centurion®

electronics plc

INTERIM REPORT 2007

For the six months ended 31st March 2007

Excellence

By Design

Centurion Electronics Plc
Interim Results
for the six months ended 31 March 2007

Introduction

At the time of the Company's restructuring last year the Directors launched a plan to lower the risk profile of the business, rationalise its supply base and lessen its dependency on Toyota Motor Europe by securing new contracts. One year on I am delighted to report that Centurion is no longer exposed to the vagaries of the volatile high street retail market, contracts are in place with a small number of key blue chip suppliers and, the client base has been expanded to the extent that by September 2008 sales to our largest OEM customer are forecast to represent circa 40% of the Company's revenue. Furthermore, our product range now incorporates leading edge components that are highly scaleable, yet unique to our clients' own brand image.

Financial Performance

For the first six months ended 31 March 2007, the Company reported turnover of £2.4 million (2006: £3.7 million). The 2006 figure included sales of £1.2 million relating to the now discontinued specialist retail activities.

In preparing the financial statements for the current year, the company has adopted FRS20 'Share based payments'. The adoption of these standards has resulted in a change in accounting policy for share based payment transactions. This has impacted the profit and loss account and further details can be found in Note 2 of the accounts.

A pre-exceptional operating loss of £0.52 million (2006: £0.78 million) is being reported, whilst the loss on ordinary activities before taxation amounted to £0.68 million, against a loss of £0.17 million in the comparable period. Taking into account the effects of FRS 20 and the share based payments, the pre-exceptional operating loss becomes £0.60 million (2006: £0.89 million), whilst the loss on ordinary activities before taxation amounted to £0.76 million, against a loss of £0.29 million in the comparable period. The exceptional items relate to costs incurred on an abortive acquisition. The post exceptional operating loss is £0.63 million (2006: £0.96 million). The post exceptional post share based payment operating loss is £0.71 million (2006: £1.1 million).

During April 2007 a further convertible loan note of £1.0 million was issued to provide working capital support, of which £0.78 million has currently been drawn down.

As reported in the trading update issued in early March of this financial year, the Company's financial performance for the year 30 September 2007 will be affected by a number of external factors. Within our largest OEM customer, we have witnessed sales of our existing systems being significantly below our original internal forecasts due to the phased roll-out of current products and the subsequent introduction of new upgraded products. As a result in the year to 30 September 2007, it is unlikely that the Company will move into profitability.

Dividend

The Board believes that, at this stage, it is not appropriate to pay an Interim dividend (2006: nil).

Review

Throughout the first half of the current financial year, the management has been firmly focussed on increasing the company's customer portfolio and developing existing relationships with the number of Global car manufacturers that are the core of our customer base.

I can report that Centurion is in some form of dialogue with over 80% of the global vehicle manufacturers operating in Europe. We anticipate that by the end of this financial year, we will have doubled our client base from the same period last year.

The Company has also developed plans to reduce its costs. As a result, management expect overheads will be reduced by at least 10% later this financial year, to parallel the confirmed roll out of the new contract wins into 2008. This will strengthen our competitive edge as we strive for both additional business and higher levels of profitability.

New Business

During the first half of the financial year, we have successfully secured one new business contract and, following the end of the first half, we have successfully secured two more business contracts.

In February 2007, it was announced that the Company had secured a new contract with Toyota Motor Europe to supply an integrated in-car entertainment ("ICE") system initially as an option across five vehicle models.

The contract is to supply a new premium ICE system designed and developed exclusively by Centurion, which is being phased in between November and December 2007, that will provide a complete solution in in-car entertainment. The system is designed to integrate within the vehicles interior and seat structure, whilst offering passengers access to the latest media formats.

It was announced in April 2007, that the Company had been awarded a new contract to supply its latest unique modular integrated in-car entertainment system as an option for Honda Access Europe NV. The system will be launched across Europe, with the initial supply being offered as an option on the new CR-V.

