

COE Group PLC



Corporate information

Non-Executive Directors

Dr Alison Fielding – Chairman
Anton Elsborg

Executive Directors

Ian Jefferson
Mark Marriage

Company Secretary & Registered Office

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Nominated Adviser

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Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants
and Registered Auditors
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Chairman's Statement

Financial Highlights

- Order book increased by 35%.
- Revenue down 9% to £3,828k (2008: £4,185k) due to timing of orders. Order book increase expected to flow through to revenue during the second half of FY10.
- Gross margins up to 58% (2008: 54%).
- Operating expenses reduced by 38% to £2,138k (2008: £3,436k) following the successful restructuring of the Company cost base.
- Operating profit, before exceptional items, of £71k compared to a loss of £1,195k for the prior year.
- Profit after taxation of £13k compared to a loss of £1,053k for the prior year.
- Funds of £1,290k raised in November 2008 via an equity share issue to strengthen the balance sheet and provide working capital to take on the larger contracts for which the Company is now competing.

Operational Highlights

- Significant contract wins include:
 - Seoul Metro, a CCTV system with a capacity of over 8000 cameras transmitted over a network utilising our Coarse Wave Division Multiplexing (CWDM) technologies.
 - Upgrade of transmission equipment on east/west and north/south rail lines for Singapore MRT to add around 4,000 cameras to the existing network.
 - Gunsan Port, our second major port win in Asia following our success at the Port of Singapore ("PSA"), based on our IP digital video technology.
- Product launches:
 - 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.
 - I-Vue Cameras, a range of IP/Analogue cameras providing a choice of compression options, high performance quality and built in motion detection.
 - I-Command Lite, a management and control interface for small to medium size networks.

Operational report

I am pleased to report that the Company delivered a profit for the year and is successfully executing its strategy for turnaround and growth. The order book increased by 35% over the prior year and this increase is expected to flow through to revenue during the second half of FY10. The order book increase was bolstered by a contract win for Seoul Metro worth in excess of £1m. This contract was through a new partner in a new region and demonstrates the potential of our partner expansion programme. Business development activity to find more new partners in other new territories is progressing well as we seek to replicate this early success.

The security market is undergoing a shift in technology from analogue to digital. COE is uniquely positioned to take advantage of this change being able to provide analogue, digital and hybrid solutions. This enables the Company to be truly agnostic when advising customers of the most appropriate technology and provides customers with the ability to transition from analogue to digital over time and in a more cost effective manner than replacing the entire system in one go. For green field sites our ability to provide tailored IP solutions is also proving to be effective against our competitors.

Chairman's Statement (continued)

COE has a reputation for providing highly scalable dual redundant systems providing unparalleled levels of reliability in extreme environments with no single point of failure. Our products have proved to be particularly suited to harsh environments such as railways and ports and have secured us contract wins with PSA, the largest port in the world and Seoul Metro, the world's third busiest metro system.

We fully expect to build on these wins as we extend our reach around the world and, as the shift from analogue to digital is estimated to be only 10% complete, the market opportunities are significant.

Financial report

Revenue of £3,828k was down 9% (2008: £4,185k) due simply to the longer delivery schedules of larger contracts which consequently resulted in an increase in the order book of 35%. The increase in the order book is expected to flow through to revenue in the second half of FY10.

Gross margins increased from 54% to 58%. This continued growth in the gross margin percentage is attributed to better material sourcing and the value that customers place on our unique tailored solutions.

Overheads, excluding exceptional costs, decreased significantly during the year to £2,138k (2008: £3,436k) due to the successful restructuring of the Company cost base, resulting in a pre-exceptional operating profit of £71k (2008: loss of £1,195k).

Exceptional costs of £206k (2008: £nil) were incurred in the year relating to the re-organisation of the Group.

Tax income of £170k (2008: £62k) was recorded in the year as a result of a research and development tax credit of £100k (2008: £62k) and recognition of a deferred tax asset of £70k (2008: £nil).

A profit after tax of £13k was recorded for the year compared to a loss of £1,053k in the prior year.

Balance sheet and financing

In July 2008 IPG Plc ("IPG") provided a £350k loan to the Group in order to enable it to implement its restructuring plans.

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

Board and staff changes

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

Chairman's Statement (continued)

Conclusion and outlook

Despite very difficult market conditions the Company successfully delivered a profitable result for the year and its business development strategy achieved early success with a contract win, worth over £1m, from a new partner in a new territory. Our focus in the current year is to accelerate the partner recruitment process.

