

COE Group PLC



Corporate information

Non-Executive Directors

Dr Alison Fielding – Chairman
Anton Elsborg

Executive Directors

Ian Jefferson
Mark Marriage
Mark Norton

Company Secretary & Registered Office

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Chairman's Statement

Financial Highlights

- Order intake up 16% year on year.
- Turnover up 5% to £4,185k (2007: £3,976k).
- Gross profit up 31% to £2,241k (2007: £1,713k) due to gross margins increasing to 54% (2007: 43%).
- Operating expenses higher at £3,436k (2007: £2,936k) resulting in an operating loss of £1,195k (2007: £1,223k).
- Business restructured post year end in order to match costs with anticipated revenue. Operating with this streamlined cost base the Group recorded an operating profit (before re-organisation costs) in the first quarter of FY09.
- Funds of £1,290k raised post year end to strengthen the balance sheet and provide adequate working capital for future growth. Of the new funds, approximately £940k was raised via an equity share issue and £350k via a loan. The loan was subsequently converted to ordinary shares.

Operational Highlights

- New management team and expanded sales force established with greater focus on the growth markets in Asia and the Far East.
- Largest contract win in 4 years with a 1,100 camera system for the Port of Singapore Authority (PSA) incorporating X-Net VMS, the latest of COE's control room management software products, X-Net NVR, a distributed recording system for small and large video networks and H-Card codecs in a hybrid system with COE's leading X-Net fibre transmission products.
- Significant contract wins continued in the current period as COE was chosen to provide an upgrade for the transmission equipment on the east/west and north/south rail lines for Singapore MRT.

Operational report

The Group continued to make slow progress against its growth plan laid out in March 2007 with turnover only slightly up against the prior year. Disappointingly, overheads rose significantly during the period and as a result the board decided to restructure in order to more effectively match costs with anticipated trading. As part of this plan Andrew Wallace stepped down as Chief Executive and left the business at the end of July 2008.

Ian Jefferson, formerly Finance Director, took over as CEO and Mark Norton was appointed to the board as Global Sales Director. I am pleased to report that the company restructure is complete and the Group recorded an operating profit (before re-organisation costs) in the first quarter of FY09.

Our product development programme means we are now able to offer analogue, digital and hybrid products, which puts the Group in a strong position as the market trends towards digital products via intermediary hybrid solutions which incorporate both technologies. The Board believes that there will be a significant increase in the market for hybrid systems over the coming years and the Group is well positioned to exploit these. Order intake for the year was 16% higher than the prior year and included a contract win for a 1,100 camera system at the Port of Singapore Authority. This win utilised COE's new digital products in a hybrid system with COE's leading X-Net fibre transmission products and represents the largest win for COE in 4 years. During the year the Group tripled its sales presence in the rapidly growing market of Asia Pacific in order to pursue more of these larger size opportunities.

Chairman's Statement (continued)

With its new digital products now firmly established, as evidenced by significant contract wins, the Group is well positioned to capitalise on the market transition from analogue to digital and with its lower cost base can now do so from a stronger base.

Financial report

Turnover of £4,185k (2007: £3,976k) was restricted to 5% growth despite a 16% increase in order intake due to the longer delivery schedules of larger contracts.

Gross margins increased from 43% to 54% resulting in a 31% increase in absolute gross profit to £2,241k (2007: £1,713k). The growth in the gross margin percentage is attributed to better material sourcing.

Overheads increased significantly during the year to £3,436k (2007: £2,936k) resulting in a pre-exceptional operating loss of £1,195k (2007: £1,223k).

The Group adopted International Financial Reporting Standards (IFRS) during the year and the comparative figures have been re-stated accordingly. The main difference under IFRS is the treatment of research and development expenditure. Under UK GAAP this was expensed as incurred. IFRS requires the expenditure which meets certain criteria to be capitalised and amortised over the period of its economic benefit.

Balance sheet and financing

The Group continued to consume cash as it invested in expansion and the net cash position at 30 June 2008 was £21k (2007: £854k).

The loan notes which had been on the balance sheet since 2003 together with the ring-fenced monies on deposit expired on 31 December 2007. These loan notes have therefore been repaid and, subject to HM Revenue & Customs approval, this allows Venture Capital Trusts to gain income tax relief against purchases of new shares in the Company from 1 January 2008.

Board and staff changes

A Global Sales Director, Mark Norton was hired in September 2007. Mark brings extensive experience from the IT industry including a lengthy period of growth with Compaq Computer from start-up to billion dollar turnover. An Engineering Manager also joined during the period from Pace Micro Technology, bringing over 15 years' project management experience including over 10 years managing embedded and PC software development and maintenance.

On 11 January 2008, the Board announced that Stephen Allott was stepping down as Chairman and resigning from the Board. Stephen has helped COE formally and informally for over 3 years and we wish him well. Following Stephen's resignation, I took over as Non-Executive Chairman.

On 19 March 2008 Anton Elsborg joined as a Non-Executive Director. Anton has a wealth of finance and operational experience. From 1990 to 1998 he was Finance Director of David Brown Group plc during which time he was involved in its restructure, return to profitability, flotation and eventual take-over by Textron Inc.

In July 2008 the Board announced a restructuring plan designed to more efficiently deliver growth. As a result of the restructuring Andrew Wallace left the business. Ian Jefferson, formerly Finance Director took over as CEO and Mark Norton was appointed to the Board.

Chairman's Statement (continued)

Post balance sheet events

In July 2008 IP Group plc (IP Group), a major shareholder in COE, put in place a £350k loan facility in order that the Group could implement a restructuring plan designed to align costs with anticipated revenue. This restructure is complete and as previously noted the Group recorded an operating profit (before re-organisation costs) in the first quarter of FY09.

In November 2008 the Group announced that it had raised approximately £940k by way of a share issue. These funds will provide the working capital headroom required by the Group as it continues to implement its growth plans. The Group also took the opportunity during the share issue to convert the £350k loan from IP Group to ordinary shares which will further improve the financial position of the Group

Conclusion and outlook

The Board is focussed on continuing to progress the development of the Group and build on its reputation and customer base in the fast growing transport and industrial sectors of the video surveillance markets.

With its new digital products launched and the current growth being experienced in the Group's pipeline of opportunities the Board believes that any downturn resulting from recent economic conditions will likely be more than compensated for by the increase in available market and looks forward to the future with confidence.

Following the Board changes and company restructuring post year end I feel confident we have a sound base to grow the business and capitalise on its strengths and experience.

Dr Alison Fielding
Chairman

Board of Directors

Dr Alison Fielding (Age 44) – Non-Executive Chairman

Dr Fielding is currently the Director of Technology Transfer at IP Group plc, the intellectual property commercialisation company. She has many years' experience in identifying and commercialising a diverse range of new technologies, encompassing electronics, software, remote power sources, speciality chemicals, medical devices and pharmaceuticals, and of managing companies in a senior capacity.

Previously, she spent five years at McKinsey & Co where she consulted on issues such as business strategy, international growth, organisational design and financial turnaround. Prior to McKinsey, Dr Fielding spent four years as a development chemist for Zeneca, where she worked commercialising new technologies in the speciality chemicals and agrochemicals divisions. She holds an MBA with distinction from Manchester Business School, a PhD in organic chemistry and a first class degree in chemistry from the University of Glasgow.

Ian Jefferson (Age 38) – Chief Executive Officer

Ian, who was appointed Chief Executive Officer on 7 July 2008 having initially joined COE on 20 February 2007 as Finance Director, has an extensive background in finance and operational roles in industrial businesses.

Ian joined COE from the 600 Group Plc, a £70 million turnover LSE-quoted technology business operating from some 30 locations world-wide, where he was Group Financial Controller. Prior to this, Ian was at Heywood Williams Plc for 7 years. During this period he spent 5 years as Finance & Operations Director of Mila Hardware Ltd, a £40 million turnover wholly owned subsidiary of the plc. Ian qualified as a Chartered Accountant with Robson Rhodes and holds an MSc in Applied Radiation Physics and a BSc in Physics and Electronics.

Mark Marriage IEng MII E (Age 46) – Technical Director

Mark Marriage was a founder shareholder of COE Limited in 1989 and originally acted as Production Manager.

Mark began his career at STC Defence Systems plc where he gained significant experience in the design and production of fibre based transmission systems. He now heads COE Technical Services Group providing customers with pre and post sales support.

Anton Elsborg (Age 57) – Non-Executive Director

Anton Elsborg was appointed as a Non-Executive Director of COE on 19 March 2008. Anton is an experienced CFO and Non Executive Director.

During his career Anton was the Financial Director of David Brown Group plc from 1990 to 1998 during which time he was involved in its restructuring and return to profitability which led to a flotation, and the eventual take-over by Textron Inc.

Anton holds a BSc (Hons) in Chemical Engineering and MSc in Industrial Management.

Mark Norton (Age 52) – Global Sales Director

Mark Norton was appointed as Director on 7 July 2008.

Mark brings several years' experience in technology sales to COE. Mark's highest profile role was participating in the founding of Compaq Computer Corp in the UK. Joining as one of its first account executives he rose through account management, channel management and commercial roles for the UK and Ireland. Mark then took responsibility for integrating digital equipment into Compaq.

Board of Directors (continued)

Mark's final role was that of Group Sales Director UK and Ireland, and within 2 years in this role he delivered substantial growth to a turnover of \$3.2b (50% hardware and 50% services).

