV surveillance, bespoke ATM monitoring equipment, access control and intruder alarm systems. The branch systems have the capability of automatically reporting to Ecobank's Head Office to allow remote Control & Command, interrogation and monitoring of each individual branch.

In the UK, Westminster's subsidiary, RMS Integrated Solutions, has been awarded a contract for the provision of security solutions to multi-storey buildings in London. The contract valued at circa £100,000 involves the installation of access control, door entry and satellite TV systems in eight (five storey) blocks of flats. The contract requires an immediate start and is due for completion this financial year.

RMS Integrated Solutions has also secured a contract for the installation of a security and safety system to the new Castle House development project in Central London. The Castle House development, which is part of the extensive regeneration scheme of the famous Elephant & Castle site in Southwark, involves the construction of two new buildings; a 43 storey building rising 147m above ground level, incorporating 409 apartments, and a 5 storey pavilion building at its base. The contract involves the installation of CCTV surveillance, intruder detection, PC based access control, video entry systems, satellite TV distribution and voice & data network installations throughout the building. The contract, valued at circa £270,000, is anticipated to start in June and is expected to last into late 2009.

The Group responded to 768 enquiries during the first half of 2008, an increase of 11% over the first half of 2007. 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.

6 chief executive's report continued

New agents

The Group's strategy is to further expand its network of local agents. At the time of the IPO, I spoke of our desire to extend our presence in Francophone Africa. I am pleased to report that this initiative is now bearing fruit, with new agents appointed in the period to extend our representation in the region to cover Burundi, Cameroon, Cote D'Ivoire, Democratic Republic of Congo (DRC), Gabon, Mauritius and, provisionally, Sénégal.

In another step forward, we have provisionally appointed a new African Advisor with 20 years experience in transactional analysis and legal documentation for equity and project financing in Africa, to advise on business development and project funding in the region, with a particular focus on Francophone Africa. This will allow us to develop and manage our agent network in Africa more effectively.

We have in addition appointed new agents in Libya, Malaysia and Sudan.

The Group has opened an office in Abu Dubai, in addition to our Dubai office, to further strengthen our ability to serve the Middle East region. We have also opened a regional office in Kuala Lumpur to support our agents in the Far East.

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.

One major undertaking that is still ongoing is the complete restructuring of our Westminster International website, which is already one of the largest security web sites in the world. Our other websites have already been rebuilt and some content is available in French and Spanish. This transformation is now being applied to our main site, with an emphasis on improving further on our performance in terms of search engine rankings. We hope to have this completed by the end of the year and to see the results in 2009. For an international business, an effective website is crucial in attracting new customers and in retaining existing customers.

Westminster has started the second half of the year with a substantial order book of £4.3m. 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.

Historically, the business has shown a seasonal revenue pattern, with a bias towards the second half of the year, and with the current order intake and customer enquiry levels, the Board is satisfied that, taking the year as a whole, the Group is trading in line with market expectations.

consolidated income statement

		6 months to 30 Jun 2008	6 months to 30 Jun 2007	12 months to 31 Dec 2007
		Unaudited	Unaudited	Audited
	Note	£'000	£'000	£'000
Revenue		1,400	706	2,744
Cost of sales		(1,013)	(481)	(1,765)
Gross Profit		387	225	979
		<i>28%</i>	<i>32%</i>	<i>36%</i>
Administrative expenses				
General		(816)	(396)	(1,349)
IPO preparation expenses		0	(66)	(66)
Total		(816)	(462)	(1,415)
Loss before financing costs		(429)	(237)	(436)
Financing costs		(1)	(24)	(34)
Finance income		17	1	46
Loss before tax		(413)	(260)	(424)
Income tax benefit	4	0	78	71
Loss for the financial period		(413)	(182)	(353)
Loss attributable to:				
Equity holders of the Group		(413)	(182)	(353)
		(413)	(182)	(353)
<i>Loss per share (expressed in pence per share)</i>				
Basic and fully diluted	6	(2.9)	(2.2)	(3.2)