The security market is moving from analogue to digital. COE is uniquely placed to capitalise on this move as its product range enables it to cost effectively transition customers from one technology to the other. This therefore provides good, medium to long term, opportunities for the Company.

However, the ongoing economic downturn continues to affect short term business performance. In the UK and Europe, in particular, we have seen a significant slow down in demand. To date this slowdown has been offset by new business wins, primarily in Asia, and whilst the results for FY10 will be heavily weighted towards the second half, the board remains confident that the overall result for the current year will show a continued improvement over FY09.

Dr Alison Fielding
Chairman

11 December 2009

Board of Directors

Dr Alison Fielding (age 45) - 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 39) - Chief Executive

Ian Jefferson, 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 (Age 47) - 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 58) - Non-Executive Director

Anton Elsborg was appointed as a Non-Executive Director of COE on 19th 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 BSc (Hons) in Chemical Engineering and MSc in Industrial Management.

Directors' Report

for the year ended 30 June 2009

The Directors present their Annual Report together with the audited financial statements for the year ended 30 June 2009.

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.

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 2009 (2008: £nil).

Directors

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

The Directors of the Company during the year were :-

Dr Alison Fielding

Anton Elsborg

Ian Jefferson

Mark Marriage

Andrew Wallace (resigned 7 July 2008)

Mark Norton (appointed 7 July 2008 and resigned 15 May 2009)

Authority to purchase own shares

No shareholder authority existed at 30 June 2009 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.

Directors' Report (continued) for the year ended 30 June 2009

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.

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	13,574,849	36.9%
Richard Farleigh	4,067,565	11.1%
BNY (OCS) Nominees Limited	3,652,780	9.9%
Partnership Investment Finance Equity Fund Ltd	3,333,340	9.1%
COE Group PLC Employment Benefit Trust 2006	2,015,757	5.5%
PH Nominees Limited	1,401,843	3.8%

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.

As the 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 2009 (2008: £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

11 December 2009

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 elected to prepare the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Company and the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 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.

Each of the Directors, whose names and functions are listed in this Annual Report confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The Directors are also required to provide the Company's Auditors with all relevant 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.

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 2009 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, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Sections 495 and 496 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2009 and of the Group's profit and Group's and Parent Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ian Morrison (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Leeds

11 December 2009

Group Income Statement

for the year ended 30 June 2009

		Year ended	Year ended
		30 June	30 June
	Note	2009	2008
		£'000	£'000
Revenue	1	3,828	4,185
Cost of sales		(1,619)	(1,944)
Gross profit		2,209	2,241
Administrative expenses		(2,211)	(3,438)
Other operating income	2	73	2
Operating profit/(loss) before exceptional items		71	(1,195)
Exceptional expenditure	3	(206)	–
Operating loss		(135)	(1,195)
Financial income	4	7	558
Financial expense	5	(29)	(478)
Loss on ordinary activities before taxation	6	(157)	(1,115)
Taxation	9	170	62
Profit/(loss) for the year	24	13	(1,053)
Basic and diluted profit/(loss) per share	11	0.0p	(4.7p)

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.

There is no material difference between the loss on ordinary activities before taxation and the profit/(loss) for the financial years stated above and their historical cost equivalents.

Balance Sheets

at 30 June 2009

	Note	Consolidated		Parent Company	
		2009 £'000	2008 £'000	2009 £'000	2008 £'000
Non-current assets					
Property, plant and equipment	12	41	72	–	–
Intangible assets	13	416	340	–	–
Investments	14	–	–	–	–
		457	412	–	–
Current assets					
Inventories	15	225	236	–	–
Trade and other receivables	16	1,547	1,104	–	–
Cash and cash equivalents	17	358	384	–	–
		2,130	1,724	–	–
Total assets		2,587	2,136	–	–
Current liabilities					
Trade and other payables	18	1,398	2,020	29	185
		1,398	2,020	29	185
Net current assets/(liabilities)		732	(296)	(29)	(185)
Total assets less net current assets/(liabilities)		1,189	116	(29)	(185)
Non Current liabilities					
Provisions for liabilities and charges	20	27	116	–	–
		27	116	–	–
Total liabilities		1,425	2,136	29	185
Net assets/(liabilities)		1,162	–	(29)	(185)
Capital and reserves					
Called up share capital	22	1,455	1,312	1,455	1,312
Share premium		4,653	3,629	4,653	3,629
Profit and loss account		(4,946)	(4,941)	(6,137)	(5,126)
Equity shareholders' funds/(deficit)	24	1,162	–	(29)	(185)

