

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

Unaudited results for the six months ended 31 December 2009

COE, the AIM-quoted developer and supplier of advanced video surveillance systems, announces unaudited results for the 6 months ended 31 December 2009 (H1 2010).

Financial Highlights

- Revenue down 37% to £1,175k (H1 2009: £1,856k) due to the phasing of the order book. As noted in the 2009 annual report the order book growth previously achieved is scheduled to flow through to revenue in the second half of this year (H2 2010)
- Increase in gross margin to 62% (H1 2009: 56%)
- Operating expenses up 17% to £1,152k (H1 2009: £981k excluding exceptional re-organisation costs) due to phasing. Overheads for the full year expected to be in line with the prior year
- Operating loss of £426k (H1 2009: £78k) as a result of the second half weighting of shipments

Operational Highlights

- Continued enhancement of product range with the addition of I-Command video management software and X-Stream multi-channel codec
- Strong pipeline growth in Asia in particular in the transport sector, where we are bidding a number of sizeable opportunities, as we look to replicate the Seoul Metro contract win across the region
- On plan roll out of the Seoul Metro contract, which has a revenue value in excess £1m, and deliveries for which are scheduled to be complete by the end of H2 2010
- Recruitment to support our expansion into India and the Middle East where we seek to build on the contract success achieved in the Far East

Ian Jefferson, Chief Executive, commented:

“These interim results are a reflection on the timing of shipments which this year, as previously reported, are weighted heavily towards the second half. Our business development activity continues to progress well particularly in Asia where we are bidding on an increasing number of larger

opportunities. Therefore, despite the short term economic uncertainty we remain confident that our strategy will deliver future growth”

About COE:

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

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

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

Please visit www.coe.co.uk

CHAIRMAN'S STATEMENT

Operational report

As noted in the Company's 2009 Annual Report, the revenue for this financial year is heavily weighted towards the second half. These interim results are a reflection of this weighting and are in line with our expectations.

Trading conditions have remained very tough throughout the period with significant down turns experienced particularly in the UK. However, our business development activities are yielding good results and our pipeline of opportunities and partner base is increasing, especially throughout Asia.

This pipeline growth in Asia is biased towards the transport sector, where we are bidding a number of sizeable opportunities, as we seek to replicate the Seoul Metro contract win across the region. The Seoul Metro contract, the revenue value for which is worth over £1m, is scheduled for delivery in the second half of this year and is currently rolling out according to plan.

We have recruited to support our expansion into the Middle East and India and are working on a number of projects which we hope will give rise to significant orders in due course.

During the period we have continued to expand our product range. COE provides complete analogue, IP or hybrid video surveillance solutions for camera systems of any size. The introduction of the X-Stream multi-channel codec further enhances our IP/hybrid offering by providing up to four channels of analogue video encoding with analytics functions for use on both wired and wireless IP Ethernet networks.

All COE products are rugged and our systems are designed with high levels of redundancy ensuring optimal performance in harsh, safety critical environments. Also, the products are modular in nature providing our partners with a high degree of flexibility in system design and integration with third party products. These features, and the ability to offer customers a cost effective, tailored transition path from analogue to digital via an intermediary hybrid solution provides COE with a competitive advantage as our markets transition from analogue to digital.

Financial report

Revenue of £1,175k (H1 2009: £1,856k) was 37% down compared to the prior period due to the delivery timeline of the order book. As noted in the 2009 annual report the order book growth previously achieved is expected to flow through to revenue in the second half of this year (H2 2010).

Gross margin increased to 62% (H1 2009: 56%), however, this is not expected to continue in the second half as the delivery of the larger orders commences.

Operating expenses were up 17% to £1,152k (H1 2009: £981k excluding exceptional re-organisation costs) due to phasing. Overheads for the full year are expected to be in line with the prior year.

Operating loss of £426k (H1 2009: £78k) generated due to the second half phasing of shipments noted above. The Board believes that the full year result will be in line with its previous expectations.

Conclusion and outlook

The business development activity is progressing well and our pipeline of opportunities is growing. The Board remains confident that despite the short term economic uncertainty our strategy will deliver future growth and that further progress will be made during the second half of FY10 as the Company completes deliveries for Seoul Metro and continues to capitalise on its partner development and recruitment programme.

Dr Alison Fielding
Chairman
29 March 2009

COE Group Plc
Ian Jefferson, Chief Executive Officer

0113 230 8800

Zeus Capital Ltd
Nick Cowles

0161 831 1512

Consolidated statement of comprehensive income (unaudited)
For the six months ended 31 December 2009

| | Six months ended 31 December 2009 £'000 | Six months ended 31 December 2008 £'000 | Year ended 30 June 2009 £'000 |
|--|---|---|---|
| Note | | | |
| Revenue | 1,175 | 1,856 | 3,828 |
| Cost of sales | (449) | (814) | (1,619) |
| Gross profit | 726 | 1,042 | 2,209 |
| Net operating expenses | (1,152) | (1,120) | (2,344) |
| Operating loss | (426) | (78) | (135) |
| Operating loss analysed as: | | | |
| Operating (loss)/profit before exceptional items | (426) | 61 | 71 |
| Exceptional costs | - | (139) | (206) |
| Operating loss | (426) | (78) | (135) |
| Financial income | - | - | 7 |
| Financial expense | (18) | (39) | (29) |
| Loss before tax | (444) | (117) | (157) |
| Income tax credit | - | 4 | 170 |
| (Loss)/profit for the period | (444) | (113) | 13 |
| Basic loss per share | 2 | (1.2p) | (0.5p) |
| Diluted loss per share | 2 | (1.2p) | (0.5p) |