8 consolidated balance sheet

		30 Jun 2008 Unaudited £'000	30 Jun 2007 Unaudited £'000	31 Dec 2007 Audited £'000
Assets				
Non-current assets				
Property, plant and equipment		1,135	967	1,060
Deferred tax asset		181	185	181
Total non-current assets		1,316	1,152	1,241
Current assets				
Inventories		304	67	61
Trade and other receivables		942	665	884
Cash and cash equivalents		1,385	2,146	1,588
Total current assets		2,631	2,878	2,533
Total assets		3,948	4,030	3,774
Shareholders' equity				
Issued capital	6	(1,402)	(1,357)	(1,402)
Share premium		(2,304)	(2,047)	(2,304)
Share based payment reserve		(18)	(1)	(11)
Revaluation reserve		(265)	(253)	(265)
Retained earnings		1,154	570	741
Total equity		(2,835)	(3,088)	(3,241)
Liabilities				
Non-current liabilities				
Borrowings	7	0	(9)	0
Deferred tax liabilities		(52)	(64)	(52)
Total non-current liabilities		(52)	(73)	(52)
Current liabilities				
Borrowings	7	(11)	(5)	(14)
Trade and other payables		(1,050)	(864)	(467)
Total current liabilities		(1,061)	(869)	(481)
Total liabilities		(1,113)	(942)	(533)
Total equity and liabilities		(3,948)	(4,030)	(3,774)

consolidated statement of changes in equity

	Ordinary share capital	Share premium account	Share based payment reserve	Revaluation reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 30 September 2005	675	0	0	216	134	1,025
Loss for period from continuing activities					(179)	(179)
Loss for period from discontinued activities					(343)	(343)
Revaluation of non-current assets				49		49
Deferred tax liability on revaluation of non-current assets				(12)		(12)
Total recognised income and expense for the period	0	0	0	37	(522)	(485)
Proceed from Payment of part paid shares	38					38
Total recognised changes in equity for the period	38	0	0	0	0	38
Balance at 31 December 2006	713	0	0	253	(388)	578
Loss for period from continuing activities					(353)	(353)
Total recognised income and expense for the period	0	0	0	0	(353)	(353)
Directors'loans converted to ordinary share capital	191					191
Share capital issued for cash	498	2,879				3,377
Expense in connection with IPO		(575)				(575)
Share based payments			8			8
Deferred tax adjustment			3	12		15
Total recognised changes in equity for the period	689	2,304	11	12	0	3,016
Balance at 31 December 2007	1,402	2,304	11	265	(741)	3,241
Loss for the period					(413)	(413)
Share based payments			7			7
Total recognised income and expense for the period	0	0	7	0	(413)	(406)
Balance at 30 June 2008	1,402	2,304	18	265	(1,154)	2,835

consolidated cash flow statement

	<i>6 months</i> to 30 Jun 2008 Unaudited £'000	<i>6 months</i> to 30 Jun 2007 Unaudited £'000	<i>12 months</i> to 31 Dec 2007 Audited £'000
Cash flow from Operating Activities			
Loss for the financial period/year	(413)	(182)	(353)
Income tax expense	0	(78)	(71)
Finance income	0	(1)	(46)
Finance costs	0	24	34
Depreciation and amortisation	27	20	37
Increase in inventories	(257)	19	25
Increase in trade and other receivables	(57)	(324)	(541)
Increase in trade and other payables	580	280	212
Share-based payment	7	1	8
Interest paid	(1)	(24)	(34)
Interest received	17	0	44
Net cash out flow from operating activities	(97)	(265)	(685)
Cash flows from investing activities			
Purchase of property, plant and equipment	(118)	(8)	(112)
Proceeds from disposal of fixed assets	15	0	0
Net cash used in investing activities	(103)	(8)	(112)
Cash flows from financing activities			
Gross proceeds from the issue of ordinary share capital	0	3,062	3,377
IPO cost paid	0	(228)	(575)
Short Term Deposit	0	(1,500)	0
Proceeds from new lending	0	96	0
Loans from Directors	0	0	96
Finance lease repayments	(3)	(2)	(4)
Net cash generated/used from financing activities	(3)	1,428	2,894
Net change in cash and cash equivalents	(202)	1,155	2,097
Cash and cash equivalents at start of period	1,588	(509)	(509)
Cash and cash equivalents at end of period	1,386	646	1,588

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

The Group is required to prepare its interim statement in accordance with accounting standards adopted for use in the European Union (International Financial Reporting Standards (IFRS)). The Group has not adopted the reporting requirements of IAS 34 'Interim Financial Reporting'.