The financial statements on pages 12 to 36 were approved by the Board on 11 December 2009 and signed on its behalf by:

Ian Jefferson
Director

Statement of Changes in Equity

for the year ended 30 June 2009

				Year ended	Year ended
				30 June	30 June
	Share	Share	Profit	2009	2008
	Capital	Premium	and Loss	Total	Total
	£'000	£'000	Account	Equity	Equity
	£'000	£'000	£'000	£'000	£'000
Group					
Opening equity shareholders' funds	1,312	3,629	(4,941)	–	989
Issue of shares	143	1,024	–	1,167	–
Profit/(loss) for the year	–	–	13	13	(1,053)
Share based costs recognised in the year	–	–	(18)	(18)	64
Closing equity shareholders' funds	1,455	4,653	(4,946)	1,162	–
Company					
Opening equity shareholders' funds	1,312	3,629	(5,126)	(185)	(68)
Issue of shares	143	1,024	–	1,167	–
Loss for the year	–	–	(1,011)	(1,011)	(117)
Closing equity shareholders' funds	1,455	4,653	(6,137)	(29)	(185)

Cash Flow Statements

for the year ended 30 June 2009

	Note	Consolidated		Parent Company	
		2009 £'000	2008 £'000	2009 £'000	2008 £'000
Cash flows from operating activities					
Operating loss		(135)	(1,195)	(30)	(131)
Depreciation		38	54	-	-
Amortisation of intangible assets		340	245	-	-
Expenditure on intangible assets		(416)	(340)	-	-
Decrease/(increase) in inventories		11	(69)	-	-
Increase in trade and other receivables		(335)	(2)	-	-
(Decrease)/increase in trade and other payables		(703)	343	(156)	90
Decrease in provisions		(89)	(6)	-	-
Advances to subsidiary undertakings		-	-	(981)	(64)
Share based payment charge		(18)	64	-	-
Interest paid		(29)	(478)	-	(467)
Interest received		7	558	-	545
Taxation received		62	42	-	-
Net cash flow from operating activities		(1,267)	(784)	(1,167)	(572)
Cash flows from investing activities					
Purchase of property, plant and equipment		(7)	(49)	-	-
Net cash flow from investing activities		(7)	(49)	-	-
Cash flows from financing activities					
Proceeds from issue of shares**		1,167	-	1,167	-
Repayment of loans		-	(18,342)	-	(18,342)
Decrease in money market investments and deposits		-	18,342	-	18,342
Net cash flow from financing activities		1,167	-	1,167	-
Decrease in cash and cash equivalents		(107)	(833)	-	(27)
Cash and cash equivalents at the beginning of the year		21	854	-	27
Cash and cash equivalent at the end of the year*	17	(86)	21	-	-

* Cash and cash equivalents at 30 June 2009 for the Group comprises cash balances of £358,000 (2008: £384,000) and bank overdraft balances of £444,000 (2008: £363,000).

** Proceeds from issue of shares include £350,000 originally obtained in the form of a loan.

Accounting Policies

for the year ended 30 June 2009

Basis of preparation

COE Group PLC is a public limited Company incorporated and domiciled in England and Wales, registered at Photon House, Percy Street, Leeds, LS12 1EG. The Company's ordinary shares are traded on AIM.

The financial statements 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 2006 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 2009 or later periods. Adoption of these standards is not anticipated to have any material effect of the current financial position or performance of the Group.

(a) Standards, amendments and interpretations effective for the year ended 30 June 2009 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 2009 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'

IFRIC 14, 'IAS 19 - the limit on a defined benefit asset, minimum funding requirements'

(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 2009 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.

IFRS 3 (Amendment), 'Business Combinations' (effective annual periods beginning 1 July 2009) - It is not expected that this amendment will have an impact on the Group's results as the Group does not expect to make acquisitions for the foreseeable future.

IAS1 (Amendment), 'Presentation of Financial Statements' (effective annual periods beginning 1 January 2009) - It is not expected that this amendment will have an impact on the Group's results as the Group has no puttable instruments, obligations arising on liquidation or derivatives.