Since leaving Compaq, Mark has applied his experience to smaller global technology businesses and his roles have included; Sales & Marketing Director at Amaze, VP at Stratus Technologies Inc, and VP and GM of International Operations at Clear Cube Technology Inc with responsibility for all operations outside of North America.

Mark holds a BA (Hons) in Marketing and Engineering.

Directors' Report

for the year ended 30 June 2008

The Directors present their Annual Report together with the audited financial statements for the year ended 30 June 2008.

Principal activities

The principal activity of the Group is the development, sale, and long term support of networked analogue and digital video surveillance systems.

Review of the business and future developments

A review of the business and future developments is contained in the Chairman's Statement on pages 3 to 5.

Note 30 to the financial statements identifies share issue arrangements after 30 June 2008.

Results and dividends

Details of the Group's results are shown in the consolidated profit and loss account and related notes. The Directors are unable to recommend the payment of a dividend in respect of the year ended 30 June 2008 (2007: nil).

Directors and their interests

The Directors of the Company at the date of this report are set out on page 6.

The beneficial shareholdings of the Directors in the shares of the Company at 30 June 2008 and 30 June 2007 were as follows:

	30 June 2008		30 June 2007	
	Ordinary shares of 1p each Number*	Deferred shares of 1p each Number*	Ordinary shares of 1p each Number*	Deferred shares of 1p each Number*
Andrew Wallace (resigned 7 July 2008)**	2,431,407	2,400,000	2,431,407	2,400,000
Mark Marriage	81,300	1,951,200	81,300	1,951,200
Ian Jefferson	–	–	–	–
Alison Fielding***	246,094	–	246,094	–
Anton Elsborg (appointed 18 March 2008)	–	–	–	–
Stephen Allott (resigned: 11 January 2008)	–	–	–	–

*or at date of appointment if later.

**2,015,757 Shares are held under the COE Group PLC Executive Share Ownership Plan.

***Dr Alison Fielding has a beneficial interest of 246,094 ordinary shares of 1p each in the Company. The beneficial interest arose on 25 August 2006 prior to Dr Fielding's appointment to the Board through an executive bonus scheme operated by her employer, IP Group plc ("IP Group"). The shares are registered in the name of IP2IPO Nominees Limited, a wholly owned subsidiary of IP Group, which retains the voting rights attached to the shares. For a period of nine months from the date of change in the beneficial ownership, the Board of IP Group can, in its sole discretion, require that the beneficial interest is transferred back to IP Group. In addition, if Dr Fielding leaves the employment of IP Group within 12 months of the date of change in the beneficial ownership, she is required to surrender the beneficial interest back to IP Group for nil consideration. If she leaves IP Group employment with 24 months, she is required to surrender 50 per cent of the beneficial interest for nil consideration.

Mark Norton was appointed as Director on 7 July 2008. At that time he had no beneficial shareholding in the shares of the Company but held options over 223,944 Ordinary shares of 1p each.

Directors' Report (continued) for the year ended 30 June 2008

The Directors' interests in the share options of the Company were as follows:

		Options held at 1 July 2007	Options Granted in year	Options held at 30 June 2008
Mark Marriage	1999 Approved share option scheme	158,000	–	158,000
Andrew Wallace	1999 Approved share option scheme	58,536	105,268	163,804
	1999 Unapproved share option scheme	82,412	–	82,412
Ian Jefferson	1999 Approved share option scheme	215,000	–	215,000
	1999 Unapproved share option scheme	8,944	–	8,944

Authority to purchase own shares

No shareholder authority existed at 30 June 2008 for the Company to purchase its own shares.

Research and development

The Group has continued its development programme based on IP video technology which has resulted in the delivery of several major hybrid technology projects. The integration of network video recording technology into its IP hardware platform has been completed enabling sophisticated live and recorded video management application solutions to be realised.

Principal risks and uncertainties

The Group's operations expose it to a number of risks, the most significant of which the Directors consider to be achieving turnover growth targets, competition and credit risk. The Group has a rigorous and comprehensive recruitment process, together with detailed induction procedures, to ensure that newly recruited sales staff have the necessary skills to succeed in the competitive market in which the company operates. The competitive risk is mitigated to some extent by the geographical diversity of the Group's operations which reduces its exposure to any single competitor's action.

The Group continues to invest significantly in research and development in order to maintain a technically competitive product range, and furthermore, to ensure that technology is used to reduce production costs where this is commercially viable.

The Group has established procedures to ensure that appropriate customer credit checks and limits are used, together with reviews and approvals by senior management. For export sales, letters of credit are used to minimise the associated credit risk.

Key Performance Indicators (KPIs)

The Group's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. The Group's progress against its plans are set out in the Chairman's statement.

Overseas branch

The Group operates a branch in Singapore.

Directors' Report (continued)

for the year ended 30 June 2008

Substantial shareholdings

The only holdings of 3% or more in the issued ordinary share capital of the parent Company of which the Directors are aware as at the date of this report are:

	Number of ordinary shares	% of share capital
IP2IPO Limited *	11,043,163	30.0%
Richard Farleigh	4,067,565	11.0%
P H Nominees Limited	3,914,005	10.7%
BNY (OCS) Nominee Limited	3,652,780	9.9%
COE Group PLC Employment Benefit Trust 2006**	2,015,757	5.5%
Partnership Investment Finance Equity Fund	1,502,938	4.1%
I P Group Limited	1,252,447	3.4%

* Dr Alison Fielding has a beneficial interest in 264,094 of these shares as detailed under Directors and their interests on page 8.

** Andrew Wallace has an interest in these shares pursuant to the COE Group PLC Executive Share Ownership Plan as detailed under Directors and their interests on page 8.

Creditor payment policy

It is the Group's policy to agree terms of payment with its suppliers when agreeing the terms of a business transaction. Suppliers are aware of this procedure and the Group abides by the agreed payment terms subject to terms and conditions being met by the supplier. The average payment term applied across the Group is 88 days (30 June 07: 80 days).

As the parent Company is a holding company it has no trade creditors, accordingly, no disclosure can be made of year-end creditor days.

Political and charitable donations

The Group made no charitable or political donations in the year ended 30 June 2008 (2007: £nil).

Independent Auditors

A resolution to reappoint the independent auditors, PricewaterhouseCoopers LLP, will be proposed at the Annual General Meeting.

By order of the Board

Ian Jefferson
Company Secretary

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and parent Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing those financial statements the Directors are required to:-

- select suitable accounting policies and then apply them consistently, with the exception of the changes arising on the adoption of new accounting standards in the year as explained under Accounting Policies;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS as adopted by the European Union; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary. This statement should cover the Parent Company and the Group as a whole.

The Directors confirm that they have complied with the above requirements in preparing the financial statements. The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also required to provide the Company's auditors with all relevant audit information to enable them to complete their audit. So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and that each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The financial statements of the Company are published on www.coe.co.uk, which is a website maintained by the Company. The work carried out by the independent auditors does not involve consideration of the maintenance and integrity of this website and, accordingly, the independent auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

By order of the Board

Ian Jefferson
Company Secretary

Independent Auditors' Report to the members of COE Group PLC

We have audited the Group and parent Company financial statements (the "financial statements") of COE Group PLC for the year ended 30 June 2008 which comprise the Group Income Statement, the Group and parent Company Balance Sheets, the Group and parent Company Statements of Changes in Equity, the Group and parent Company Cash Flow Statements and related notes.

These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the parent Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

The information given in the Directors' Report includes specific information presented in the Chairman's Statement that is cross referenced from the Directors' Report.

In addition we report to you if, in our opinion, the Group and the parent Company have not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group and parent Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent Auditors' Report to the members of COE Group PLC (continued)

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 30 June 2008 and of the Group's loss and cash flows for the year then ended;
- the parent Company financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent Company's affairs as at 30 June 2008 and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds

Group Income Statement

for the year ended 30 June 2008

		Year ended	Year ended
		30 June	30 June
	Note	2008	2007
		£'000	£'000
Revenue	1	4,185	3,976
Cost of sales		(1,944)	(2,263)
Gross profit		2,241	1,713
Administrative expenses		(3,438)	(2,943)
Other operating income	2	2	7
Operating loss before exceptional items		(1,195)	(1,223)
Exceptional profit on disposal of property	3	-	368
Operating loss		(1,195)	(855)
Financial income	4	558	908
Financial expense	5	(478)	(826)
Loss on ordinary activities before taxation	6	(1,115)	(773)
Taxation	9	62	23
Loss after taxation and sustained loss for the year	24	(1,053)	(750)
Basic and diluted loss per share	11	(4.7p)	(4.8p)

All of the above activities are derived from continuing operations.

The Group has no recognised gains and losses other than those included in the income statement above and therefore no separate statement of recognised income and expense has been presented.

