

COE Group plc
(“COE”, the “Company” or the “Group”)

Unaudited results for the six months ended 31 December 2008

COE, the AIM-quoted developer and supplier of advanced video surveillance systems, announces unaudited results for the 6 months ended 31 December 2008 (H1 FY09).

Financial Highlights

- Order intake up 10% on the comparative half year.
- Revenue down 10% to £1,858k (2008: £2,075k) due to the delivery timeline of the order book. The order book growth will flow through to revenue in due course.
- Increase in gross margin to 56% (2008: 52%)
- Operating expenses (before exceptional re-organisation costs) significantly reduced to £981k (2008: £1,662k) as a result of the successful completion of the business restructure.
- Operating profit (before exceptional re-organisation costs) of £61k compared to a loss of £573k for the comparative period (operating loss of £78k reported after exceptional re-organisation costs compared to a loss of £573k for the comparative period).
- Funds of £1,290k raised in the current period to strengthen the balance sheet and provide adequate working capital to take on the larger size contracts for which the Company is now competing.

Operational Highlights

- Significant new contract wins include:
 - Upgrade of transmission equipment on east/west and north/south rail lines for Singapore MRT to add ~4,000 cameras to the existing network.
 - Second major port win in Asia following our success at PSA, Singapore, based on our IP digital video technology.
 - Extension for major rail system in North Asia with video and optical multiplexing technology.
- New product launches include:
 - Ethernet data and video transmission product for hybrid video/IP network solutions.

- H.264 video codec for real time digital video transmission and storage over IP networks.
- CCTV control keyboard for IP networks that allows video system control over digital networks.

About COE:

COE Group Plc develops and supplies integrated IP video surveillance (CCTV) systems for some of the most complex high profile sites worldwide. COE products and systems allow users to achieve faultless and cost-effective video surveillance in safety critical operations and rugged environments year after year, by delivering very high quality video, high reliability and extensive third party integration. COE provides both IP and hybrid IP/analogue solutions so that customers have the option of leveraging existing installations.

The Company has over 10,000 installations worldwide across three main sectors - traffic & transport, heavy industrial and urban surveillance. References include the London Congestion Charge network, underground and high-speed rail systems worldwide, including the UK, Singapore, France, Spain, Germany, Hong Kong and Delhi; airports across Germany, Hong Kong and SE Asia, and road systems worldwide. City-centre systems include over 35 UK towns and cities, while industrial complexes include the South Parris gas field in the Middle East.

COE works closely with selected systems integrators, helping them to deliver the most competitive overall solutions for end-users. The Company provides support through the entire lifecycle including design, supply, on-site test, commissioning and long-term maintenance.

Please visit www.coe.co.uk

CHAIRMAN'S STATEMENT

Operational report

I am pleased to report that the Company restructure has been successfully completed and a small operating profit (before exceptional re-organisation costs) delivered for the six month period. As previously announced the restructuring commenced in July 2008 when Ian Jefferson, formerly Finance Director, took over as CEO and implemented a cost reduction programme in order to more effectively match costs with anticipated revenue.

Operating within this streamlined structure the Company also delivered a 10% increase in order intake and successfully built on its previously reported win with the Port of Singapore by taking a second port project in Asia. This second port was won through a new partner in a new location as the Company started to execute its plan to replicate local successes from its core territories into the surrounding regions.

The ability to offer customers a tailored transition path from analogue to digital via an intermediary hybrid solution provides COE with a competitive advantage as the markets transition from analogue to digital. The Board believes that the growth in the hybrid market will be significant and that the Company is now well positioned to exploit this in terms of solution fit, product offering, skilled staff and financing.

Financial report

Revenue of £1,856k (2008: £2,075k) was 10% down compared to the prior period, despite a 10% increase in the order intake, simply due to the delivery timeline of the order book. The growth in order intake will flow through to revenue in due course.

Gross margins continued to increase to 56% (2008: 52%) as work continued on product and procurement cost reduction programmes.

Operating expenses reduced significantly to £981k (2008: £1,662k) mainly as a result of the successful restructuring programme, generating an operating profit (before exceptional re-organisation costs) of £61k compared to a loss of £573k in the comparative period (with an operating loss of £78k reported after exceptional re-organisation costs compared to a loss of £573k in the comparative period).

Balance sheet and financing

In July 2008 IP Group Plc (IPG), a major shareholder in COE, provided a £350k loan facility in order that the Group could implement its restructuring plan.

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 implements its growth plans. The Group also took the opportunity during the share issue to convert the £350k loan from IPG to ordinary shares which has further improved the financial position of the Group.

Board and staff changes

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, Global Sales Director, was appointed to the Board.

Conclusion and outlook

During the six month period, the Group has reorganised to reduce costs, increased order intake, returned to profitability (before exceptional re-organisation costs) and raised new funds to restructure the balance sheet.

The new funds have both strengthened the balance sheet and provided the resources to accelerate both product and market development. In the current period the Group has continued to expand its channel

partner base, further increasing the number of market opportunities available to it, and the Board looks forward to the future with confidence.

