

Company Registration Number: 2826917

Centurion Electronics Plc

Report and Financial Statements

Year Ended

30 September 2008

CENTURION ELECTRONICS PLC

Annual report and financial statements for the year ended 30 September 2008

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CENTURION ELECTRONICS PLC

Directors & Advisers

Directors

C Rhodes
E Kastner
M Diamond (resigned 23rd May 2008)
M Harrison (resigned 19th January 2008)
M Attridge (appointed 26th June 2008)
S. Parrish (appointed 23rd October 2008)

Secretary and Registered Office

C Rhodes
Satellite House, City Park
Swiftfields
Welwyn Garden City
Herts
AL7 1LY

Company Number

2826917

Auditors

Hillier Hopkins LLP
64 Clarendon Road
Watford
Herts
WD17 1DA

Principal Bankers

Fortis
Greenwood House
91/99 New London Road
Chelmsford Road
Essex
CM2 0PP

Principal Solicitors

Finers Stephens Innocent
179 Great Portland Street
London
W1W 5LS

CENTURION ELECTRONICS PLC

Report of the directors for the year ended 30 September 2008

The directors have pleasure in submitting their report and the audited financial statements for the year ended 30 September 2008.

Business of the company

The principal activities of the company in the year under review continued to be the design, development and supply of automotive infotainment systems.

A review of the development of the business of the company during the year, its position at the end of it and likely future developments in the business are set out below.

Results and Dividends

The profit and loss account is set out on page 8 and shows a loss for the year of £654,075 (2007 loss of £1,519,569).

The directors do not recommend the payment of a final dividend (2007: nil).

Review of the business and future developments

The Directors' believe the following measures to represent the key performance indicators (KPIs) of the company:

	2008	2008	2007	2007
	Pre	Post	Pre	Post
	Exceptional	Exceptional	Exceptional	Exceptional
	£	£	£	£
Turnover	4,086,876	4,086,876	4,608,638	4,608,638
Gross profit	1,922,969	1,922,969	2,334,991	2,334,991
Loss before tax	(661,388)	(745,762)	(1,291,664)	(1,519,569)

Risks: The major risk to the business is the failure to meet anticipated sales forecasts, as disclosed in note 1 to the financial statements. Clearly, the impact of the current recession is having a material impact on the business; the effects of a downturn in the UK automotive sector being particularly well documented at present. In addition, the on-time launch of new products in mid-2009 will require careful management if sales targets are to be achieved. However, with the award of a new contracts from Mercedes-Benz, aimed at boosting second hand vehicles in the US, Toyota Australia and Toyota Saudi Arabia, Centurion is now no longer fully reliant on the Western European car market and is certainly cushioned from the downturn in UK outlets, one of the hardest hit car markets in the world.

Opportunities: As stated above, sales forecasts are reliant on the on-time launch of new products. However, existing contract volumes have been downgraded to reflect current economic circumstances and launch requirements have for the most part been pre-agreed with customers. In addition, the core elements of the new systems, whilst still vehicle specific, are mostly carry-over from existing products. This has the effect of substantially reducing the level of risk associated with potential component test failures and, as a result, delays to launch plans are minimised. Furthermore, the Company's new clients are excited about the prospect of launching these market leading products. To this extent, advanced discussions are in play regarding campaign opportunities and marketing incentives across all territories. It is believed that whilst not all will be implemented there is sufficient evidence to suggest that the impact of opportunities will outweigh the negative impact of the risks (previous comments on the return to normative trading conditions notwithstanding). Given that all the new products being launched have a lower consumer cost value, it is expected that take-up rates will

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Report of the directors for the year ended 30 September 2008

be higher than previously predicted. Although this is likely to have more of a material impact in financial year 2010 and the status of the global consumer market will be material to demand.

Risk Management

The risks facing the business are assessed on an ongoing basis. The executive Directors evaluate the likelihood and potential impact of each risk and ensure appropriate action is taken to mitigate them. A number of key risks such as liquidity, interest rate changes and foreign currency fluctuations come under the direct control of the executive directors.

Centurion's policy on interest rate risk is to minimise net interest charges. Operations are financed through a mixture of convertible loans, invoice discounting, and leasing arrangements (predominantly operating leases related to company vehicles and leasehold premises). The company's bank deposits are at floating rates.

Centurion's policy on liquidity risk is to maintain sufficient funding to meet any foreseeable peak in cash requirements. Short term flexibility is provided through the Lloyds TSB invoice discounting. Liquidity risk is monitored regularly through cash reports, cash forecasts and comparisons to budgets.