Balance Sheets

at 30 June 2008

	Note	Consolidated		Parent Company	
		2008 £'000	2007 £'000	2008 £'000	2007 £'000
Non-current assets					
Property, plant and equipment	12	72	77	-	-
Intangible assets	13	340	245	-	-
Investments	14	-	-	-	-
		412	322	-	-
Current assets					
Inventories	15	236	167	-	-
Trade and other receivables	16	1,104	1,082	-	-
Money market investments and deposits	17	-	18,342	-	18,342
Cash and cash equivalents	17	384	854	-	27
		1,724	20,445	-	18,369
Total assets		2,136	20,767	-	18,369
Current liabilities					
Loan notes	19	-	18,342	-	18,342
Trade and other payables	18	2,020	1,314	185	95
		2,020	19,656	185	18,437
Non Current liabilities					
Provisions for liabilities and charges	20	116	122	-	-
		116	122	-	-
Total liabilities		2,136	19,778	185	18,437
Net assets/(liabilities)		-	989	(185)	(68)
Capital and reserves					
Called up share capital	22	1,312	1,312	1,312	1,312
Share premium		3,629	3,629	3,629	3,629
Profit and loss account		(4,941)	(3,952)	(5,126)	(5,009)
Equity shareholders' funds/(deficit)	24	-	989	(185)	(68)

The financial statements on pages 14 to 41 were approved by the Board on 22 December 2008 and signed on its behalf by:

Ian Jefferson
Director

Statement of Changes in Equity for the year ended 30 June 2008

	Share Capital £'000	Share Premium £'000	Profit and Loss Account £'000	Total Equity £'000
Group				
At 1 July 2006	1,133	1,408	(3,035)	(494)
Loss for the year ended 30 June 2007	–	–	(750)	(750)
Issue of shares	179	2,221	–	2,400
Share based costs recognised in the year	–	–	53	53
Finance for employee share option plan trustees to acquire shares	–	–	(220)	(220)
At 1 July 2007	1,312	3,629	(3,952)	989
Loss for the year ended 30 June 2008	–	–	(1,053)	(1,053)
Share based costs recognised in the year	–	–	64	64
At 30 June 2008	1,312	3,629	(4,941)	–
Company				
At 1 July 2006	1,133	1,408	(2,703)	(162)
Loss for the year ended 30 June 2007	–	–	(2,086)	(2,086)
Issue of shares	179	2,221	–	2,400
Finance for employee share option plan trustees to acquire shares	–	–	(220)	(220)
At 1 July 2007	1,312	3,629	(5,009)	(68)
Loss for the year ended 30 June 2008	–	–	(117)	(117)
At 30 June 2008	1,312	3,629	(5,126)	(185)

Cash Flow Statements

for the year ended 30 June 2008

	Note	Consolidated		Parent Company	
		2008 £'000	2007 £'000	2008 £'000	2007 £'000
Cash flows from operating activities					
Operating loss		(1,195)	(855)	(131)	(114)
Depreciation		54	54	-	-
Amortisation of intangible assets		245	429	-	-
Exceptional profit on disposal of property		-	(368)	-	-
Expenditure on intangible assets		(340)	(245)	-	-
(Increase)/decrease in inventories		(69)	314	-	-
(Increase)/decrease in trade and other receivables		(2)	474	-	14
Increase/(decrease) in trade and other payables		343	(704)	90	(108)
(Decrease)/increase in provisions		(6)	38	-	-
Advances to subsidiary undertakings		-	-	(64)	(2,115)
Share based payment charge		64	53	-	-
Share option plan		-	-	-	(220)
Interest paid		(478)	(826)	(467)	(755)
Taxation received		42	66	-	-
Net cash flow from operating activities		(1,342)	(1,570)	(572)	(3,298)
Cash flows from investing activities					
Proceeds from disposal of freehold property		-	1,304	-	-
Purchase of property, plant and equipment		(49)	(57)	-	-
Interest received		558	908	545	898
Net cash flow from investing activities		509	2,155	545	898
Cash flows from financing activities					
Proceeds from issue of shares		-	2,400	-	2,400
Repayment of loans		(18,342)	(362)	(18,342)	(152)
Decrease in money market investments and deposits		18,342	152	18,342	152
Net cash flow from financing activities		-	2,190	-	2,400
(Decrease)/increase in cash and cash equivalents					
		(833)	2,775	(27)	-
Cash and cash equivalents at the beginning of the year		854	(1,921)	27	27
Cash and cash equivalents: at the end of the year*	17	21	854	-	27

* Cash and cash equivalents at 30 June 2008 for the Group comprises cash balances of £384,000 (2007: £854,000) and bank overdraft balances of £363,000 (2007: £nil).

Accounting Policies

for the year ended 30 June 2008

Basis of preparation

COE Group PLC is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on AIM.

The financial statements of the Group and parent Company are prepared under the historical cost convention with the exception of share based payments which are recognised at fair value and in accordance with the Group's accounting policies set out below which are based on the recognition and measurement principles of International Financial Reporting Standards (IFRS) in issue and adopted by the European Union and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2007 or later periods. Adoption of these standards is not anticipated to have any material effect on the current financial position or performance of the Group.

(a) Standards, amendments and interpretations effective for the year ended 30 June 2008 but not relevant to the Group

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but have no material impact on the Group:

IFRS 4, 'Insurance Contracts'

IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies'

IFRIC 8, 'Scope of IFRS 2'

IFRIC 9, 'Re-assessment of embedded derivatives'

IFRIC 10, 'Interim financial reporting and impairment'

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but have not been adopted early:

IAS 23 (Amendment), 'Borrowing costs' (effective annual periods beginning on or after 1 January 2009) - It is not expected that this amendment will have an impact on the Group's results as the Group does not have a significant amount of assets in the course of development

IFRS 8, 'Operating segments' (effective annual periods beginning on or after 1 January 2009) – It is not expected that this standard will significantly impact on the Group's segmental disclosures

IFRIC 14, 'IAS 19 - the limit on a defined benefit asset, minimum funding requirements' (effective for annual periods beginning on or after 1 January 2008)

Accounting Policies (continued) for the year ended 30 June 2008

(c) Interpretations to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations.

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions'
- IFRIC 12, 'Service concession arrangements'
- IFRIC 13, 'Customer loyalty programmes'

Adoption of IFRS

These represent the first annual financial statements the Group has prepared in accordance with its accounting policies under IFRS and the comparatives for the prior year have been restated from UK GAAP to comply with IFRS. A description of how the Group's reported performance and financial position were affected by the change, including reconciliations from UK GAAP to IFRS for prior period results, is provided in note 29. For the purpose of the accounts, the date of transition to IFRS is 1 July 2006.

The rules for first time adoption of IFRS are set out in IFRS 1 "First time adoption of International Financial Reporting Standards". In general, a Company is required to determine its IFRS accounting policies and apply these retrospectively to determine its opening balance sheet under IFRS. The standard allows a number of exceptions to this general principle to assist companies as they change to reporting under IFRS. The Group has taken advantage of the following exemptions:

Business combinations that took place prior to the date of transition have not been restated and all cumulative translation differences that existed at the date of transition are assumed to be zero.

Basis of consolidation

The Group's financial statements consolidate the financial statements of the Company and its subsidiary undertakings. The results of any subsidiaries sold or acquired are included in the Group income statement up to, or from, the date control passes. All intra-Group balances and transactions, including unrealised profits arising from intra-Group transactions, are eliminated fully on consolidation.

Foreign currency translation

The functional and presentation currency of the Group is Sterling.

Transactions denominated in foreign currencies are translated into Sterling at the rates of exchange ruling on the date of the transaction. Monetary assets and liabilities are translated into Sterling at the rate of exchange ruling at the balance sheet dates.

All other exchange differences are dealt with through the income statement.

Revenue recognition

Revenue represents the total of the amounts invoiced to customers outside the Group for goods supplied and services rendered, excluding VAT, and after deducting discounts allowed and credit notes issued. Revenue is recognised at the point at which goods are supplied or services are rendered to customers.

Accounting Policies (continued)

for the year ended 30 June 2008

Equity

Equity comprises the following:

Share capital represents the nominal value of equity shares.

Share premium represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.

Profit and loss reserve represents retained profits.

Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services within a particular geographical segment.

Pensions and post-retirement health benefits

The Group makes payments into a defined contribution pension scheme on behalf of certain directors and employees.

These costs are recognised immediately in the income statement as incurred. The Group provides no other post-retirement benefits to its employees.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the separable identifiable net assets acquired. Goodwill arising on acquisition of subsidiaries and businesses is capitalised as an asset.

In accordance with IFRS 3 "Business combinations", goodwill has been frozen at its net book value as at 1 July 2006 and will not be amortised. Instead it will be subject to an annual impairment review with any impairment losses being recognised immediately in the income statement.

Property, plant and equipment

Property, plant and equipment is held at cost less accumulated depreciation.

Depreciation is calculated to write off the cost (or amount of any valuation) of property, plant and equipment less the estimated residual value on a straight-line basis over the expected useful economic life of the assets concerned. The annual rates used are:

- | | |
|---|---------|
| – fixtures, fitting tools and equipment | 4 years |
| – plant and machinery | 4 years |

Intangible assets

Development expenditure is recognised as an intangible asset only when the Group can demonstrate the technical feasibility of completing the project so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during development. Following initial recognition of development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use.

Accounting Policies (continued)

for the year ended 30 June 2008

It is amortised over the period of expected future benefit. During the period of development, the asset is tested annually for impairment.

Inventories

Inventories are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items. Cost is determined on a first in, first out basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated costs necessary to make the sale.

Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less allowance for any un-collectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as described above, net of outstanding bank overdrafts.

Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. The Group's liability for income tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which an asset can be utilised. Deferred tax is calculated with reference to the rates that are substantially enacted at the balance sheet date and expected to apply in the period when the liability is settled or the asset is realised.