The new modular system has been specifically designed according to customer requirements and can be used outside the vehicle as well as being fully integrated within the vehicle. The patent protected, twin-screen system is expected to be launched within the CR-V's 2008 model year with production anticipated to commence during Q4 of 2007 calendar year.

In May 2007, the Company was pleased to announce that it had also secured a new contract to supply the Audi C6 in China. This new contract, which was secured following a two year development partnership between Brunswick New Technologies Automotive, Germany and Centurion, involves the supply of a premium rear-seat entertainment system, for standard fit on the Audi C6, the long-wheelbase version of the Audi A6. The system comprises of two 10.2'' LCD screens which will be mounted onto the back of the front seats and the DVD player integrated into a console within the rear seats. The DVD player also includes connections for a games console, iPod and digital camera.

The Audi C6 is built exclusively for the Chinese market and is frequently used as a chauffeur-driven saloon. The product was launched at the Shanghai Motor Show in April this year. The entertainment systems are expected to be fitted during Q1 of Centurion's financial year ending September 2008, and start contributing to the Company's revenues in Q2 of the same financial year.

Quality Accreditation

I have previously referred to the importance of attaining the appropriate automotive industry quality management system accreditations. I am pleased to report that we are now operating in accordance with both TS16949 and ISO9001 standards, which for the majority of the world's automakers is a pre-requisite entry ticket for business. We are now building up the required document library for our formal audit which we anticipate will be completed next summer. In the meantime, we have successfully passed a number of customer audits and remain confident that our systems are capable of meeting the requirements of current and future customers alike.

People

I would like to welcome all new employees to the company; the Company currently employs circa 42 people.

Morale within the Company has remained high through this first half of the year, especially with the new contract wins.

I am pleased to announce that in January 2007 our Financial Controller, Sharon Armstrong, was appointed Company Secretary.

Outlook and future prospects

The company has produced cash flow forecasts for the period to September 2008, which includes the anticipated sales growth from the recent Honda and Brunswick contract wins.

These new contracts are expected to generate profitable sales growth during the course of the next financial year. Based on current forecasts, the company will have insufficient working capital beyond October 2007 to fund the forecast sales growth for new contracts and therefore will need to put in place additional funding by that date.

The directors are considering with the support of external advisors options to ensure that sufficient working capital is put in place by October 2007 to meet the forecast working capital requirements. Note 2 more fully discusses the additional funding required.

However, the directors believe Centurion is well placed for further market growth with the successful award of one new contract in the first half of this financial year, followed by another two prestigious contract wins during April and May. Centurion's customer base now includes four major OEM's, all of which are ranked within the top ten Global vehicle manufacturers by volume and the Company will no longer be reliant on any one customer.

The Company has consolidated its product range, utilising core components and technologies that can be transferred whilst ensuring the systems are bespoke to specific customer requirements and brand image.

The relationships with existing customers are strong and focussed on increasing penetration of in-car entertainment systems throughout existing markets whilst continuing to explore areas for cost improvements and future product developments. The Company has a clear strategy forward for new business and expects to announce a further contract win before the end of this financial year.

Ernst Kastner
Chairman
21 June 2007

Profit and loss account

	Note	Unaudited 6 months to 31 March 2007	Unaudited 6 months to 31 March 2007	Unaudited 6 months to 31 March 2007
		Pre-Exceptional £	Exceptional* £	Total £
Turnover		2,429,092	–	2,429,092
Cost of sales		(1,205,463)	–	(1,205,463)
Gross profit		1,223,629	–	1,223,629
Administrative expenses		(1,826,045)	(109,581)	(1,935,626)
Adjusted operating (loss)**		(524,060)	(109,581)	(633,641)
Share based payments	2	(78,356)	–	(78,356)
Operating (loss)		(602,416)	(109,581)	(711,997)
Loss on disposal of fixed assets		–	–	–
Interest payable and similar charges		(45,714)	–	(45,714)
(Loss)/profit on ordinary activities before taxation		(648,130)	(109,581)	(757,711)
Taxation on (loss)/profit on ordinary activities	5	–	–	–
(Loss)/profit for the year		(648,130)	(109,581)	(757,711)
Earnings per share	4			
Basic and diluted		(4.73p)	(0.81p)	(5.54p)