Consolidated statement of changes in equity (unaudited)
For the six months ended 31 December 2009

| | 6 months ended 31 December 2009 £'000 | 6 months ended 31 December 2008 £'000 | 12 months ended 30 June 2009 £'000 |
|--|---|---|--|
| Total equity at start of period | 1,162 | - | - |
| (Loss)/profit for period | (444) | (113) | 13 |
| Shares issued | - | 1,167 | 1,167 |
| Share based payments | 25 | 25 | (18) |
| Total equity at end of period | 743 | 1,079 | 1,162 |

Consolidated balance sheet (unaudited)

As at 31 December 2009

| | 31 December 2009 £'000 | 31 December 2008 £'000 | 30 June 2009 £'000 |
|-----------------------------------|------------------------------|------------------------------|--------------------------|
| Non-current assets | | | |
| Property, plant and equipment | 31 | 52 | 41 |
| Intangible assets | 416 | 340 | 416 |
| | 447 | 392 | 457 |
| Current assets | | | |
| Inventories | 214 | 155 | 225 |
| Trade and other receivables | 818 | 1,036 | 1,547 |
| Cash and cash equivalents | 330 | 592 | 358 |
| | 1,362 | 1,783 | 2,130 |
| Total assets | 1,809 | 2,175 | 2,587 |
| Current liabilities | | | |
| Trade and other payables | (686) | (817) | (954) |
| Loans and other borrowings | (353) | (204) | (444) |
| | (1,039) | (1,021) | (1,398) |
| Non current liabilities | | | |
| Provisions | (27) | (75) | (27) |
| | (27) | (75) | (27) |
| Total liabilities | (1,066) | (1,096) | (1,425) |
| Net assets | 743 | 1,079 | 1,162 |
| Shareholders' equity | | | |
| Called-up share capital | 1,455 | 1,455 | 1,455 |
| Share premium account | 4,653 | 4,653 | 4,653 |
| Retained earnings | (5,365) | (5,029) | (4,946) |
| Total shareholders' equity | 743 | 1,079 | 1,162 |

Consolidated cash flow statement (unaudited)
For the six months ended 31 December 2009

| | 6 months ended 31 December 2009 £'000 | 6 months ended 31 December 2008 £'000 | 12 months ended 30 June 2009 £'000 |
|---|--|---|--|
| Cash flow from operating activities | | | |
| Operating loss | (426) | (78) | (135) |
| Depreciation | 15 | 20 | 38 |
| Amortisation of intangible assets | 244 | 170 | 340 |
| Expenditure on intangible assets | (244) | (170) | (416) |
| Decrease in inventories | 11 | 81 | 11 |
| Decrease/(increase) in trade and other receivables | 631 | (6) | (335) |
| Decrease in trade and other payables | (268) | (826) | (703) |
| Decrease in provisions | - | (41) | (89) |
| Interest paid | (18) | (39) | (29) |
| Share based payment charge | 25 | 25 | (18) |
| Taxation received | 98 | 64 | 62 |
| Net cash flow from operating activities | 68 | (800) | (1,274) |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | (5) | - | (7) |
| Interest received | - | - | 7 |
| Net cash flow from investing activities | (5) | - | - |
| Cash flows from financing activities | | | |
| Proceeds from share issue | - | 1,167 | 1,167 |
| Net cash flow from financing activities | - | 1,167 | 1,167 |
| Increase/(decrease) in cash and cash equivalents | 63 | 367 | (107) |
| Cash and cash equivalents at the beginning of the period | (86) | 21 | 21 |
| Cash and cash equivalents at the end of the period | (23) | 388 | (86) |

Notes to the unaudited interim financial statements

1. Accounting policies and general information

COE Group Plc is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on AIM.

The interim financial report does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 June 2009 were approved by the Board on 11 December 2009 and delivered to the Registrar of Companies. The report of the auditors, PricewaterhouseCoopers LLP, on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

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

The interim financial report has been prepared under the historical cost convention and in accordance with the Group's accounting policies which are consistent with those followed in preparation of the annual report for the year ended 30 June 2009 and disclosed therein. This report however, does not comply with IAS34.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2009.

IFRS 8 'Operating Segments' - This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this Standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under IAS14 Segmental Reporting.

IAS 1 'Revised Presentation of Financial Statements' - The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income; it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement.

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

2. Earnings per share

Basic earnings per share is calculated as the (loss)/profit for the period divided by the weighted average number of shares outstanding. For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. Under IAS 33 'Earnings per share' any potentially dilutive ordinary shares are deemed anti-dilutive in the event that a loss has been incurred. Consequently the basic and adjusted loss per ordinary share for the six-month period ended 31 December 2009 and the six-month period ended 31 December 2008 are unaffected by dilution.

| | 6 months ended 31 December 2009 | 6 months ended 31 December 2008 | 12 months ended 30 June 2009 |
|--|--|--|---------------------------------------|
| Basic (loss)/profit attributable to shareholders | (£444,000) | (£113,000) | £13,000 |
| Weighted average number of shares | 36,744,400 | 22,374,899 | 30,626,805 |
| Basic and diluted loss per share | (1.2p) | (0.5p) | 0.0p |