Operating leases

The rental costs of all operating leased assets are charged against profits on a straight-line basis.

Share-based payments

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). The cumulative expense recognised for the equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors of the Group and based on the best available estimates at that date, will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expenses recognised as at the beginning and end of that period.

Accounting Policies (continued) for the year ended 30 June 2008

Charges for employee services received in exchange for share-based payment have been made for all options granted after 7 November 2002 in accordance with IFRS 2 "Share based payments". The fair value of such options has been calculated using the Black Scholes model, based upon publicly available market data at the point of grant.

Financial instruments

The Group may use derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the income statement.

The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, although there remains uncertainty over timing or the amount of the obligation, and a reliable estimate can be made of the amount of the obligation.

Impairment

The carrying amount of the Group's assets, other than inventories and deferred tax assets (see accounting policies above), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset of its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the consolidated income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then, to reduce the carrying amount of the other assets of the unit on a pro rata basis.

When an impairment loss subsequently reverses, the carrying value of the asset (CGU) is increased to the revised estimate of its recoverable amount but so that the increased carrying value does not exceed the carrying value that

Accounting Policies (continued)

for the year ended 30 June 2008

would have been determined had no impairment loss been recognised for the asset (CGU) in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

Exceptional items

Exceptional items are non-recurring material items which are outside the normal scope of the Group's ordinary activities such as profits from the disposal of property. Such items are disclosed separately within the financial statements.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The nature of estimation means that actual outcomes could differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities with the next financial year are discussed below.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Notes to the financial statements

1 Segmental information

Primary reporting format – business segments :

The Directors regard the Group as operating in one primary segment, being the design, manufacture and supply of video surveillance equipment. All of the Group's revenue, expenses, results, assets and liabilities are in respect of the design, manufacture and supply of video surveillance equipment.

Secondary reporting format – geographical segments:

	2008	2007
	£'000	£'000
The geographical analysis of revenue by destination is:		
United Kingdom	1,712	1,606
Europe	1,196	639
Asia and the rest of the world	1,277	1,731
	4,185	3,976

The Group's entire revenue originates from the United Kingdom. All assets are located in the United Kingdom and all capital expenditure arises in the United Kingdom.

2 Other operating income

	2008	2007
	£'000	£'000
Government grants receivable	2	7

Government grants receivable are in respect of awards for research and development.

3 Sale of freehold land and buildings

	2007
On 6 December 2006 the Group exchanged contracts to sell its freehold property for a consideration of £1.425m.	
The profit (excess of net proceeds over previously depreciated cost) on sale amounted to	£ 368,000

No chargeable gain arose on the sale after allowing for indexation allowance.

The Group continues to occupy part of the property under lease arrangements and pays rent at the market rate.

4 Financial income

	2008	2007
	£'000	£'000
Interest received on cash at bank	14	11
Interest received on pledged deposit account	544	897
Financial income	558	908

Notes to the financial statements (continued)

5 Financial expenses

	2008	2007
	£'000	£'000
Interest payable on Loot loan notes – repaid during the year	(467)	(754)
Interest payable on bank loans and overdrafts	(11)	(72)
Financial expenses	(478)	(826)

6 Loss on ordinary activities before taxation

	2008	2007
	£'000	£'000
Loss on ordinary activities is stated after charging/(crediting):		
Depreciation of property, plant and equipment	54	54
Amortisation of intangible assets	245	429
Research and development costs expensed	176	102
Operating lease rentals:		
– property	121	58
– motor vehicles	52	26
Fees payable to the Company's Auditor for the audit of the parent company and the consolidated accounts	10	10
Other fees payable to the Company's Auditor:		
– audit of the Company's subsidiaries pursuant to legislation	15	15
– other services pursuant to legislation	3	3

7 Directors' emoluments

	2008	2007
	£'000	£'000
Basic salary and fees	411	340
Benefits in kind	29	22
	440	362
Compensation on termination arrangements	18	–
Pension contributions to defined contribution pension schemes	23	20
Total emoluments	481	382

The Executive Directors are paid a basic salary plus benefits in kind which include private medical cover, life assurance cover and a fully expensed car (or an allowance) plus a discretionary bonus based on Company performance. The Non-Executive Directors are entitled to a fee plus reimbursement of expenses incurred.

The Executive Directors all have service contracts which are terminable on giving either 6 or 12 months notice by the Company and 6 months notice by the Director. The Non-Executive Directors all have agreements with the Company which are terminable at any time by the Company or by the Director giving one month notice. No compensation for loss of office is due to the Non-Executive Directors upon termination of office nor are they entitled to participate in any bonus arrangements.

Notes to the financial statements (continued)

7 Directors' emoluments (continued)

There are pension benefits accruing to 3 Directors (2007: 3 Directors) under defined contribution pension arrangements the assets of which are held independently of the Group.

Highest paid Director

	2008	2007
	£'000	£'000
Basic salary and fees	198	176
Benefits in kind	9	9
	207	185
Compensation on termination arrangements	18	–
Pension contributions to defined contribution pension schemes	10	11
Total emoluments	235	196

8 Staff numbers and costs

The average number of persons (full time equivalents) employed by the Group (including Directors) during the year, analysed by category, was as follows:

	2008	2007
	Number	Number
Administrative	6	6
Sales	12	8
Overseas	6	7
Production	9	11
	33	32

	2008	2007
	£'000	£'000
The aggregate payroll costs during the year were as follows:		
Wages and salaries	1,637	1,245
Social security costs	350	200
Pension costs	73	44
	2,060	1,489

The Group contributes to the defined contribution pension schemes of individual staff members, the assets of which are held independently of the Group.

Notes to the financial statements (continued)

9 Taxation

The analysis of the tax credit in the year is as follows:

	2008	2007
	£'000	£'000
United Kingdom		
Corporation tax at 20% (2007: 19%)	62	40
Adjustment in respect of prior years	-	(17)
Total current tax	62	23
Deferred tax	-	-
	62	23

The tax credit for the year differs from that calculated at the standard rate of UK corporation tax of 20% (2007: 19%).

The differences are explained below:

	2008	2007
	£'000	£'000
Loss on ordinary activities before tax	(1,115)	(773)
UK corporation tax at 20% (2007: 19%)	223	147
Effects of: Expenses not deductible for tax purposes	(12)	(4)
Property sale profit reliefs	-	40
Expenses enhanced for tax purposes	27	19
Change in tax rates – due to a specific claim	(20)	(15)
Tax losses not utilised	(156)	(147)
Adjustment in respect of prior years	-	(17)
Total current tax	62	23

10 Loss of the holding company

The Directors have taken advantage of the exemption available under Section 230 of the Companies Act 1985 and have not presented a profit and loss account for the Company alone. Of the consolidated sustained loss for the year, a loss of £117,000 (30 June 2007: £2,086,000) was dealt with in the profit and loss account of the Company.

11 Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

For diluted loss per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. Any potentially dilutive shares are deemed anti-dilutive in the event that a loss has been incurred. Consequently the basic and diluted loss per ordinary share are the same for the years ended 30 June 2008 and 2007.

Notes to the financial statements (continued)

11 Loss per share (continued)

The calculation of basic and diluted loss per share is based on the sustained loss for the year of £1,053,000 (2007: £750,000) divided by the weighted average number of ordinary shares in issue during the year of 22,394,397 (2007: 15,748,275).

	Loss 2008 £'000	Loss per share 2008 p	Loss 2007 £'000	Loss per share 2007 p
Loss attributable to shareholders	1,053	4.7	750	4.8

12 Property, plant and equipment

Group

	Plant and Machinery £'000	Fixtures Fittings Tools and Equipment £'000	Total £'000
Cost			
At 1 July 2007	23	364	387
Additions	17	32	49
Disposals	–	–	–
At 30 June 2008	40	396	436
Depreciation			
At 1 July 2007	23	287	310
Charge for the year	5	49	54
Disposals	–	–	–
At 30 June 2008	28	336	364
Net book value			
At 30 June 2008	12	60	72
At 30 June 2007	–	77	77

Company

The Company has no property, plant and equipment (30 June 2007: £nil).

Notes to the financial statements (continued)

13 Intangible assets

Group	Research & Development		Total £'000
	Goodwill £'000	£'000	
Cost			
At 1 July 2007	2,435	674	3,109
Additions	–	340	340
Disposals	–	–	–
At 30 June 2008	2,435	1,014	3,449
Amortisation			
At 1 July 2007	2,435	429	2,864
Charge for the year	–	245	245
Disposals	–	–	–
At 30 June 2008	2,435	674	3,109
Net book value			
At 30 June 2008	–	340	340
At 30 June 2007	–	245	245

Company

The Company has no intangible assets (30 June 2007: £nil).

14 Investments in subsidiary undertakings

	£'000
Cost	
At 30 June 2008 and 1 July 2007	2,731
Provisions	
At 30 June 2008 and 1 July 2007	2,731
Net book value	
At 30 June 2008 and 1 July 2007	–

The Directors have undertaken a review of the carrying value of the Company's investments and concluded that a full provision continues to be required against all of its subsidiaries.

The Company's material subsidiaries at 30 June 2008 were as follows:

Company	% holding	Business
COE Limited	100*	Network transmission products
Timeload Holdings Limited	100*	Holding Company
Timeload (UK) Limited	100	Holding Company
Timeload Local Limited	100*	Holding Company

* Direct subsidiary of the Company.