Centurion's main customers are blue chip automotive manufacturers which give rise to little or no credit risk.

Employees

The directors consider its employees as essential to the continued prosperity of the company. As a result it maintains motivation through a full appraisal process linked to fully consultative remuneration review. This has kept staff turnover well below the industry average. Integral to this is the sharing of information with employees that is of interest and concern to them. The directors further encourage openness and discussion between members of staff at all levels.

Research and Development

The company is committed to its development programme, taking customer vehicle concepts and developing a solution for ICE incorporating future proof functionality.

Environmental issues

The Company has recently approved expenditure for the implementation and accreditation to ISO14001 standards. In addition all of its products now conform to the RoHs directive that became law in July 2007. Compliance with IMDS end of life legislation is also on track.

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Report of the directors for the year ended 30 September 2008

Policy on the payment of creditors

It is the policy of the company to negotiate and agree payment terms with each individual supplier. Creditors are paid in accordance with these agreed terms. The number of days purchases of the company represented by trade creditors at 30 September 2008 was 83 (2007: 29).

Donations

During the year the company did not make any charitable donations (2007: £nil).

Going concern

The directors are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly these financial statements have been prepared on a going concern basis. There are inherent uncertainties around this assessment as detailed in note 1 to the financial statements.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the directors' report and other information included in the annual report is prepared in accordance with company law in the United Kingdom.

Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Auditors

Hillier Hopkins LLP were nominated as the Company's auditors in 2008.

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Report of the directors for the year ended 30 September 2008

Directors' statement as to the disclosure of information to auditors

The directors who were members of the Board at the time of approving the directors' reports are listed on page 1. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- each director has taken all steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the board

C. Rhodes
Secretary
Date: 28th April 2009

CENTURION ELECTRONICS PLC

Report of the independent auditors

To the Shareholders of Centurion Electronics Plc

We have audited the company's financial statements for the year ended 30 September 2008 which comprise the Profit and Loss Account, the Balance Sheet, and the Cash Flow Statement, and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement and Financial Review and the director's report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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Report of the independent auditors

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Emphasis of Matter - Going Concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in Note 1 of the financial statements concerning the material uncertainty over the company's ability to continue as a going concern. The company incurred a net loss of £654,075 during the year ended 30 September 2008, and, at that date, the company's liabilities exceeded its total assets by £1,628,990. The financial statements are prepared on a going concern basis which is dependent on the timing and quantity of actual sales being in line with the forecast prepared by management which is based on indicative quantities received from the motor manufacturers. However, there can be no certainty that these sales forecasts and consequent cash flows will be met.

The directors have completed detailed cash requirement forecasts up until September 2010. They are expecting to require a cash injection in June 2009 to fund the planned launches. The directors are making numerous enquiries into obtaining this finance, and fully expect this to be achieved.

These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Hillier Hopkins LLP
Registered auditor
Watford

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Profit and loss account for the year ended 30 September 2008

	Note	2008	2008	2008	2007	2007	2007
		Pre-exceptional	Exceptional *	Total	Pre-exceptional	Exceptional *	Total
		£	£	£	£	£	£
Turnover	2	4,086,876	-	4,086,876	4,608,638	-	4,608,638
Cost of sales		(2,163,907)	-	(2,163,907)	(2,273,647)	-	(2,273,647)
Gross profit		1,922,969		1,922,969	2,334,991	-	2,334,991
Administrative expenses		(2,287,973)	(84,374)	(2,372,347)	(3,482,151)	(227,905)	(3,710,056)
Operating (loss)	3	(365,004)	(84,374)	(449,378)	(1,147,160)	(227,905)	(1,375,065)
Interest payable and similar charges	6	(296,384)	-	(296,384)	(144,504)	-	(144,504)
(Loss)/profit on ordinary activities before taxation		(661,388)	(84,374)	(745,762)	(1,291,664)	(227,905)	(1,519,569)
Taxation on (loss)/profit on ordinary activities	7	91,687	-	91,687	-	-	-
(Loss)/profit on ordinary activities after taxation		(569,701)	(84,374)	(654,075)	(1,291,664)	(227,905)	(1,519,569)

* Further details of exceptional items are disclosed in note 3

There are no other recognised gains, or losses, other than the loss of £654,075 (2007: loss of £1,519,569) as stated above

All amounts relate to continuing operations

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Balance sheet at 30 September 2008

