

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

Proposed Share Placing and Loan Conversion

Introduction

COE Group Plc today announces that it proposes to raise approximately £941,500 before expenses, through the placing of 10,461,115 ordinary shares of 1 pence each (“Ordinary Shares”) at a price of 9p per share (the “Placing Shares”) (“Placing”) and also proposes to convert a £350,000 existing loan from IP Group Plc (“Loan Conversion”) into 3,888,888 ordinary shares (“Loan Conversion Shares”). The total number of Ordinary Shares to be issued under the Placing and the Loan Conversion is 14,350,003.

The Company has also today separately announced its annual results for the year ended 30th June 2008.

Background and reason for the Placing

During the year ending 30 June 2008, COE continued to made slow progress against its growth plan laid out in March 2007 with turnover only slightly up against the prior year. Overheads, however, rose significantly during the period and as a result the board announced, in July 2008, a restructuring 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. This restructuring is now complete and the Group recorded an operating profit (before re-organisation costs) in the first quarter of FY09.

As a result of the Group’s product development programme, it is 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 having already won one such contract with the 1,100 camera system for the Port of Singapore (“PSA”) announced in March 2008. The Group has recently tripled its sales presence in the rapidly growing market of Asia Pacific in order to pursue more of these larger size opportunities.

However, whilst the operational performance has improved and an operating profit (before reorganisation costs) was recorded in Q1FY09, the accumulated losses have resulted in the need for the Company to raise additional funds in order to reduce borrowings, strengthen the balance sheet and to provide sufficient working capital for the business to take advantage of developing sales opportunities.

With unfavourable market conditions for raising equity funds for companies with a relatively low market capitalisation, the Directors explored a number of potential fundraising routes, including the possibility of undertaking a rights issue or open offer to all shareholders. However, the Directors came to the view that the significant additional cost and delay which a rights issue or an open offer would entail would not be in the best interests of the Company in the context of the relatively small amount of funds being raised.

Having carefully considered a number of alternative proposals to achieve the funding objectives, the Directors decided that it would be in the best interests of shareholders for the necessary funds to be raised by way of the Placing

Details of the Placing

COE proposes to raise approximately £941,500 before expenses, by the placing of 10,461,115 Placing Shares at a price of 9p per Ordinary Share and also proposes to convert a £350,000 existing loan from IP Group Plc (“IPG”) into 3,888,888 Loan Conversion Shares. The Placing Shares and the Loan Conversion Shares will, when issued, represent approximately 39.1 per cent. of the enlarged issued share capital of the Company. The total number of Ordinary Shares to be issued under the Placing and the Loan Conversion is 14,350,003.

An application will be made for the admission to trading on AIM of 8,605,598 new Ordinary Shares, constituting 3,888,888 Loan Conversion Shares and 4,716,710 Placing Shares and dealings are expected to commence at 08:00 am on 1 December 2008.

The remaining £516,996 of the proposed placing equating to 5,744,405 Placing Shares is conditional,

inter alia, on shareholder approval which will be sought at an extraordinary general meeting of the Company to be held on 11 December 2008 (the "EGM"). Application will be made for these 5,744,405 Placing Shares to be admitted to trading on AIM and dealings are expected to commence at 08:00 am on 12 December 2008 conditional, inter alia, on shareholder approval.

Following completion of the Placing and the Loan Conversion, the Company will have a total of 36,744,400 Ordinary Shares in issue.

Related Party Transaction

IPG and parties associated with it will be subscribing for 3,222,220 Placing Shares, representing 30.8% of the total number of Ordinary Shares being issued under the Placing. The participation of IPG as a substantial shareholder in the Placing is deemed to be a related party transaction under the AIM Rules for companies. The conversion of the £350,000 existing loan from IPG into 3,888,888 Ordinary Shares is also deemed to be a related party transaction under the AIM Rules for companies. Accordingly the Directors, other than Dr Alison Fielding who is also a director of IPG, consider, having consulted with KBC Peel Hunt Ltd, the Company's nominated adviser, that the terms of the Placing and the Loan Conversion are fair and reasonable insofar as the Company's shareholders are concerned.

Share Option Schemes

The Directors have discussed the need for an appropriate management incentive scheme. It is expected that incentive schemes will be introduced in due course which will provide for the grant of options over Ordinary Shares up to a maximum of 20 per cent. of the Enlarged Share Capital.

Notice of General Meeting

In order to complete the remaining part of the Placing, which is conditional, *inter-alia*, upon shareholder approval, the Company has today sent a notice of a General Meeting of the Company to be held at the offices of DLA Piper UK LLP, Princes Exchange, Princes Square, Leeds, LS1 4BY on Thursday 11 December 2008 at 10:00 am.

City Code on Takeovers and Mergers ("City Code")

Under Rule 9 of the City Code, any person who acquires an interest (as such term is defined in the City Code) in shares which, taken together with the shares in which he and persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights in a company which is subject to the City Code is normally required to make a general offer to all of the remaining shareholders to acquire their shares. Similarly, when any person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. but does not hold shares carrying more than 50 per cent. of the voting rights of such a company, a general offer will normally be required if any further interests in shares are acquired by any such person. Such an offer would have to be made in cash at a price not less than the highest price paid by him, or by any member of the group of persons acting in concert with him, for any interest in shares in the company during the 12 months prior to the announcement of the offer.

Under the City Code, "acting in concert" is defined as follows:

Persons acting in concert comprise persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control (as defined below) of a company or to frustrate the successful outcome of an offer for a company. A person and each of its affiliated persons will be deemed to be acting in concert all with each other.

Under the City Code, "control" is defined as follows:

Control means an interest, or interests, in shares carrying in aggregate 30% or more of the voting rights (as defined below) of a company, irrespective of whether such interest or interests give de facto control.

IP2IPO Limited, IP Venture Fund, which are both connected to IP Group Plc, Dr Alison Fielding, Dave Norwood, Alan Aubrey and Richard Farleigh are currently deemed to be acting in concert with each other ("Concert Party") in respect of their interests in COE. The current shareholding of the Concert Party equates to 11,846,840 Ordinary Shares or 52.90% of the Company's existing ordinary share capital. All the members of the Concert Party intend to subscribe for Placing Shares under the Placing in addition to which IPG will be subscribing for the all Loan Conversion Shares.

Following completion of the Placing and the Loan Conversion, the Concert Party will hold 19,402,393 Ordinary Shares or 52.80% of the Company's issued ordinary share capital. Shareholders should be aware that members of the Concert Party will together hold more than 50 per cent. of the voting rights attaching to the Company's issued share capital. Accordingly, the Concert Party, for so long as the members of the Concert Party continue to be treated as acting in concert, may be able to increase its aggregate shareholding at a later date without incurring any further obligation under Rule 9 to make a general offer. However individual members of the Concert Party will not be able to increase their percentage shareholdings through a Rule 9 threshold without Panel consent.

Recommendation

The directors of COE unanimously recommended that you vote in favour of the Resolutions being proposed at the general meeting, as they intend to do or procure to be done in respect of their own and their connected persons' beneficial holdings of, in aggregate, 327,394 Ordinary Shares representing approximately 1.46 per cent. of the issued share capital of the Company.

For further information, please contact:

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Further information on COE Group is available on our website: www.coe.co.uk

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Forward Looking Statements

This announcement contains forward-looking statements, including, without limitation, statements containing the words 'believes', 'anticipates', 'expects', and similar expressions. Such forward-looking statements involve unknown risks, uncertainties and other factors which may cause the actual results, financial condition, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such forward-looking statements in this announcement to reflect future events or developments.