*Further details of exceptional items are disclosed in note 3

**Adjusted operating loss represents operating loss before share based payments

There are no recognised gains or losses for the period other than the loss of £757,711 (2006: loss of

Unaudited 6 months to 31 March 2006 Re-stated Pre-Exceptional £	Unaudited 6 months to 31 March 2006 Re-stated Exceptional* £	Unaudited 6 months to 31 March 2006 Re-stated Total £	Audited Year to 30 September 2006 Re-stated Pre-Exceptional £	Audited Year to 30 September 2006 Re-stated Exceptional* £	Audited Year to 30 September 2006 Re-stated Total £
3,680,389	–	3,680,389	7,251,962	–	7,251,962
(2,626,496)	–	(2,626,496)	(4,265,643)	–	(4,265,643)
1,053,893	–	1,053,893	2,986,319	–	2,986,319
(1,952,787)	(186,160)	(2,138,947)	(3,621,786)	(569,042)	(4,190,828)
(777,577)	(186,160)	(963,737)	(430,091)	(569,042)	(999,133)
(121,317)	–	(121,317)	(205,376)	–	(205,376)
(898,894)	(186,160)	(1,085,054)	(635,467)	(569,042)	(1,204,509)
–	(4,863)	(4,863)	–	(9,771)	(9,771)
(208,587)	1,005,961	797,374	(256,158)	1,005,961	749,803
(1,107,481)	814,938	(292,543)	(891,625)	427,148	(464,477)
–	–	–	–	–	–
(1,107,481)	814,938	(292,543)	(891,625)	427,148	(464,477)
(59.14p)	43.52p	(15.62p)	(11.44p)	5.49p	(5.95p)

£292,543)

Balance sheet

	Unaudited As at 31 March 2007 £	Unaudited As at 31 March 2006 £	Audited As at 30 September 2006 £
Fixed assets			
Intangible assets	44,286	–	44,286
Tangible assets	643,938	766,342	726,120
	688,224	766,342	770,406
Current assets			
Stocks	647,660	843,861	623,186
Debtors	550,643	1,237,748	1,269,645
Other debtors	516,771	638,134	471,442
Cash at bank and in hand	362,015	973,546	728,360
	2,077,089	3,693,289	3,092,633
Creditors: amounts falling due within one year	(1,632,137)	(2,428,769)	(1,996,918)
Net current assets	444,952	1,264,520	1,095,715
Total assets less current liabilities	1,133,176	2,030,862	1,866,121
Creditors: amounts falling due after more than one year	(1,062,500)	(1,188,402)	(1,116,090)
	70,676	842,460	750,031
Capital and reserves			
Called up share capital	880,681	880,681	880,681
Share premium account	7,139,660	7,144,214	7,139,660
Other reserves	413,732	251,317	335,376
Profit and loss account	(8,363,397)	(7,433,752)	(7,605,686)
Shareholders' funds	70,676	842,460	750,031

Cash flow statement

	Note	Unaudited 6 months to 31 March 2007 £	Unaudited 6 months to 31 March 2006 £	Audited Year to 30 September 2006 £
Net cash (outflow)/inflow from operating activities	6	(347,526)	524,165	358,446
Returns on investments and servicing of finance				
Interest paid		(45,714)	(208,587)	(256,158)
Net cash outflow from returns on investments and servicing of finance		(393,240)	(208,587)	(256,158)
Capital expenditure and financial investment				
Purchase of intangible fixed assets		–	–	(44,286)
Purchase of tangible fixed assets		(31,138)	(49,121)	(142,054)
Receipts from sales of tangible fixed assets		–	9,326	15,709
		(31,138)	(39,795)	(170,632)
Cash outflow before financing		(424,378)	275,783	(68,344)
Financing				
Short term import loans (paid)		–	(2,083,403)	(2,083,403)
Bank loans paid		(22,667)	(22,667)	(45,334)
Loan Note issued		–	1,000,000	1,000,000
Other loans received		99,385	–	150,615
Capital element of finance lease rental payments		(18,685)	(77,403)	(98,156)
Share options exercised		–	–	–
Issue of share capital (net of expenses)		–	3,071,535	3,066,981
		58,033	1,891,760	1,990,703
(Decrease)/increase in cash for the period	7	(366,345)	2,167,543	1,922,359