	Note	2008	2008	2007	2007
		£	£	£	£
Fixed assets					
Intangible assets	8		48,301		51,142
Tangible assets	8		370,326		608,546
			<u>418,627</u>		<u>659,688</u>
Current assets					
Stocks	9	1,386,367		466,570	
Debtors	10	982,253		733,309	
Cash at bank and in hand		15,642		810,929	
		<u>2,384,262</u>		<u>2,010,808</u>	
Creditors: amounts falling due within one year	11	(1,431,879)		(1,313,850)	
		<u></u>		<u></u>	
Net current assets			952,383		696,958
			<u></u>		<u></u>
Total assets less current liabilities			1,371,010		1,356,646
Creditors: amounts falling due after more than one year	12	(3,000,000)		(2,008,750)	
		<u></u>	(3,000,000)	<u></u>	(2,008,750)
			<u></u>		<u></u>
Net (liabilities)/assets			(1,628,990)		(652,104)
			<u></u>		<u></u>
Capital and reserves					
Called up share capital	14		880,681		880,681
Share premium account	15		7,139,660		7,139,660
Capital redemption reserve	15		130,000		130,000
Profit and loss account	15		(9,779,331)		(8,802,445)
			<u></u>		<u></u>
Shareholders' (deficit)/funds - Equity	16		(1,628,990)		(652,104)
			<u></u>		<u></u>

The financial statements were approved by the Board on 28 April 2009.

C. Rhodes
Director

Notes 1 to 23 form part of these financial statements.

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Cash flow statement for the year ended 30 September 2008

	Note	2008 £	2008 £	2007 £	2007 £
Net cash (outflow)/inflow from operating activities	19		(1,627,798)		(640,956)
Returns on investments and servicing of finance					
Interest paid		(295,343)		(166,227)	
Finance lease interest		(1,041)		(777)	
Net cash outflow from returns on investments and servicing of finance			(296,384)		(167,004)
Taxation – UK corporation tax			91,687		-
Capital expenditure and financial investment					
Purchase of intangible fixed assets		-		(6,856)	
Purchase of tangible fixed assets		(46,415)		(130,757)	
Sale of tangible fixed assets		21,107		11,887	
			(25,308)		(125,726)
Net cash outflow before financing			(1,857,803)		(933,686)
Financing					
Asset finance		335,068		-	
Bank loans repaid		(6,250)		(35,168)	
Loan note issued		750,000		1,000,000	
Other loans received		-		99,385	
Capital element of finance lease rental payments		(16,302)		(47,962)	
			1,062,516		(1,016,255)
(Decrease)/Increase in cash	20		(795,287)		82,569

The notes on pages 11 to 26 form part of these financial statements.

Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The accounting policies applied are the same as in the previous financial year, the requirements of FRS 20 'Share-based Payment' having been adopted in the prior year.

In preparing the financial statements in the prior year, the group 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 to be charged to the profit and loss account over the vesting or performance period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. 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 non-market conditions not being satisfied, the charge to the income statement will be adjusted to reflect this. Additional staff costs of £0 (2007: £117,434) have been recognised in the profit and loss account.

The following principal accounting policies have been applied:

Turnover

Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on despatch of goods.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets over their expected useful lives. It is calculated at the following rates:

Motor vehicles	-	20% per annum on reducing balance
Fixtures and fittings	-	10% - 50% per annum on cost
Office equipment	-	20% per annum on cost
Tooling	-	25% per annum on cost

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Research and development

Expenditure on pure and applied research is charged to the profit and loss account in the year in which it is incurred. Where the company undertakes development activities and where those activities are in respect of a specific product that is anticipated to be profitable within the market, the costs attributable to that development are capitalised as intangible fixed assets at cost. These costs will be amortised over the expected life of the product.

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Notes forming part of the financial statements for the year ended 30 September 2008 (*continued*)

Accounting policies (*continued*)

Financial Instruments

Since the company delisted during the year, it is not required to disclose in accordance with FRS 26. Calculating these disclosures is no longer considered appropriate for the company as it is not deemed to be time nor cost effective.

Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates, or if appropriate the forward contract rate. Any differences are taken to the profit and loss account.

Pensions

The company contributes to a money purchase pension scheme. The amounts charged to the profit and loss in respect of pension costs represent contributions payable in the year. Differences between contributions payable and actually paid are shown as either accruals or prepayments in the balance sheet.

Loans

At 30 September 2008, the company had Asset based finance loans. These were initially recorded in the balance sheet at the net proceeds value. Any interest is charged to the profit and loss account on the carrying amount of the debt. The carrying values of the loans are reduced as customer payments are made.

