

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

**Trading update, refinancing and restoration of trading on AIM**

COE, the developer of advanced video surveillance systems, is pleased to provide a trading update for the period ended 30 June 2008 and also announce that the Company has secured additional facilities as a result of which trading in the Company’s shares will be restored at 13:30 on 7 July 2008.

**Trading update & restructuring**

Turnover for the year to 30 June 2008 rose very slightly compared to the previous year to just over £4.0m. As a result of focussing on higher margin business, gross margins for the full year were around the level delivered in the first half (52.5%, compared to 43% for the year to 30 June 2007 and 35% for the year to 30 June 2006). Overheads also rose during the year as a result of the investment made in the business. Supported by the PSA contract win announced on 29 May 2008, gross profit on new orders rose significantly during the second half of the year.

The Board has now decided to give priority to reducing the Company’s losses and announces a restructuring in order to bring its cost base more into line with order intake. This approach requires a smaller management team and Andrew Wallace, CEO, has agreed to leave the Company on 31 July 2008. Ian Jefferson, currently Finance Director, has been appointed CEO with immediate effect. The Board thanks Andrew for his efforts over the last 4 years in establishing COE as a recognised supplier of integrated IP surveillance systems and wishes him well.

The Company also announces that Mark Norton, currently Global Sales Director of Coe joins the board as an Executive Director effective from 7 July 2008. Mark’s distinguished sales record includes being one of Compaq’s first salesmen in the UK. Ultimately Mark became Group Sales Director of Compaq UK managing a sales organisation generating £3bn of turnover, split equally between hardware and services. Other than as set out in this announcement, there are no details that are required to be disclosed under Schedule Two(G) of the AIM rules.

**Loan**

On 7 July 2008, COE entered into a loan agreement (“Loan”) with IP2IPO Limited (“IP2IPO”) a wholly owned subsidiary of IP Group plc (“IP Group”) under which the Company has agreed a £350,000 secured debt facility. This facility will be used to provide COE with working capital.

The key terms of the Loan are as follows:

Amount:	£350,000
Term:	Initial 6 month term and thereafter repayable on demand
Drawdown:	One instalment on 7 July 2008
Interest rate:	The Loan will accrue interest at a rate of 7% per annum for the first 6 months from the date of draw-down. Thereafter interest rate shall increase by 200 basis points for every six months that the debt remains outstanding.

Security:	Fixed and floating charges over the assets of the Company from time to time.
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In view of the terms and the amount of the Loan from IP2IPO, it is not regarded as a long term source of finance and the Directors expect to need additional finance in the medium term in order to more fully capitalise the Company .

IP2IPO currently holds 31.95% of the issued share capital of the Company and is a related party for the purposes of the AIM Rules. The issue of the Loan to IP Group therefore constitutes a related party transaction for the purpose of the AIM Rules.

The Company's directors, other than Dr Alison Fielding, who is also a director of IP Group, consider, having consulted with KBC Peel Hunt Ltd, the Company's nominated adviser, that the terms of the transaction being entered into by COE and IP Group are fair and reasonable insofar as its shareholders are concerned.

**Enquiries**

COE Group plc 0113 230 8826  
Ian Jefferson, CEO

KBC Peel Hunt Ltd 0207 418 8900  
Oliver Scott  
Nicholas Marren