Accounting Policies (continued) for the year ended 30 June 2009

(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'

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.

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.

Accounting Policies (continued) for the year ended 30 June 2009

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.

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.

Accounting Policies (continued)

for the year ended 30 June 2009

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.

Charges for employee services received in exchange for share-based payments 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.

Accounting Policies (continued) for the year ended 30 June 2009

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 (CGUs) are allocated first to reduce the carrying amount of any goodwill allocated to CGUs (Groups of units) and then, to reduce the carrying amount of the other assets of the unit (Group of units) 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 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 judgment 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.

Accounting Policies (continued)

for the year ended 30 June 2009

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.

Investments

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the Directors when there has been an indication of potential impairment.

Trade receivables

Trade receivables are recognised and measured at their original invoiced amount less provision for any uncollectible amounts. An estimate for doubtful debts is made when the collection of the full amount is no longer probable. Bad debts are written off to the income statement when they are identified.

Inventories

For financial reporting purposes the Group evaluates its inventory to ensure it is carried at the lower of cost or net realisable value. Provision is made against slow moving, obsolete and damaged inventories. Damaged inventories are identified and written down through the inventory counting procedures conducted. Obsolescence is assessed based on comparison of the level of inventory holding to the projected likely future sales.

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 development, sale, and long term support of networked analogue and digital video surveillance systems. 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 :

	2009	2008
	£'000	£'000
The geographical analysis of revenue by destination is:		
United Kingdom	1,324	1,712
Europe	560	1,196
Asia and the rest of the World	1,944	1,277
	3,828	4,185

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

	2009	2008
	£'000	£'000
Government grants receivable	–	2
VAT Reclaimed	73	–
	73	2

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

3 Exceptional expenditure

	2009	2008
	£'000	£'000
Redundancy costs	206	–

4 Financial income

	2009	2008
	£'000	£'000
Interest received on cash at bank	7	14
Interest received on pledged deposit account	–	544
Financial income	7	558

Notes to the financial statements (continued)

5 Financial expenses

	2009	2008
	£'000	£'000
Interest payable on Loot loan notes – repaid during the year	–	(467)
Interest payable on bank loans and overdrafts	(29)	(11)
Financial expenses	(29)	(478)

6 Loss on ordinary activities before taxation

	2009	2008
	£'000	£'000
Loss on ordinary activities is stated after charging/(crediting):		
Cost of inventory included as an expense	1,619	1,944
Depreciation of property, plant and equipment	38	54
Amortisation of intangible assets	340	245
Research and development costs expensed	148	176
Operating lease rentals:		
– property	140	121
– motor vehicles	45	52
Fees payable to the Company Auditor for the audit of the Parent Company and the consolidated accounts	10	10
Other fees payable to the Company Auditor:		
– audit of the Company's subsidiaries pursuant to legislation	15	15
– other services pursuant to legislation	–	3

7 Directors' emoluments

	2009	2008
	£'000	£'000
Basic salary and fees	317	411
Benefits in kind	29	29
	346	440
Compensation on termination arrangements	–	18
Pension contributions to defined contribution pension schemes	23	23
Total emoluments	369	481

The executive Directors are paid a basic salary plus benefits in kind which include private medical cover, life assurance cover and a car allowance plus a performance and target related bonus. 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. Based on certain price related criteria both Executive and Non-Executive Directors are entitled to a bonus on change of ownership of the Group.

Notes to the financial statements (continued)

7 Directors' emoluments (continued)

There are pension benefits accruing to 2 Directors (2008: 3 Directors) under defined contribution pension arrangements the assets of which are held independently of the Group.

Highest paid Director

	2009 £'000	2008 £'000
Basic salary and fees	154	198
Benefits in kind	10	9
	164	207
Compensation on termination arrangements	–	18
Pension contributions to defined contribution pension schemes	10	10
Total emoluments	174	235

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:

	2009 Number	2008 Number
Administrative	5	6
Sales	11	12
Overseas	5	6
Production	7	9
	28	33

	2009 £'000	2008 £'000
The aggregate payroll costs during the year were as follows:		
Wages and salaries	1,217	1,637
Social security costs	155	350
Pension costs	61	73
	1,433	2,060

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:

	2009	2008
	£'000	£'000
United Kingdom		
Corporation tax at 21% (2008: 20%)	100	62
Current tax credit for the year	100	62
Deferred tax		
Origination and reversal of timing differences (note 21)	70	–
Total deferred tax	70	–
	170	62

The tax assessed for the year is lower (2008: lower) than the standard rate of corporation tax in the UK (21%).