Notes to the financial statements (continued)

15 Inventories

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Raw materials and consumables	66	69	-	-
Finished goods and goods for resale	170	98	-	-
	236	167	-	-

Cost of inventory recognised as an expense £1,944k (30 June 2007: £2,263k).

16 Trade and other receivables

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade receivables	934	948	-	-
Corporation tax recoverable	60	40	-	-
Other receivables	81	88	-	-
Prepayments and accrued income	29	6	-	-
	1,104	1,082	-	-

Trade receivables are non-interest bearing and are generally on 30-90 days terms. At 30 June 2008, trade receivables of £934k (30 June 2007: £948k) were fully performing.

Bad debt provision recognised within trade receivables:	Group	Company
	£'000	£'000
At 1 July 2007	173	-
Decrease in the year	(28)	-
Utilised in the year	(31)	-
At 30 June 2008	114	-

Trade receivables that are past due are reviewed individually for impairment. At 30 June 2008 trade receivables of £6k (30 June 2007: £106k) were past due but not impaired. These relate to a number of independent customers for whom there is no history of default. Additionally there are no other indications that these receivables are not collectable in full.

The ageing analysis of these overdue but not impaired trade receivables is as follows:

	Past due but not impaired	
	Up to 3 Months	More than 3 months
	£'000	£'000
30 June 2008	6	-
30 June 2007	108	-

Notes to the financial statements (continued)

16 Trade and other receivables (continued)

The ageing analysis of the overdue and impaired trade receivables is as follows:

	Up to 3 Months £'000	More than 3 months £'000	Total £'000	Provision £'000	Net Balance £'000
30 June 2008	–	189	189	(189)	–
30 June 2007	–	364	364	(248)	116

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2008 £'000	2007 £'000
Sterling	738	706
Euros	196	242
	934	948

17 Cash and cash equivalents

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Money market investments and deposits	–	18,342	–	18,342
Cash and cash equivalents	384	854	–	27
Bank overdraft	(363)	–	–	–
	21	19,196	–	18,369
Less: pledged deposit account	–	(18,342)	–	(18,342)
Free cash	21	854	–	27

The pledged deposit account was repaid in December 2007 in conjunction with repayment of loan notes (see note 19).

18 Trade and other payables

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Bank overdrafts	363	–	–	–
Trade creditors	1,085	915	–	–
Amounts owed to subsidiary undertakings	–	–	8	8
Other taxes and social security	210	107	167	77
Accruals and deferred income	362	292	10	10
	2,020	1,314	185	95

Bank loans and overdrafts totalling £362,924 (2007: £nil) were secured on the assets of the Group. Furthermore a bank has provided a performance bond for a customer, supported by a bank account of the Group with a balance at 30 June 2008 of £330,000.

Notes to the financial statements (continued)

19 Financial instruments

The Group's borrowings, liquidity, interest rate and foreign exchange exposures are managed at Group level with the principal objective being to provide sufficient liquidity to meet operational cash flows. All treasury activity is monitored on a daily basis and operates within approved authorisation limits and dealing mandates.

The Group's interest rate management policy recognises that fixing rates on all of its debt eliminates the possibility of benefiting from rate reductions and, similarly, that having all of its debt at floating rates exposes the Group to rate increases. Therefore, the Group aims to limit the impact from interest rate increases whilst seeking to ensure that it benefits from rate reductions by reviewing its exposure profile regularly.

The Group's foreign exchange management policy aims to minimise exchange rate losses. Exchange rate movements are monitored on a regular basis and, if necessary, forward contracts are used to protect any specific risk that may occur as a result of trading.

Short-term debtors and creditors

Short-term debtors and creditors have been excluded from the disclosures.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

Liquidity risk

The Group prepares periodic working capital forecasts for the foreseeable future, allowing an assessment of the cash requirements of the Group.

Interest rate risk

The interest rate profile of the Group's financial assets was:

	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets on which no interest is paid £'000	Total £'000
At 30 June 2008				
Cash and cash equivalents	384	–	–	384
Money market investments and deposits	–	–	–	–
At 30 June 2008	384	–	–	384
At 30 June 2007				
Cash and cash equivalents	854	–	–	854
Money market investments and deposits	18,342	–	–	18,342
At 30 June 2007	19,196	–	–	19,196

Notes to the financial statements (continued)

19 Financial instruments (continued)

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

	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities on which no interest is paid £'000	Total £'000
At 30 June 2008				
Loot loan notes	–	–	–	–
Bank loans and overdrafts	363	–	–	363
At 30 June 2008	363	–	–	363
At 30 June 2007				
Loot loan notes	18,342	–	–	18,342
Bank loans and overdrafts	–	–	–	–
At 30 June 2007	18,342	–	–	18,342

Floating rate financial liabilities bear interest at rates based on LIBOR or bank base rates which are fixed in advance for periods of between one month and six months.

Fair values of financial assets and liabilities

Set out below is a comparison of book values and fair values of the Group's financial assets and liabilities:

	2008		2007	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Financial assets:				
Cash and cash equivalents	384	384	854	854
Money market investments and deposits	–	–	18,342	18,342
Financial liabilities:				
Loot loan notes	–	–	(18,342)	(18,342)
Bank loans and overdrafts	(363)	(363)	–	–

The fair value of cash and cash equivalents and money market investments and deposits approximate to carrying value because of the short maturity of these instruments. The fair value of the Loot loan notes and bank loans and overdrafts approximate to carrying value because of the short term maturity of the instruments.

Maturity profile of financial liabilities

The bank loans and overdraft were repayable on demand.

The Loot loan notes were repaid in full during the year.

Borrowing facilities

The Group has undrawn committed borrowing facilities of £212,000 (30 June 2007: £1,000,000) all of which expire within one year.

Notes to the financial statements (continued)

19 Financial instruments (continued)

Currency exposures

The Group operates in the United Kingdom, Europe and the Far East and as such invoices in local currencies. The table below shows the extent to which the Group has monetary assets and liabilities in currencies other than Sterling. Foreign exchange differences on the retranslation of these assets and liabilities are taken to the profit and loss account.

	Net foreign currency monetary assets			
	US Dollars £'000	Euros £'000	Other £'000	Total £'000
Functional currency				
2008				
Sterling	–	205	–	205
2007				
Sterling	–	287	–	287

Hedging

The Group has not undertaken any hedging activities in neither the current nor previous year.

Financial instruments held for trading purposes

The Group does not trade in financial instruments.

20 Provision for liabilities and charges

Warranties

	Group £'000	Company £'000
At 1 July 2007	122	–
Increase in the year	77	–
Utilised in the year	(83)	–
At 30 June 2008	116	–

The Group provides warranties on products for various lengths of time, the maximum period being five years. The provision recognises expected future costs of warranty claims on products sold by the balance sheet date. The whole of the expenditure provided for will be utilised within five years of the balance sheet date.

Notes to the financial statements (continued)

21 Deferred taxation

Group

No amounts were provided for deferred taxation as at 30 June 2008 or 30 June 2007. The amounts of unrecognised deferred taxation assets are analysed as follows:-

	2008	2007
	£'000	£'000
Capital allowances	28	25
Tax losses carried forward	857	675
Unprovided deferred tax asset	885	700

The deferred tax asset has not been recognised as the Directors do not consider it more likely than not that sufficient taxable profits will be available against which the asset can be recovered. Deferred taxation is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws substantively enacted at the balance sheet date.

Based on current capital investment plans, the Group expects to continue to be able to claim capital allowances in excess of depreciation in the future at similar levels to the current year.

Company

The Company has no unprovided deferred tax liabilities or unrecognised deferred tax assets in either period.

22 Share capital

	2008	2007
	£'000	£'000
Authorised		
31,000,000 (2007: 26,000,000) ordinary shares of 1p each	310	260
264,000,000 deferred shares of 1p each	2,640	2,640
	2,950	2,900
Allotted, called-up and fully paid		
22,394,397 ordinary shares of 1p each	224	224
108,763,200 deferred shares of 1p each	1,088	1,088
	1,312	1,312

The Deferred Shares have no rights other than a right to a return on a sale or winding up in circumstances where the return to shareholders on each Ordinary Share exceeds £1,000,000.

Notes to the financial statements (continued)

23 Share-based payments

During 2008 and 2007 the Company operated the following share-based payment arrangements, all of which are equity settled.

EMI Option Scheme – this was introduced in 2004 and is a standard tax-approved scheme which is offered to selected employees.

EMI Unapproved – this was introduced in 2004 and is a non tax-approved scheme which is offered to selected employees.

Executive Share Ownership Plan – this was introduced in 2006. Under the plan selected employees are, together with the Company's Employee Trust, granted a beneficial interest in shares of the Company. This interest entitles those employees to benefit from any increase in the market value of the shares that may occur following the date of the award.

At 30 June 2008, options over 1,743,304 ordinary shares were outstanding and comprised:

	Number of Options	Exercise Price
2004 Approved EMI	39,200	55.00p
2004 Approved EMI	58,536	51.25p
2004 Unapproved EMI	82,412	51.25p
2006 Approved EMI	780,000	11.00p
2006 Unapproved EMI	100,000	11.00p
2007 Approved EMI	215,000	46.50p
2007 Unapproved EMI	8,944	46.50p
2007 Approved EMI	379,212	34.00p
2007 Unapproved EMI	40,000	34.00p
2008 Approved EMI	40,000	21.00p

At 30 June 2008, beneficial interests under the Executive Share Ownership Plan were as follows:

	Interests Awarded	Market Value At Award
2006 ESOP	2,015,757	11.00p

Options under the EMI schemes have been granted under three year contracts and are exercisable during a period of seven years from vesting, subject to a share price increase of at least 25%.

