

PRIVATE AND CONFIDENTIAL

COE Group plc ("the Group")

UNAUDITED INTERIM Results
for the SIX MONTH period ended 31st December 2003

Highlights

- ❖ Group revenues of £2,496,000 in the half year
- ❖ Group loss before tax of £867,000 in the half year
- ❖ Loss per share for the half year of 6.73p
- ❖ Major contracts won in highly competitive Far East market
- ❖ Test marketing of new IP CODEC (Encoder/Decoder)

Chairman's statement

Introduction

The Group presents its interim results for the 6 month period ended 31st December 2003.

The Group turnover in the period was £2,496,000. The loss on ordinary activities before taxation was £867,000.

Review of Business

As a result of the acquisition of COE Limited by the Group, the Group now designs, manufactures and markets a range of networked analogue and digital video solutions for commercial surveillance, security and mass transport applications. Its market position has been established by it supplying to a significant number of leading transport infrastructure and city centre surveillance projects world-wide, and through a global network comprising direct sales teams and third party Value Added Resellers.

Delays were experienced in customers placing orders for high value projects and the general slowing down of activity connected with the Group's products, especially in the U.K. market, have had an adverse impact on the results for the period.

The restructuring programme announced on 9th September 2003, comprising of a reduction of personnel, has been satisfactorily completed. However, the benefits of cost reductions were not reflected in this period's figures. As a result a substantial loss on ordinary activities before tax was recorded.

New Business

I am delighted to report that a number of significant infrastructure projects, to which I referred in my statement accompanying last year's results, have now come to fruition, and orders for these projects have been received. These include the following contracts:

- ❖ The provision of video transmission and control equipment for the new government city of Putrajaya in Malaysia (Gross sales value of £900,000 to be completed by the end of 2004)
- ❖ The refurbishment of equipment on the current network of the Singapore Mass Transit Railway system (Gross sales value £1 million to be rolled out over the next 12 months)
- ❖ The provision of video systems for a new line (Circle Line) on the Singapore Mass Transit Railway system (£2.35 million to be delivered in phases over the next 3 to 4 years)

Other significant projects remain in the active pipeline for both Europe and the Far East. The Board is confident that it can build on the success of its city centre security projects in the French cities of Strasbourg and Mulhouse, as well as the Madrid Transportation project, to penetrate the expanding continental European market for our products.

Technical Developments

Despite the re-structuring, the Board feels that continued investment in the development of new products is essential for the medium and long term development of the business. This investment is written off within the year it is incurred.

The development of products for the growing digital/IP market has been progressing well, and test marketing of a new high performance CODEC (Encoder/Decoder) has received very encouraging responses. The use of CODEC is fundamental to the transmission of video signals in digital networks and the Group believes these products will help to protect its competitive position.

Outlook

The timely actions taken by the Board have led to an improved level of performance at the start of the second half of the year. Although sales revenues are behind plan, this should be rectified as the projects referred to above, and others, start to be rolled out. Margins have held up well, despite an increased level of competition in the more mature U.K. marketplace.

The expanding order book augurs well for the future, and in particular gives rise to optimism for the Group in 2004/05 and beyond.

Dick Eykel
31st March 2004

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on ordinary activities	32	-	32	84	-	84	126	-	126
(Sustained loss)/retained profit for the period	(591)	(244)	(835)	4,821	-	4,821	48	(37)	11
Basic and diluted (loss)/earnings per share	3		(6.73)p			33.31p			0.08p
Basic and diluted adjusted (loss)/earnings per share			(6.04)p			(2.76)p			0.34p

Unaudited consolidated balance sheet As at 31 December 2003

	Unaudited 31 December 2003 £'000	Unaudited 31 December 2002 £'000	Audited 30 June 2003 £'000
Fixed assets			
Intangible fixed assets	2,155	-	2,398
Tangible fixed assets	1,150	-	1,188
	3,305	-	3,586
Current assets			
Stocks	985	-	1,073
Debtors: amounts falling due after one year	69	-	407
Debtors: amounts falling due within one year	2,133	289	1,799
Total debtors	2,202	289	2,206
Money market investments and deposits	26,490	36,430	27,884
Cash at bank and in hand	148	271	248
	29,825	36,990	31,411
Creditors: amounts falling due within one year			
Loan notes	26,490	30,931	26,685
Other creditors	2,765	1,057	3,493
	29,255	31,988	30,178
Net current assets	570	5,002	1,233
Total assets less current liabilities	3,875	5,002	4,819
Creditors: amounts falling due after one year	(453)	-	(550)
Provisions for liabilities and charges	(122)	-	(134)
Net assets	3,300	5,002	4,135
Capital and reserves			
Called up share capital	620	14,472	620
Share premium account	1,116	320,784	1,116
Profit and loss account	1,564	(330,454)	2,399
Equity shareholders' funds	3,300	4,802	4,135
Non-equity shareholders' funds	-	200	-
Total shareholders' funds	3,300	5,002	4,135