Dr Alison Fielding
Chairman
20 March 2009

COE Group Plc
Ian Jefferson, Chief Executive Officer

0113 230 8800

Zeus Capital Ltd
Nick Cowles

0161 831 1512

Consolidated income statement (unaudited)
For the six months ended 31 December 2008

	Six months ended 31 December 2008	Six months ended 31 December 2007	Year ended 30 June 2008
Note	£'000	£'000	£'000
Revenue	1,856	2,075	4,185
Cost of sales	(814)	(986)	(1,944)
Gross profit	1,042	1,089	2,241
Net operating expenses	(981)	(1,662)	(3,436)
Operating profit/(loss) before exceptional re-organisation costs	61	(573)	(1,195)
Exceptional re-organisation costs	(139)	-	-
Operating loss	(78)	(573)	(1,195)
Financial income	3	552	558
Financial expense	3	(469)	(478)
Loss before tax	(117)	(490)	(1,115)
Income tax credit	4	-	62
Loss for the period	(113)	(490)	(1,053)
Basic loss per share	2	(0.5p)	(2.4p)
Diluted loss per share	2	(0.5p)	(4.7p)

Consolidated statement of changes in equity (unaudited)
For the six months ended 31 December 2008

	6 months ended 31 December 2008	6 months ended 31 December 2007	12 months ended 30 June 2008
	£'000	£'000	£'000
Total equity at start of period	-	989	989
Loss for period	(113)	(490)	(1,053)
Shares issued	1,167	-	-
Share based payments	25	25	64
Total equity at end of period	1,079	524	-

Consolidated balance sheet (unaudited)
As at 31 December 2008

	31 December 2008 £'000	31 December 2007 £'000	30 June 2008 £'000
Non-current assets			
Property, plant and equipment	52	78	72
Intangible assets	340	260	340
	392	338	412
Current assets			
Inventories	155	233	236
Trade and other receivables	1,036	1,290	1,104
Cash and cash equivalents	592	495	384
	1,783	2,018	1,724
Total assets	2,175	2,356	2,136
Current liabilities			
Trade and other payables	(817)	(1,722)	(2,020)
Loans and other borrowings	(204)	-	-
	(1,021)	(1,722)	(2,020)
Non current liabilities			
Provisions	(75)	(110)	(116)
	(75)	(1,832)	(2136)
Total liabilities	(1,096)	(1,832)	(2,136)
Net assets	1,079	524	-
Shareholders' equity			
Called-up share capital	1,455	1,312	1,312
Share premium account	4,653	3,629	3,629
Retained earnings	(5,029)	(4,417)	(4,941)
Total shareholders' equity	1,079	524	-

Consolidated cash flow statement (unaudited)
For the six months ended 31 December 2008

	6 months ended 31 December 2008 £'000	6 months ended 31 December 2007 £'000	12 months ended 30 June 2008 £'000
Cash flow from operating activities			
Operating loss	(78)	(573)	(1,195)
Depreciation	20	23	54
Amortisation of intangible assets	170	122	245
Expenditure on intangible assets	(170)	(137)	(340)
Decrease/(increase) in inventories	81	(66)	(69)
Increase in trade and other receivables	(6)	(336)	(2)
(Decrease)/increase in trade and other payables	(826)	524	343
Decrease in provisions	(41)	-	(6)
Interest paid	(39)	(469)	(478)
Share based payment charge	25	25	64
Taxation received	64	-	42
Net cash flow from operating activities	(800)	(887)	(1,342)
Cash flows from investing activities			
Purchase of property, plant and equipment	-	(24)	(49)
Interest received	-	552	558
Net cash flow from investing activities	-	528	509
Cash flows from financing activities			
Proceeds from share issue	1,167	-	-
Decrease in money market investments	-	18,342	18,342
Repayment of loans	-	(18,342)	(18,342)
Net cash flow from financing activities	1,167	-	-
Increase/(decrease) in cash and cash equivalents	367	(359)	(833)
Cash and cash equivalents at the beginning of the period	21	854	854
Cash and cash equivalents at the end of the period	388	495	21

Notes to the unaudited interim financial statements

1. Accounting policies and general information

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 interim financial report does not comprise statutory accounts within the meaning of section 240 of the Companies Act 1985. Statutory accounts for the year ended 30 June 2008 were approved by the Board on 22 December 2008 and delivered to the Registrar of Companies. PricewaterhouseCoopers LLP, the COE Group Plc's auditors, reported on those accounts under section 235 of the Companies Act 1985. Their report was unqualified and did not contain a statement under section 237(2) or (3) of that Act.

The Board has chosen not to subject the interim financial report to an independent review or audit.

The interim financial report has been prepared under the historical cost convention and in accordance with the Group's accounting policies which are consistent with those followed in preparation of the annual report for the year ended 30 June 2008 and disclosed therein.

A copy of this statement is available on the Company website www.coe.co.uk.

2. Earnings per share

Basic earnings per share is calculated as the loss for the period divided by the weighted average number of shares outstanding. For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. Under IAS 33 'Earnings per share' any potentially dilutive ordinary shares are deemed anti-dilutive in the event that a loss has been incurred. Consequently the basic and adjusted loss per ordinary share for the six-month period ended 31 December 2008, the six-month period ended 31 December 2007 and the 12-month period ended 30 June 2008 are unaffected by dilution.

	6 months ended 31 December 2008	6 months ended 31 December 2007	12 months ended 30 June 2008
Basic loss attributable to shareholders	£113,000	£490,000	£1,053,000
Weighted average number of shares	22,374,899	20,378,640	22,394,397
Basic and diluted loss per share	0.5p	2.4p	4.7p

3. Financial income and expense

	6 months ended 31 December 2008	6 months ended 31 December 2007	12 months ended 30 June 2008
	£'000	£'000	£'000
Interest payable on loan notes	-	(467)	(467)
Interest payable on bank loans and overdrafts	(39)	(2)	(11)
Total interest payable	(39)	(469)	(478)
Interest receivable on pledged deposit account	-	545	545
Interest receivable on cash at bank	-	7	13
Total interest receivable	-	552	558