Notes to the interim report

1 Authorisation of the interim report

The interim report of Centurion Electronics Plc for the period ended 31 March 2007 was authorised for issue by the Board of Directors on 19 June 2007.

2 Accounting policies

The financial information contained in this interim statement has been prepared on the basis of the accounting policies set out in the Company's audited financial statements for the year ended 30 September 2006, which have been applied consistently except for the adoption of FRS20 detailed below.

Fundamental accounting concept – going concern

The company has continued to meet its day to day working capital requirements using funds raised from the full draw down of the £250,000 working capital facility and, since the balance sheet date, has issued £780,000 of convertible loan notes. These debts are secured over certain assets of the company. The company does not have any bank or overdraft facilities.

The company has produced cash flow forecasts for the period to September 2008, which includes the anticipated sales growth from the recent Honda and Brunswick contract wins and on the cash flows which reflect the assumed drawdown pattern from the OEM customer base.

These new contracts are expected to generate profitable sales growth during the course of the next financial year. However, due to the additional working capital required to fund the sales growth from the new contracts, the forecasts show that, without raising additional finance, the company will not be able to trade past October 2007. Additionally, the company's future forecasts are based on the OEM customers drawing down product in line with their existing forecasts and there can be no certainty as to the timing of these sales or the timing of cash inflows.

The directors are considering with the support of external advisors options including equity or private-backed fund raising to ensure that sufficient working capital is put in place prior to October 2007 to support the anticipated growth of the Company. Although confident that sufficient finance will be put in place, there can be no certainty as to the outcome.

The Directors believe that they will be successful in obtaining additional funding and as a result that the forecast cash flows and growth are achievable and therefore believe it is appropriate to prepare the accounts on the going concern basis. The financial statements do not include any adjustment to the balance sheet tangible fixed assets or provision for future liabilities which would result should the going concern basis not be appropriate.

Adoption of FRS 20

In preparing the financial statements for the current year, the group has adopted FRS 20 'Share-based Payment', which has resulted in a change in accounting policy for share based-payment transactions. FRS 20 requires the fair value of options and share awards which ultimately vest to be charged to the profit and loss account over the vesting or performance period. For equity-settled transactions the fair value is determined at the date of the grant using an appropriate pricing model. If an award fails to vest as the result of certain types of performance condition not being satisfied, the charge to the income statement will be adjusted to reflect this. Additional staff costs of £78,356 (2006: £121,317) have been recognised in the profit and loss account.

3 Exceptional Items

	Unaudited 6 months to 31 March 2007 £	Unaudited 6 months to 31 March 2006 £	Audited Year to 30 September 2006 £
Exceptional items (see below)	(109,581)	814,938	427,158

Exceptional Items

Included in administrative expenses for the six months ended 31 March 2007 is an exceptional charge of £103,011 relating to the professional and legal fees incurred in respect of an abortive acquisition.

Also included in administrative expenses is a further exceptional charge for of £6,570 in respect of legal and other expenses incurred in settling outstanding specialist and retail debt.

Included in interest payable and similar charges for the six months ended 31 March 2006 is an exceptional credit of £1,005,961. This relates to a write down of debt following the re-financing that occurred on 13 March 2006. Also included in administrative expenses is an exceptional charge for redundancy and other costs following restructuring in the amount of £186,160. A further charge amounts to £4,863 and relates to the disposal of certain fixed assets

4 (Loss)/Earnings per share

Earnings per ordinary share have been calculated using the weighted average number of shares in issue during the relevant financial years.