Unaudited cash flow statement

For the six months ended 31 December 2003

	Note	Unaudited six months ended 31 December 2003 £'000	Unaudited six months ended 31 December 2002 £'000	Audited six months ended 30 June 2003 £'000
Net cash outflow from operating activities		(1,598)	(1,000)	(39)
Returns on investments and servicing of finance				
Interest received		466	800	695
Interest paid		(399)	(700)	(466)
Net cash inflow from returns on investments and servicing of finance		67	100	229
Taxation (paid)/received		(7)	100	7
Capital expenditure and financial investment				
Payments to acquire tangible fixed assets		(23)	-	(7)
Acquisitions and disposals				
Disposal of subsidiaries and businesses (net of expenses)		-	4,100	-
Purchase of subsidiary undertakings		-	-	(1,429)
Net overdrafts acquired with subsidiary undertakings		-	-	(1,591)
Net cash (outflow)/inflow from acquisitions and disposals		-	4,100	(3,020)
Net cash outflow before management of liquid resources and financing		(1,561)	3,300	(2,830)
Management of liquid resources				
Decrease in money market investments and deposits		1,200	2,400	8,546
Financing				
Purchase of own shares		-	-	(2,170)
Repayment of the capital element of finance leases		(2)	-	-
Repayment of loans		(98)	(5,400)	(4,246)
Net cash outflow from financing		(100)	(5,400)	(6,416)
Decrease in cash in the period	6	(461)	300	(700)

Notes to the unaudited interim financial statements

1. Basis of preparation

The unaudited interim results have been prepared on a basis consistent with the statutory financial statements for the period ended 30 June 2003. The interim results, which have been approved by the directors, are unaudited and do not constitute full statutory financial statements as defined in section 240 of the Companies Act 1985.

The comparative figures for the period ended 30 June 2003 do not constitute full financial statements as defined in section 240 of the Companies Act 1985 and have been extracted from the Company's statutory financial statements for the period

ended 30 June 2003 which have been reported upon without qualification by the auditors and have been delivered to the Registrar of Companies.

The comparative figures for the period ended 31 December 2002 do not constitute full financial statements as defined in section 240 of the Companies Act 1985 and have been derived from the financial statements for the year ended 31 December 2002 and the unaudited interim results for the six month period ended 30 June 2002.

2. Profit on disposal of operations

In the year ended 31 December 2000, the company incurred professional fees in connection with the establishment of Scoot Europe and the acquisition of Loot. At the time, VAT was considered irrecoverable and the company included the VAT within the cost of investment in Scoot Europe and Loot. This also had then effect of increasing the goodwill arising on the acquisition.

Following a HM Customs & Excise tribunal decision, VAT on certain expenses is now considered to be recoverable and a claim was submitted.

In the six months ended 31 December 2003, the company recovered £61,000 and £97,000 of VAT in connection with the investments in Scott Europe and Loot respectively. The recovery of VAT effectively reduces the cost of investment in those entities and hence the goodwill. However, as both of these investments have been sold in prior periods, the VAT recovered is effectively additional profit arising on the disposal of those entities.

3. (Loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

For diluted (loss)/earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. The only class of potentially dilutive ordinary shares are the share options. Where losses are incurred all potentially dilutive ordinary shares are assumed to be anti-dilutive and basic and diluted earnings per share are the same. Basic and diluted earnings per share for both periods were therefore the same.

	Unaudited six months ended 31 December 2003			Unaudited six months ended 31 December 2002			Audited six months ended 30 June 2003		
	Number		EPS	Number		EPS	Number of		EPS
	Earnings	of shares		Earnings	of shares*		Earnings	shares	
(Loss)/profit attributable to ordinary shareholders	(835)	12,399,474	(6.73)p	4,821	14,472,770	33.31p	11	14,083,311	0.08p
Goodwill amortisation	244	12,399,474	1.97p	-	-	-	37	14,083,311	0.26p
Exceptional items	(158)	12,399,474	(1.27)p	(5,220)	14,472,770	(36.07)p	-	-	-
Adjusted earnings	(749)	12,399,474	(6.04)p	(399)	14,472,770	(2.76)p	48	14,083,311	0.34p

* The weighted average number of shares in issue in 2002 has been adjusted for the 50 for 1 share consolidation which took place on 28 May 2003.

In order to gain a clearer understanding of the Group's underlying performance, (loss)/earnings per share has been adjusted to exclude the effect of exceptional items and goodwill amortisation.

4. Free cash

	Unaudited 31 December 2003 £'000	Unaudited 31 December 2002 £'000	Audited 30 June 2003 £'000
Money market investments and deposits	26,490	36,430	27,884
Cash at bank and in hand	148	271	248
Bank overdraft	(1,038)	-	(677)
	25,600	36,701	27,455
Less: pledged deposit account	(26,490)	(30,931)	(26,685)
	(890)	5,770	770

Money market investments and deposits include £26.5m of restricted deposits held as security for the outstanding Loot loan notes (see note 5).

5. Loan notes

The Loot loan notes, amounting to £26,490,000 at 31 December 2003, are redeemable in full on or before 31 December 2007. Interest is based on six monthly LIBOR less 1.25% payable half-yearly in arrears on 30 June and 31 December. They are secured by an equivalent in value blocked money market deposit account.

On 31 December 2003 the company repaid £195,000 of the Loot loan notes.

6. Analysis of movement in net debt in the period

	At 1 July 2003 £'000	Cash flow £'000	Non-cash changes £'000	At 31 December 2003 £'000
Cash at bank and in hand	248	(100)	-	148
Bank overdrafts	(677)	(361)	-	(1,038)
		(461)		
Money market investments and deposits	27,884	(1,200)	-	26,684
Debt due within one year	(170)	(97)	(97)	(364)
Debt due after one year	(550)	-	97	(453)
Loot loan notes due within one year	(26,685)	195	-	(26,490)
Obligations under finance leases	(2)	2	-	-
Net funds	48	(1,561)	-	(1,513)