The consolidated interim statements are prepared on the basis of all International Accounting Standards (IAS), except for IAS 34, and IFRS published by the International Accounting Standards Board (IASB) that are currently in issue. New interpretations may be issued by the International Financial Reporting Interpretations Committee (IFRIC) on existing standards and best practice continues to evolve. It is therefore possible that the accounting policies set out below may be updated by the time the Group prepares its full set of financial statements under IFRS for the year ending 31 December 2008.

The information relating to the six months ended 30 June 2008 and 30 June 2007 is unaudited and does not constitute statutory accounts. The statutory accounts for the year ended 31 December 2007 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 2008 have neither been audited nor reviewed by the Group's auditors

3. Significant accounting policies

The condensed financial statements have been prepared under the historical cost convention, except for the revaluation of certain properties.

The same accounting policies, presentation and methods of computation are followed in these condensed financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2007.

4. Taxation

No deferred tax benefit has been recognised in respect of the losses incurred in the period to 30 June 2008, as there is an existing deferred tax asset on the balance sheet that will need to be recovered before the current tax losses can be utilised. Since the timing of such recovery is uncertain, it has been considered prudent not to increase the size of the deferred tax asset. This treatment will be reviewed again at the year end.

12 notes to the financial information continued

5. Loss per share

Basic loss per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

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

	6 months to 30 Jun 2008	6 months to 30 Jun 2007	Year to 31 Dec 2007
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
	<i>000</i>	<i>000</i>	<i>000</i>
Issued ordinary shares			
Start of the period	14,022	7,125	7,125
Effect of shares issued during the period	0	1,190	4,046
Weighted average number of shares for period	14,022	8,315	11,171

Basic and fully diluted loss per share is calculated as follows:

	6 months to 30 Jun 2008	6 months to 30 Jun 2007	Year to 31 Dec 2007
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Loss attributable to equity shareholders of the Company (£'000)	(412)	(182)	(353)
Weighted average number of shares ('000)	14,022	8,315	11,171
Loss per share (pence)	(2.9)	(2.2)	(3.2)

There is no difference between basic and fully diluted loss per share, as the inclusion of the share options in the calculation of the weighted average number of shares would have the effect of reducing the loss per share. The potential dilutive effect on the weighted average number of ordinary shares would be to increase the weighted average number of ordinary shares by 377,812 shares and solely comprises the dilutive effect of the share options issued under the share option scheme.

6. Share capital

Group and Company

Authorised

The total number of authorised shares is 20,000,000 ordinary shares of £0.10 each

	Ordinary shares Number	£'000
At 30 June 2008 and 2007		
Ordinary shares of 10p each	20,000,000	2,000
At 31 December 2007		
Ordinary shares of 10p each	20,000,000	2,000
	20,000,000	2,000

Issued and fully paid

The total amount of issued and fully paid shares is as follows:

	Ordinary shares Number	£'000
At 30 June 2008 and 31 December 2007	14,022,336	1,402
At 30 June 2007	13,572,336	1,357

7. Financial liabilities

	30 Jun 2008 <i>Unaudited</i> £'000	30 Jun 2007 <i>Unaudited</i> £'000	31 Dec 2007 <i>Audited</i> £'000
Current			
Finance lease agreements	11	5	14
Non-current			
Finance lease agreements	0	9	0
Cash and cash equivalents			
	30 Jun 2008 <i>Unaudited</i> £'000	30 Jun 2007 <i>Unaudited</i> £'000	31 Dec 2007 <i>Audited</i> £'000
Cash at bank and in hand	1,131	646	586
Short term bank deposits	254	1,500	1,002
	1,385	2,146	1,588

The Group's short term bank deposits are invested in money market deposits which match the forecasted project funding requirements. Details of these deposits are as follows:

	Balance Invested £'000	Weighted Average Interest rate	Weighted Average term
Currency			
US Dollar	254	2.58%	30 days

Approval of interim financial statements

The interim financial statements were approved by the board of directors on 25 September 2008

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