The tax credit for the year differs from that calculated at the standard rate of UK corporation tax of 21% (2008: 20%).

The differences are explained below:

	2009	2008
	£'000	£'000
Loss on ordinary activities before tax	(157)	(1,115)
UK corporation tax at 21% (2008: 20%)	33	223
Effects of:		
Expenses not deductible for tax purposes	(7)	(12)
Expenses enhanced for tax purposes	64	27
Change in tax rates – due to a specific claim	(47)	(20)
Tax losses utilised/(not utilised)	57	(156)
Total current tax credit	100	62

10 Loss of the holding Company

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and have not presented a profit and loss account for the Company alone. Of the consolidated sustained profit for the year, a loss of £1,011,000 (30 June 2008: £117,000) was dealt with in the profit and loss account of the Company.

Notes to the financial statements (continued)

11 Profit/(loss) per share

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

For diluted profit/(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 profit/(loss) per ordinary share are the same for the years ended 30 June 2009 and 2008.

The calculation of basic and diluted profit per share is based on the profit for the year of £13,000 (2008: sustained loss of £1,053,000) divided by the weighted average number of ordinary shares in issue during the year of 30,626,805 (2007: 22,394,397).

	Profit 2009 £'000	Profit per share 2009 p	Loss 2008 £'000	Loss per share 2008 p
Profit/(loss) attributable to shareholders	13	-	(1,053)	(4.7)

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 1 July 2008	40	396	436
Additions	-	7	7
Disposals	-	-	-
At 30 June 2009	40	403	443
Accumulated Depreciation			
At 1 July 2007	23	287	310
Charge for the year	5	49	54
Disposals	-	-	-
At 1 July 2008	28	336	364
Charge for the year	5	33	38
Disposals	-	-	-
At 30 June 2009	33	369	402
Net book value			
At 30 June 2009	7	34	41
At 30 June 2008	12	60	72

Company

The company has no property, plant and equipment (30 June 2008: £nil).

Notes to the financial statements (continued)

13 Intangible assets

Group	Goodwill £'000	Research & Development £'000	Total £'000
Cost			
At 1 July 2007	2,435	674	3,109
Additions	–	340	340
Disposals	–	–	–
At 1 July 2008	2,435	1,014	3,449
Additions	–	416	416
Disposals	–	–	–
At 30 June 2009	2,435	1,430	3,865
Accumulated Amortisation			
At 1 July 2007	2,435	429	2,864
Charge for the year	–	245	245
Disposals	–	–	–
At 1 July 2008	2,435	674	3,109
Charge for the year	–	340	340
Disposals	–	–	–
At 30 June 2009	2,435	1,014	3,449
Net book value			
At 30 June 2009	–	416	416
At 30 June 2008	–	340	340

Company

The company has no intangible assets (30 June 2008: £nil).

Notes to the financial statements (continued)

14 Investments in subsidiary undertakings

	£'000
Cost	
At 30 June 2009 and 1 July 2008	2,731
Provisions	
At 30 June 2009 and 1 July 2008	2,731
Net book value	
At 30 June 2009 and 1 July 2008	–

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 2009 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.

15 Inventories

	Group		Company	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Raw materials and consumables	56	66	–	–
Finished goods and goods for resale	169	170	–	–
	225	236	–	–

16 Trade and other receivables

	Group		Company	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade receivables	1,371	934	–	–
Corporation tax recoverable	98	60	–	–
Deferred tax	70	–	–	–
Other receivables	1	81	–	–
Prepayments and accrued income	7	29	–	–
	1,547	1,104	–	–

Trade receivables are non-interest bearing and are generally on 30-90 days terms. At 30 June 2009, trade receivables of £1,371k (30 June 2008: £934k) were fully performing.