The maturity date for the full number of shares under the ESOP awards is 4 September 2009, however, 811,544 are available on or after 4 September 2007 and a further 811,544 available on or after 4 September 2008.

Notes to the financial statements (continued)

23 Share-based payments (continued)

Fair value assumptions

The table below summarises the share-based payment awards that were made in 2004, 2006, 2007 and 2008 together with the models and assumptions that have been used to calculate the fair values. The fair value expense has been based on the fair value of the instrument granted, as calculated using appropriate derivative pricing models.

	EMI Approved 2004	EMI Approved 2004	EMI Unapproved 2004	EMI Approved 2006	EMI Unapproved 2006	ESOP 2006
Valuation model	Black-Scholes					
Date of grant	19 Jul 04	31 Aug 04	1 Apr 05	4 Sep 06	4 Sep 06	4 Sep 06
Number granted	39,200	58,536	82,412	780,000	100,000	2,015,757
Fair value (pence)	4.55	4.24	4.24	4.55	4.55	4.05
Share price at grant (pence)	11.00	10.25	10.25	11.00	11.00	11.00
Exercise price (pence)	55.00	51.25	51.25	11.00	11.00	12.65
Expected volatility (%pa.)	55	55	55	55	55	55
Expected dividends (%pa.)	0	0	0	0	0	0
Risk-free interest rate (%pa.)	4.90	4.90	4.90	4.90	4.90	4.90
Contractual Life	3 years	3 years	3 years	3 years	3 years	3 years
		EMI Approved 2007	EMI Unapproved 2007	EMI Approved 2007	EMI Unapproved 2007	EMI Approved 2008
Valuation model	Black-Scholes					
Date of grant		26 Mar 07	26 Mar 07	17 Oct 07	17 Oct 07	2 Jun 08
Number granted		215,000	8,944	379,212	40,000	40,000
Fair value (pence)		19.21	19.21	14.01	14.01	8.67
Share price at grant (pence)		46.50	46.50	34.00	34.00	21.00
Exercise price (pence)		46.50	46.50	34.00	34.00	21.00
Expected volatility (%pa.)		55	55	55	55	55
Expected dividends (%pa.)		0	0	0	0	0
Risk-free interest rate (%pa.)		4.90	4.90	4.90	4.90	4.90
Contractual Life		3 years	3 years	3 years	3 years	3 years

Expected volatility is based on an analysis of the Company's historical daily share price volatility. The risk-free interest rate is based on the yields on zero coupon Government bonds.

Notes to the financial statements (continued)

23 Share-based payments (continued)

The table below shows the movement in the number and weighted average exercise prices ('WAEP') of options outstanding:

	2008		2007	
	Number	WAEP	Number	WAEP
Outstanding at 1 July	3,553,449	16.14p	183,748	52.12p
Granted	459,212	32.87p	3,419,701	12.86p
Forfeited	(253,600)	11.62p	(50,000)	10.50p
Outstanding at 30 June	3,759,061	17.75p	3,553,449	16.14p
Exercisable at 30 June	180,148	52.12p	183,748	52.12p

For share options outstanding at 30 June 2008 the average remaining contractual life was 377 days. There has been no movement on the ESOP award since grant.

24 Reconciliation of movements in equity shareholders' funds/(deficit)

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Sustained loss	(1,053)	(750)	(117)	(2,086)
Finance for employee share option plan trustees to acquire				
Company shares	-	(220)	-	(220)
Share based payment charge recognised in the year	64	53	-	-
Net proceeds from issue of shares during the year	-	2,400	-	2,400
Net change in shareholders' funds/(deficit)	(989)	1,483	(117)	94
Opening shareholders' funds/(deficit)	989	(494)	(68)	(162)
Closing shareholders' funds/(deficit)	-	989	(185)	(68)

25 Capital commitments

The Group and the Company have no capital commitments at 30 June 2008 (30 June 2007: £nil).

26 Contingent liabilities

The Group has provided various warranties and indemnities as part of the sale of its former trading activities under which claims can be made by the purchasers. These claims have, in the majority of cases, fixed time periods which expired by 30 June 2004. However, tax warranties and indemnities continue to May 2009 and certain warranties and indemnities provided, have no time limit. No claims have been received by the Group to date and given the time limitations on the majority of the warranties and indemnities referred to and the passage of time since the warranties and indemnities were provided of over 3 years, the Directors do not expect any financial loss to arise.

Notes to the financial statements (continued)

27 Financial commitments

At 30 June 2008 the Group had aggregate commitments under non-cancellable operating leases payable as follows:

	Land and buildings		Other	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Within one year	108	86	18	11
Between two to five years	307	415	16	23
After five years	-	-	-	-
	415	501	34	34

28 Related party disclosures

S Allott a Director of the Company during the year holds an interest in Trinamo Limited. During the year charges were levied by Trinamo Limited for services provided to the Group (including Director's fees) and amounting to £26,000.

IP Group plc employs A Fielding a Director of the Company. IP Group plc charged the Group for Director's fees amounting to £13,500.

A loan from the Group of £4,000 to M Norton was outstanding at 30 June 2008. He was appointed as a Director of the Company on 7 July 2008.

Directors' emoluments (which constitute key management compensation) are disclosed in note 7.

29 Transition to IFRS

These financial statements are the Group's first to be prepared under IFRS. In preparing its opening IFRS balance sheet and comparative information for 2007, certain amounts previously reported in financial statements prepared in accordance with UK GAAP have been adjusted. An explanation of how the transition from UK GAAP to IFRS has affected the Group's reported financial position and financial performance is set out below. There have been no changes to the Group's cash flows as a result of the transition.

Whereas under UK GAAP Research and Development (R&D) expenditure was charged against revenue as it was incurred, under IFRS relevant expenditure is capitalised as an Intangible Fixed Asset and is amortised over its useful economic life.

The accounting policies include further detail on what qualifies as development expenditure to be capitalised.

The transition to IFRS has had no effect on the figures for the Company.

Notes to the financial statements (continued)

29 Transition to IFRS (continued)

Shareholders Equity – Group

	UK GAAP at 30 June 2007	R & D expenditure capitalised	R & D expenditure amortised	IFRS at 30 June 2007
	£'000	£'000	£'000	£'000
Issued share capital	1,312	–	–	1,312
Share premium	3,629	–	–	3,629
Profit and loss account	(4,197)	674	(429)	(3,952)
	744	674	(429)	989

	UK GAAP at 1 July 2006	R & D expenditure capitalised	R & D expenditure amortised	IFRS at 1 July 2006
	£'000	£'000	£'000	£'000
Issued share capital	1,133	–	–	1,133
Share premium	1,408	–	–	1,408
Profit and loss account	(3,464)	429	–	(3,035)
	(923)	429	–	(494)

Consolidated Income Statement

	UK GAAP year ended 30 June 2007	R & D expenditure capitalised	R & D expenditure amortised	IFRS year ended 30 June 2007
	£'000	£'000	£'000	£'000
REVENUE	3,976	–	–	3,976
Cost of sales	(2,263)	–	–	(2,263)
GROSS PROFIT	1,713	–	–	1,713
Administrative expenses	(2,759)	245	(429)	(2,943)
Other operating income	7	–	–	7
OPERATING LOSS	(1,039)	245	(429)	(1,223)
Profit on sale of freehold land and buildings	368	–	–	368
Financial income – interest receivable	908	–	–	908
Financial expense – interest payable	(826)	–	–	(826)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(589)	245	(429)	(773)
Taxation	23	–	–	23
LOSS AFTER TAXATION AND SUSTAINED LOSS FOR THE YEAR	(566)	245	(429)	(750)

Notes to the financial statements (continued)

29 Transition to IFRS (continued)

Consolidated Net Assets

	UK GAAP at 30 June 2007 £'000	R & D expenditure capitalised £'000	R & D expenditure amortised £'000	IFRS at 30 June 2007 £'000
Fixed assets				
Intangible fixed assets	–	674	(429)	245
Tangible fixed assets	77	–	–	77
Investments	–	–	–	–
	77	674	(429)	322
Current assets				
Stocks	167	–	–	167
Debtors	1,082	–	–	1,082
Money market investments and deposits	18,342	–	–	18,342
Cash at bank and in hand	854	–	–	854
	20,445	–	–	20,445
Creditors – amounts falling due within one year				
Loan notes	18,342	–	–	18,342
Other creditors	1,314	–	–	1,314
	19,656	–	–	19,656
Net current assets/(liabilities)	789	–	–	789
Total assets less current liabilities	866	674	(429)	1,111
Creditors – amounts falling due after more than one year				
Provisions for liabilities and charges	(122)	–	–	(122)
Net assets/(liabilities)	744	674	(429)	989

30 Events subsequent to the Balance Sheet date

£1,291,500 was raised post year to strengthen the balance sheet and provide adequate working capital for future growth. Of the new funds £941,500 was raised via an equity share placing and £350,000 by way of a loan from IP Group plc. The loan has been converted to ordinary shares.