The denominator for the 31 March 2006 loss per share has been restated due to the consolidation of every fifty issued and unissued shares of 0.1 pence into one ordinary share of 5 pence each on 19 May 2006.

The weighted average number of equity shares in issue for the basic earnings per share calculation is 13,680,289 (2006 restated: 1,872,640) and the earnings, being (losses) after tax are (£757,711) (2006: loss of £292,543).

The numerator for the basic and diluted earnings per share disclosure is the same as the basic earnings per share numerator.

The denominator for the diluted earnings per share disclosure is as follows:

	Unaudited 6 months to 31 March 2007	Unaudited 6 months to 31 March 2006 Restated	Audited Year to 30 September 2006
	£	£	£
Basic and diluted earnings per share denominator ordinary shares of 5 pence	13,680,289	1,872,640	7,792,639

The directors have also disclosed, for clarity, earnings per share excluding exceptional items. For the purposes of these ratios the denominators are no different to those set out above. The numerators for these additional ratios are (£648,130) (2006: (£1,107,481)) and have been calculated as the earnings, being (losses)/profits after tax less exceptional item (see note 3).

5 Taxation on loss on ordinary activities

Deferred tax

The recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

6 Reconciliation of operating (loss) to net cash outflow from operating activities

	Unaudited 6 months to 31 March 2007 £	Unaudited 6 months to 31 March 2006 £	Audited Year to 30 September 2006 £
Operating (loss)	(711,997)	(1,085,054)	(1,204,509)
Share based payments	78,356	121,317	205,376
Depreciation	113,320	121,853	243,719
(Increase)/decrease in stocks	(24,474)	1,291,615	1,512,290
Decrease/(increase) in debtors	673,674	93,611	228,406
(Decrease)/increase in creditors	(476,405)	(19,177)	(626,836)
Net cash (outflow)/inflow from operating activities	(347,526)	524,165	358,446

7 Reconciliation of net cash inflow to movement in net (debt)

	Unaudited 6 months to 31 March 2007 £	Unaudited 6 months to 31 March 2006 £	Audited Year to 30 September 2006 £
(Decrease)/increase in cash for the period	(366,345)	2,167,543	1,922,359
Cash outflow from changes in debt and lease financing	(58,033)	1,179,775	1,076,276
Change in net debt resulting from cash flows	(424,378)	3,347,318	2,998,635
Non cash movement (note 3)	–	1,005,961	1,005,961
Movement in net debt in the period	(424,378)	4,353,279	4,004,596
Net (debt) at start of period	(533,812)	(4,538,408)	(4,538,408)
Net (debt) at end of the period (note 8)	(958,190)	(185,129)	(533,812)

8 Analysis of net debt

	At 1 October 2006 £	Cash flow £	At 31 March 2007 £
Cash in hand and at bank	728,360	(366,345)	362,015
	728,360	(366,345)	362,015
Debt due after 1 year	(1,006,250)	6,250	(1,000,000)
Debt due within 1 year	(185,783)	(82,967)	(268,750)
Obligations under finance leases	(70,139)	18,684	(51,455)
Total	(533,812)	(424,378)	(958,190)

9 Non-statutory Accounts

The financial information contained in this report does not constitute full statutory accounts as defined by section 240 of the Companies Act of 1985.

The financial information in respect of the year ended 30 September 2006 has been extracted from the statutory accounts for that year which have been filed with the Registrar of Companies. The auditors report on those accounts was unqualified.

Copies of this report are being sent to all shareholders and are available from the Company's offices at Satellite House, City Park, Swiftfields, Welwyn Garden City, Hertfordshire AL7 1LY.

Centurion Electronics plc
Satellite House
City Park
Swiftfields
Welwyn Garden City
Hertfordshire
AL7 1LY

tel +44 (0) 1707 330550
fax +44 (0) 1707 330866
email info@ceplc.net
web www.ceplc.net