Notes to the financial statements (continued)

16 Trade and other receivables (continued)

Bad debt provision recognised within trade receivables:	Group £'000	Company £'000
At 1 July 2008	114	–
Decrease in the year	(64)	–
Utilised in the year	–	–
At 30 June 2009	50	–

Trade receivables that are past due are reviewed individually for impairment. At 30 June 2009 trade receivables of £92k (30 June 2008: £6k) 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 £'000	more than 3 months £'000
30 June 2009	67	25
30 June 2008	6	–

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 2009	–	50	50	(50)	–
30 June 2008	–	114	114	(114)	–

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

	2009 £'000	2008 £'000
Sterling	1,180	729
Euros	191	205
	1,371	934

17 Cash and cash equivalents

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Cash and cash equivalents	358	384	–	–
Bank overdraft	(444)	(363)	–	–
Free cash	(86)	21	–	–

Notes to the financial statements (continued)

18 Trade and other payables

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Bank overdrafts	444	363	–	–
Trade creditors	723	1,085	–	–
Amounts owed to subsidiary undertakings	–	–	8	8
Other taxation and social security	30	210	–	167
Accruals and deferred income	201	362	21	10
	1,398	2,020	29	185

Bank loans and overdrafts totalling £443,543 (2008: £362,924) 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 2009 of £330,000 (2008: £330,000).

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.

Notes to the financial statements (continued)

19 Financial instruments (continued)

Interest rate risk

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

	Floating rate financial assets £'000	Total £'000
At 30 June 2009		
Cash and cash equivalents	358	358
At 30 June 2008		
Cash and cash equivalents	384	384

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

	Floating rate financial liabilities £'000	Total £'000
At 30 June 2009		
Bank loans and overdrafts	444	444
At 30 June 2008		
Bank loans and overdrafts	363	363

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:

	2009		2008	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Financial assets:				
Cash and cash equivalents	358	358	384	384
Financial liabilities:				
Bank loans and overdrafts	(444)	(444)	(363)	(363)

The fair value of cash and cash equivalents approximate to carrying value because of the short maturity of these instruments.

The fair value of bank loans and overdrafts approximate to carrying value because of the short term maturity of the instruments.

Notes to the financial statements (continued)

19 Financial instruments (continued)

Maturity profile of financial liabilities

The bank loans and overdraft were repayable on demand.

Borrowing facilities

The Group has undrawn committed borrowing facilities of £290,000 (30 June 2008: £212,000) all of which expire within one year.

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				
2009				
Sterling	–	191	–	191
2008				
Sterling	–	205	–	205

Hedging

The Group has not undertaken any hedging activities in either the current or 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 2008	116	–
Released in the year	(68)	–
Utilised in the year	(21)	–
At 30 June 2009	27	–

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

	2009	2008
	£'000	£'000
Asset recognised at start of period	–	–
Deferred tax credit in profit and loss account for period	70	–
Asset recognised at end of period	70	–

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

Capital allowances	14	28
Tax losses carried forward	835	857
Unprovided deferred tax asset	849	885

The above amounts are calculated by reference to a Corporation Tax rate of 21%.

The deferred tax asset has been recognised as the Directors consider it more likely than not that sufficient taxable profits will be available in the foreseeable future 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 called up

	2009	2008
	£'000	£'000
Allotted and fully paid		
36,744,400 (2008: 22,394,397) ordinary shares of 1p each	367	224
108,763,200 deferred shares of 1p each	1,088	1,088
	1,455	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.

During the year 14,350,003 ordinary shares of 1p each with an aggregate nominal value of £143,500 were allotted for consideration of £1,291,500.

Authorised		
57,500,000 (2008: 31,000,000) ordinary shares of 1p each	575	310
264,000,000 deferred shares of 1p each	2,640	2,640
	3,215	2,950

Notes to the financial statements (continued)

23 Share-based payments

During 2009 and 2008 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 2009, options over 4,991,696 ordinary shares were outstanding and comprised:

	Number of Options	Exercise Price
2004 Approved EMI	37,400	55.00p
2004 Unapproved EMI	82,412	51.25p
2006 Approved EMI	730,000	11.00p
2006 Unapproved EMI	100,000	11.00p
2008 Approved EMI	2,514,085	9.00p
2008 Unapproved EMI	1,527,799	9.00p

At 30 June 2009, 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 2004 EMI schemes expired on 31 July 2009. Options under the other 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%.

Any employee beneficial interest in ESOP expired on 31 July 2009.

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.