COE Group PLC, Notice of the Annual General Meeting (Incorporated in England and Wales no. 128467)

Notice is hereby given that the Annual General Meeting of COE Group PLC will be held at 10.00 am on 23 January 2009 at the offices of DLA Piper UK LLP, Princes Exchange, Princes Square, Leeds LS1 4BY for the following purposes:

To consider and, if thought fit, pass the following resolutions of which resolutions 1 to 6 will be proposed as ordinary resolutions and resolutions 7 to 8 will be proposed as special resolutions.

ORDINARY RESOLUTIONS

1. To receive the Directors' report and the Company's annual accounts for the year ended 30 June 2008 together with the Auditors' report on those accounts.
2. To reappoint Dr Alison Fielding, who retires by rotation, as a Director of the Company.
3. To reappoint Mr Mark Norton, appointed during the year and retiring as a Director in accordance with the Articles of Association of the Company, and being eligible, offering himself for re-election as a Director of the Company.
4. To reappoint Mr Anton Elsborg, appointed during the year and retiring as a Director in accordance with the Articles of Association of the Company, and being eligible, offering himself for re-election as a Director of the Company.
5. To reappoint PricewaterhouseCoopers LLP as auditors of the Company to hold office from the conclusion of the meeting until the conclusion of the next general meeting of the Company at which accounts are laid and to authorise the Directors to fix the remuneration of the auditors.
6. That pursuant to section 80 of the Companies Act 1985 ("the Act") and, in substitution for all existing authorities under that section, the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Act) up to an aggregate nominal amount of £90,000 provided that (unless revoked, varied or renewed) this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution, save that the Company may make an offer or agreement before the expiry of this authority which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to any such offer or agreement as if the authority conferred by this resolution had not expired.

SPECIAL RESOLUTIONS

7. That, subject to the passing of Resolution 6 above, pursuant to section 95 of the Act and in substitution of all existing authorities under that section, the Directors be and are generally empowered to allot equity securities (within the meaning of section 94(2) of the Act) for cash pursuant to the authority conferred by Resolution 6 as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
 - 7.1 the allotment of equity securities in connection with an offer (whether by way of rights issue, open offer or otherwise) to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange;
 - 7.2 the allotment of equity securities for cash (otherwise than pursuant to paragraph 7.1 above) up to the aggregate nominal amount of £90,000 and (unless previously revoked, varied or renewed) shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution, save that the Company may make an offer or agreement before the expiry of this power which would or might require equity securities to be allotted for cash after such expiry and the Directors may allot equity securities for cash pursuant to any such offer or agreement as if the power conferred by this resolution had not expired.

COE Group PLC, Notice of the Annual General Meeting (continued)

SPECIAL RESOLUTIONS (continued)

8 That the articles of association of the Company be amended by the deletion of article 95 and the insertion of the following new articles as articles 95, 95A and 95B:

"95 Directors' permitted interests and voting

- 95.1 *Subject to compliance with article 95B, a director, despite his office:*
- 95.1.1 *may enter into or otherwise be interested in any transaction or arrangement with the Company or in which the Company is otherwise (directly or indirectly) interested;*
 - 95.1.2 *(except that of auditor or auditor of a subsidiary of the Company) may hold any other office or place of profit under the Company in conjunction with the office of director and may act by himself or through his firm in a professional capacity to the Company and he or his firm shall be entitled to remuneration for professional services as if he were not a director;*
 - 95.1.3 *may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any company promoted by the Company or in which the Company is otherwise (directly or indirectly) interested or as regards which the Company has any powers of appointment; and*
 - 95.1.4 *shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any such office, employment, transaction or arrangement and no such transaction or arrangement shall be avoided on the grounds of any such interest or benefit.*
- 95.2 *Save as provided in this article 95, a director shall not vote on, or be counted in the quorum in relation to, any resolution of the directors concerning any contract, transaction or arrangement or any other proposal, in which he (or any person connected with him as detailed in article 95.8) is interested.*
- 95.3 *Subject to the provisions of the Acts, a director shall (in the absence of some other interest than is set out below) be entitled to vote, and be counted in the quorum, in respect of any resolution concerning any contract, transaction or arrangement, or any other proposal:*
- 95.3.1 *in which he has an interest of which he is not aware;*
 - 95.3.2 *in which he has an interest which cannot reasonably be regarded as likely to give rise to a conflict of interest;*
 - 95.3.3 *in which he has an interest only by virtue of interests in shares, debentures or other securities of the Company, or by reason of any other interest in or through the Company;*
 - 95.3.4 *which involves the giving of any guarantee, security or indemnity in respect of:*
 - 95.3.4.1 *money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings; or*
 - 95.3.4.2 *a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;*

COE Group PLC, Notice of the Annual General Meeting (continued)

- 95.3.4.3 concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings in which offer he is or may be entitled to participate as a holder of securities; or in the underwriting or sub-underwriting of which the director is to participate;
- 95.3.5 concerning any other body corporate in which he (and any person connected with him) has a direct or indirect interest of any kind (including an interest by holding any position, or by holding an interest in shares, in that body corporate), provided that he (and any person connected with him) does not hold an interest in shares (within the meaning set out in sections 820-825 of the 2006 Act) representing one per cent or more of either any class of equity share capital, or the voting rights, in such body corporate (excluding any shares of that class, or any voting rights attached to shares, which are held as treasury shares);
- 95.3.6 relating to an arrangement for the benefit of the employees or former employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees or former employees to whom such arrangement relates; or
- 95.3.7 concerning:
- 95.3.7.1 insurance which the Company proposes to maintain or purchase for the benefit of directors or for the benefit of persons including directors; or
- 95.3.7.2 indemnities in favour of directors; or
- 95.3.7.3 the funding of expenditure by one or more directors on defending proceedings against such director or them or doing anything to enable such director or directors to avoid incurring such expenditure.
- 95.4 Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment or its termination) of two or more directors to offices or places of profit with the Company or any company in which the Company is interested, such proposals may be divided and a separate resolution considered in relation to each director. In such case, each of the directors concerned (if not otherwise debarred from voting under this article 95) shall be entitled to vote (and be counted in the quorum) in respect of each resolution, except that concerning his own appointment.
- 95.5 If any question arises at any meeting as to whether any interest of a director prevents him from voting or being counted in a quorum, and such question is not resolved by his voluntarily agreeing to abstain from voting or being counted in the quorum, such question shall be referred to the chairman of the meeting. The chairman of the meeting's ruling in relation to the director concerned (other than himself) shall be final and conclusive (except where it subsequently becomes apparent that the nature or extent of the interests of the director concerned have not been fairly disclosed).
- 95.6 If any question arises at any meeting as to whether any interest of the chairman of the meeting prevents him from voting or being counted in a quorum, and such question is not resolved by his voluntarily agreeing to abstain from voting or being counted in the quorum, such question shall be decided by resolution of the directors or committee members present at the meeting (excluding the chairman). The majority vote of the directors or committee members shall be final and conclusive (except where it subsequently becomes apparent that the nature or extent of the interests of the chairman of the meeting have not been fairly disclosed).

COE Group PLC, Notice of the Annual General Meeting (continued)

- 95.7 Subject to the provisions of the Acts, the Company may by ordinary resolution suspend or relax the provisions of this article 95, either generally or in respect of any particular matter, or ratify any transaction not duly authorised by reason of a contravention of this article 95.
- 95.8 For the purposes of this article 95:
- 95.8.1 sections 252-255 of the 2006 Act shall be applied to determine whether a person is connected with a director;
 - 95.8.2 an interest of a person who is connected with a director shall be treated as an interest of the director;
 - 95.8.3 in relation to an alternate, an interest of his appointor shall be treated as an interest of the alternate, in addition to any interest which the alternate otherwise has; and
 - 95.8.4 without prejudice to article 95.8.3, the provisions of this article 95 shall apply to an alternate director as if he were a director otherwise appointed.

95A Authorisation of directors' conflicts of interest

- 95A.1 For the purposes of this article 95A and article 95B:
- "Relevant Situation"** means a situation or matter in which a director has a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company (including, without limitation, in relation to the exploitation of any property, information or opportunity, whether or not the Company could take advantage of it) but excludes (i) any situation or matter which cannot reasonably be regarded as likely to give rise to a conflict of interest and (ii) any conflict of interest arising in relation to a transaction or arrangement with the Company;
- "Interested Director"** means, in relation to any Relevant Situation, any director interested in that Relevant Situation; and any reference to a conflict of interest includes a conflict of interest and duty and a conflict of duties.
- 95A.2 The directors shall have the power to authorise any Relevant Situation on such terms as they determine. Such authorisation shall be effective only if:
- 95A.2.1 any requirement as to the quorum at the meeting of the directors at which the Relevant Situation is considered is met without counting the Interested Director(s); and
 - 95A.2.2 any resolution authorising the Relevant Situation was agreed to without the Interested Director(s) voting or would have been agreed to if the votes of the Interested Director(s) had not been counted.
- 95A.3 Any terms determined by the directors under article 95A.2 may be imposed at the time of authorisation or may be imposed or varied subsequently and may include (without limitation):
- 95A.3.1 whether the Interested Director(s) may vote (or be counted in the quorum at a meeting) in relation to any resolution relating to the Relevant Situation;
 - 95A.3.2 the exclusion of the Interested Director(s) from all Information and discussion by the Company of the Relevant Situation; and
 - 95A.3.3 (without prejudice to the general obligations of confidentiality) the application to the Interested Director(s) of a strict duty of confidentiality to the Company for any confidential information of the Company in relation to the Relevant Situation.
- 95A.4 An Interested Director must act in accordance with any terms determined by the directors under article 95A.2.

COE Group PLC, Notice of the Annual General Meeting (continued)

- 95A.4.1 *Except as specified in article 95A.2, any proposal made to the directors and any authorisation by the directors in relation to a Relevant Situation shall be dealt with in the same way as any other matter may be proposed to and resolved upon by the directors in accordance with the provisions of these Articles.*
- 95A.4.2 *Any authorisation of a Relevant Situation given by the directors under article 95A.2 may provide that, where the Interested Director obtains (other than through his position as a director) information that is confidential to a third party, he will not be obliged to disclose it to the Company or to use it in relation to the Company's affairs in circumstances where to do so would amount to a breach of that confidence.*
- 95A.4.3 *A director shall not, by reason of his holding office as a director (or of the fiduciary relationship established by holding that office), be liable to account to the Company for any remuneration, profit or other benefit resulting from any Relevant Situation authorised under article 95A.2 and no contract shall be liable to be avoided on the grounds of any director having any type of interest authorised under article 95A.2 nor shall the receipt of any such remuneration, profit or other benefit constitute a breach of his duty under section 176 of the 2006 Act.*

95B Provisions applicable to declarations of interest

- 95B.1 *An Interested Director shall declare the nature and extent of his interest in a Relevant Situation to the other directors.*
- 95B.2 *A director who is in any way (directly or indirectly) interested in any proposed transaction or arrangement with the Company shall declare the nature and extent of his interest to the other directors.*
- 95B.3 *A director who is in any way (directly or indirectly) interested in a transaction or arrangement that has been entered into by the Company shall declare the nature and extent of his interest to the other directors unless the interest has been declared under article 95B.2.*
- 95B.4 *The declaration of interest must (in the case of article 95B.3) and may, but need not (in the case of article 95B.1 or 95B.2) be made:*
- 95B.4.1 *at a meeting of the directors; or*
- 95B.4.2 *by notice to the directors in accordance with section 184 or section 185 of the 2006 Act.*
- 95B.5 *If a declaration of interest proves to be, or becomes, inaccurate or incomplete, a further declaration must be made.*
- 95B.6 *Any declaration of interest required by article 95B.1 must be made as soon as is reasonably practicable.*
- 95B.7 *Any declaration of interest required by article 95B.2 must be made before the Company enters into the transaction or arrangement.*
- 95B.8 *Any declaration of interest required by article 95B.3 must be made as soon as is reasonably practicable. Failure to comply with this requirement does not affect the underlying duty to make the declaration.*
- 95B.9 *A declaration in relation to an interest of which the director is not aware is not required. For this purpose, a director is treated as being aware of matters of which he ought reasonably to be aware.*

COE Group PLC, Notice of the Annual General Meeting (continued)

95B.10 *A director need not declare an interest:*

95B.10.1 *if it cannot reasonably be regarded as likely to give rise to a conflict of interest;*

95B.10.2 *if, or to the extent that, the other directors are already aware of it (and for this purpose the other directors are treated as aware of anything of which they ought reasonably to be aware);*
or

95B.10.3 *if, or to the extent that, it concerns terms of his service contract that have been or are to be considered by a meeting of the directors or by a committee of the directors appointed for the purpose under the articles."*

BY ORDER OF THE BOARD

Ian Jefferson	Registered Office:
Company Secretary	Photon House
22 December 2008	Percy Street
	Leeds LS12 1EG

Notes:

1. Only those members registered in the register of members of the Company as at 10.00 am on 21 January 2009 or, in the event that the meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after 10.00 am on 21 January 2009 or, in the event that the meeting is adjourned, after 48 hours before the time of any adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at the meeting.
2. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.
3. A member is entitled to appoint one or more persons as proxies to exercise all or any of his rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company. A member may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. To appoint more than one proxy, you will need to complete a separate proxy form in relation to each appointment. Additional proxy forms may be obtained by contacting the Company or you may photocopy the proxy form. You will need to state clearly on each proxy form the number of shares in relation to which the proxy is appointed. A failure to specify the number of shares each proxy appointment relates to or specifying a number in excess of those held by the member may result in the proxy appointment being invalid. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

The appointment of a proxy will not preclude a member from attending and voting in person at the meeting if he or she so wishes.
4. A form of proxy is enclosed. To be valid, it must be completed, signed and sent to the offices of the Company's registrars, Computershare Investor Services PLC, so as to arrive no later than 10.00 am on 21 January 2009 (or, in the event that the meeting is adjourned, no later than 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting).

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COE Group PLC

For use at the Annual General Meeting ("**Meeting**") to be held at 10.00 am on 23 January 2009 at DLA Piper UK LLP, Princes Exchange, Princes Square, Leeds, LS1 4BY.

FORM OF PROXY

Please read the Notice of the Meeting and the accompanying notes carefully before completing this Form of Proxy.

As a shareholder of the Company you have the right to attend, speak at and vote at the Meeting. If you cannot, or do not want to attend the Meeting, but still want to vote, you can appoint someone to attend the Meeting and vote on your behalf. That person is known as a "proxy". You can use this Proxy Form to appoint the Chairman of the Meeting, or someone else, as your proxy. Your proxy does not need to be a shareholder of the Company. However, if your proxy is not a shareholder, he or she cannot speak at the Meeting except to ask for a poll.

I/We, being a shareholder/shareholders of the Company, appoint the Chairman of the Meeting or (see note 1)

Name of Proxy	Number of shares in relation to which the proxy is authorised to act

As my/our proxy to exercise all or any of my/our rights to attend and, on a poll, to vote for me/us in respect of my/our voting entitlement on my/our behalf as indicated below at the Meeting and at any adjournment thereof (see notes 3 and 4).

Please tick here if this proxy appointment is one of multiple appointments being made

Please clearly mark the boxes below to instruct your proxy how to vote.

Ordinary Resolution

	For	Against	Withheld
1. To approve the annual accounts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To reappoint Dr Alison Fielding as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To reappoint Mr Mark Norton as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To reappoint Mr Anton Elsborg as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To reappoint PricewaterhouseCoopers LLP as auditors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To grant the directors authority to allot relevant securities up to an aggregate nominal amount of £90,000 ordinary shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Special Resolution

7. To authorise the Directors to allot equity securities as if section 89(1) of the Companies Act did not apply	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. To approve the amendment to the Articles of Association	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signature(s)(see notes 5, 6 and 7)

Date:

NOTES:

- If you wish to appoint as a proxy a person other than the Chairman of the Meeting (who need not be a shareholder), please delete the words "the Chairman of the Meeting" and insert the name of the other person. All alterations made to this Form of Proxy must be initialled by the signatory. You are entitled to appoint one or more proxies. If you appoint more than one proxy, each proxy must be appointed to exercise the rights attached to a different share or shares held by you.
- To appoint more than one proxy, you will need to complete a separate proxy form in relation to each appointment. Additional proxy forms may be obtained by contacting the Company or you may photocopy this form. You will need to state clearly on each proxy form the number of shares in relation to which the proxy is appointed. Please therefore indicate in the box next to the name of the proxy the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. A failure to specify the number of shares each proxy appointment relates to or specifying a number in excess of those held by the member may result in the proxy appointment being invalid.
- The completion and return of this Form of Proxy will not prevent you from attending in person and voting at the Meeting should you subsequently decide to do so.
- If you wish your proxy to cast all of your votes for or against a resolution you should insert an "X" in the appropriate box. If you wish your proxy to cast only certain votes for and certain votes against, insert the relevant number of shares in the appropriate box. In the absence of instructions, your proxy may vote or abstain from voting as he or she thinks fit on the specified resolutions and, unless instructed otherwise, may also vote or abstain from voting as he or she thinks fit on any other business (including on a motion to amend a resolution, to propose a new resolution or to adjourn the Meeting) which may properly come before the Meeting. The withheld option on this Form of Proxy is provided to enable you to instruct your proxy not to vote on any particular resolution. However, a vote withheld is not a vote in law and will not be counted in the calculation of the votes for or against a resolution.
- This Form of Proxy must be signed by the shareholder or his/her attorney. Where the shareholder is a corporation, the signature must be under seal or signed by a duly authorised representative. In the case of joint shareholders, any one shareholder may sign this Form of Proxy. The vote of the senior joint shareholder (whether in person or by proxy) will be taken to the exclusion of all others, seniority being determined by the order in which the names stand in the register of members in respect of the joint shareholding.
- Pursuant to regulation 41(1) of the Uncertificated Securities Regulations 2001 (2001 No. 3755), the Company has specified that only those members registered on the register of members of the Company at 10.00 am on 21 January 2009 shall be entitled to attend and vote at the Meeting in respect of the number of ordinary shares registered in their name at that time. Changes to the register of members after 10.00 am on 21 January 2009 shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
- To be valid, this Form of Proxy (together with any power of attorney or other authority under which it is signed or a copy of such authority certified notorally or in some other way approved by the Board of Directors) must be deposited at the offices of Computershare Investor Services PLC, PO Box 1075 The Pavilions, Bridgwater Road, Bristol BS99 3FA, no later than 48 hours before the time appointed for the holding of the Meeting (or any adjournment thereof).



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