Valuation model	EMI		EMI		EMI	
	Approved 2004	Un-approved 2004	Approved 2006	Un-approved 2006	Approved 2008	Un-approved 2008
	Black-Scholes					
Date of grant	19 Jul 04	1 Apr 05	4 Sep 06	4 Sep 06	15 Dec 08	15 Dec 08
Number granted	37,400	82,412	730,000	100,000	2,514,085	1,527,799
Fair value (pence)	4.55	4.24	4.55	4.55	3.36	3.36
Share price at grant (pence)	11.00	10.25	11.00	11.00	8.50	8.50
Exercise price (pence)	55.00	51.25	11.00	11.00	9.00	9.00
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

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

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

	2009		2008	
	Number	WAEP	Number	WAEP
Outstanding at 1 July	3,759,061	17.75p	3,553,449	16.14p
Granted	4,041,884	9.0p	459,212	32.87p
Forfeited	(793,492)	37.00p	(253,600)	11.62p
Outstanding at 30 June	7,007,453	10.37p	3,759,061	17.75p
Exercisable at 30 June	793,459	15.55p	180,148	52.12p

For share options outstanding at 30 June 2009 the average remaining contractual life was 440 days. There had been no movement on the ESOP award since grant.

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

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Profit/(sustained loss)	13	(1,053)	(1,011)	(117)
Share based payment (credit)/charge recognised in the year	(18)	64	-	-
Net proceeds from issue of shares during the year	1,167	-	1,167	-
Net change in shareholders' funds/(deficit)	1,162	(989)	156	(117)
Opening shareholders' funds/(deficit)	-	989	(185)	(68)
Closing shareholders' funds/(deficit)	1,162	-	(29)	(185)

Notes to the financial statements (continued)

25 Capital commitments

The Group and the Company have no capital commitments at 30 June 2009 (30 June 2008: £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 continued 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 4 years, the Directors do not expect any financial loss to arise.

27 Financial commitments

At 30 June 2009 the Group had aggregate commitments under non-cancellable operating leases payable as follows:

	Land and buildings		Other	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Within one year	118	108	15	18
Between two to five years	189	307	1	16
After five years	-	-	-	-
	307	415	16	34

28 Related party disclosures

A loan from the Group of £4,000 to M. Norton, a Director was outstanding during the year. This was repaid during the year with no arrangements for interest to be charged.

Directors emoluments are disclosed in note 7.

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 15 January 2010 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 4 will be proposed as ordinary resolutions and resolution 5 will be proposed as a special resolution.

ORDINARY RESOLUTIONS

1. To receive the Directors' report and the Company's annual accounts for the year ended 30 June 2009 together with the Auditors' report on those accounts.
2. To reappoint Mark Marriage, who retires by rotation, as a Director of the Company.
3. 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.
4. That pursuant to section 551 of the Companies Act 2006 ("the Act") the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company 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 or on 15 April 2011 (whichever is the earlier), save that the Company may make an offer or agreement before the expiry of this authority which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after this authority expires and the Directors may allot shares or grant such rights pursuant to any such offer or agreement as if the authority conferred by this resolution had not expired.

This authority is in substitution for all existing authorities under section 80 of the Companies Act 1985 (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

SPECIAL RESOLUTIONS

5. That, subject to the passing of Resolution 4 above, pursuant to section 570 of the Act, the Directors be and are generally empowered to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by Resolution 4 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
 - 5.1 the allotment of equity securities in connection with an offer of equity securities (whether by way of rights issue, open offer or otherwise):
 - 5.1.2 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; and
 - 5.1.3 to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,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; and
 - 5.2 the allotment of equity securities for cash (otherwise than pursuant to paragraph 5.1 above) up to the aggregate nominal amount of £90,000;

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

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 or on 15 April 2011 (whichever is the earlier), 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.

This power is in substitution for all existing powers under section 95 of the Companies Act 1985 (which to the extent unused at the date of this resolution, are revoked with immediate effect).

BY ORDER OF THE BOARD

Ian Jefferson	Registered Office:
Company Secretary	Photon House
11 December 2009	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 13 January 2010 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 13 January 2010 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. 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.
3. 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 13 January 2010 (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).

COE Group PLC

For use at the Annual General Meeting ("**Meeting**") to be held at 10.00 am on 15 January 2010 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.

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 speak and 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 Mark Marriage as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To reappoint PricewaterhouseCoopers LLP as Auditors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. 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			
5. To authorise the Directors to allot equity securities as if section 561(1) of the Companies Act 2006 did not apply	<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 initialed 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 13 January 2010 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 13 January 2010 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 notariially or in some other way approved by the Board of Directors) must be deposited at the offices of Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, no later than 48 hours before the time appointed for the holding of the Meeting (or any adjournment thereof).



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