Deferred tax

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax with the following exception

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

Leased assets

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful life. The capital elements of future obligations under leases are included as liabilities in the balance sheet. The interest elements of the

Accounting policies (*continued*)

rental obligations are charged in the profit and loss account over the periods of the leases and represent a constant proportion of capital repayments outstanding.

Rentals payable under operating leases are charge in the profit and loss account on a straight line basis over the lease term. Lease incentives are recognised over the shorter of the lease term and the date of the next rent review.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor. All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

National Insurance on Share Options

To the extent that the share price at the balance sheet date is greater than the exercise price on options granted under unapproved schemes a charge for any National Insurance contributions payable by the company is accrued over the performance period and has been based on the prevailing rate of National Insurance.

1 Fundamental uncertainty

In January 2008, the Company acquired additional funding to meet its commitments as they fall due. This has been secured through an invoice financing arrangement capped at 85% of the debtor's value and stock financing of £150,000 agreement from Lloyds TSB.

In addition in January 2008 the directors accepted an offer from Ravensworth to inject a further £750,000 by way of convertible loan notes bringing the amount of their loan notes to £3,000,000. In consideration for this additional funding, Ravensworth have requested that the previous loan notes be combined into a new £3m convertible loan note. In addition, the company held an EGM in May 2008 where all necessary resolutions were passed at this meeting to allow changes to be made to the capital structure of the company such that if Ravensworth chooses to convert their £3m convertible loan note to ordinary shares, they will own 97.7% of the ordinary share capital of the company. The loan note is convertible at any time at the option of Ravensworth, and if not converted is repayable in June 2010.

The directors have prepared sales, profit and cash flow forecasts for the period until September 2010. The principal uncertainty in achieving these forecasts relates to the timing and quantity of orders received from the major motor manufacturers, the most significant to the company being Honda, Nissan, Mercedes (MBA) and Renault. Typically the manufacturers give indicative forecast quantities when contracts are signed. However, firm orders are only provided monthly.

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Notes forming part of the financial statements for the year ended 30 September 2008 (continued)

1 Fundamental uncertainty (continued)

New contracts with Nissan, Mercedes and Renault are expected to commence in July 2009, September 2009 and January 2010 respectively. Launches can represent a significant impact on cash flows and may require an additional short term cash injection. The company believes it will be able to meet this shortfall through customers acting as guarantor for the payment of supplier invoices. This will result in the primary supplier of the Modular ICE system (DVSK) providing 30 day credit terms rather than its existing 100% on shipment policy. A similar agreement was successfully piloted with the launch of the Honda Modular ICE system earlier this year.

The directors' forecasts rely on the timing and quantity of orders being consistent with the timing and quantities contained in the indicative forecast quantities provided by the manufacturers. As has been the experience in previous years, there can be no certainty that the timing and quantity of firm orders received will be consistent with manufacturers' indications.

In preparing the sales, profit and cash flow forecast for the period until September 2010, the directors have assumed that the timing and quantity of manufacturers' indications will convert to firm orders.

Having carefully considered the uncertainties outlined above, the directors are satisfied that the cash flow forecast indicates that the company can meet its liabilities as they fall due for the foreseeable future. However, the margin of headroom available is small and inherently there can be no certainty in relation to these matters.

The directors believe that the forecast cash flows 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 intangible and tangible fixed assets or provision for further liabilities which would result should the going concern basis not be appropriate. In particular if the sales forecasts were not achieved, it may be necessary to consider the impairment of the intangible fixed assets of £48,301 and the tangible fixed assets of £370,329.

2 Turnover, net assets and profits

Turnover, net assets and profits are wholly attributable to the principal activity of the company.

No further segmental reporting disclosures have been presented in these financial statements as the directors believe these would be seriously prejudicial to the interests of the company.

3 Operating loss, exceptional items and auditor's remuneration

This is arrived at after charging/(crediting)	2008	2007
	£	£
Depreciation of tangible fixed assets	246,512	229,763
Exceptional items (see below)	84,374	110,471
Operating leases – other than plant and machinery	169,115	166,570
Foreign exchange (gain)	(916,994)	(133,094)
Auditors' remuneration:		
Audit of the financial statements	30,492	42,195
Other fees to auditors - taxation services	-	13,150
- corporate finance services	-	70,250

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Notes forming part of the financial statements for the year ended 30 September 2008 (continued)

3 Operating loss, exceptional items and auditor's remuneration (continued)

Exceptional Items

Included in administrative expenses for the year ended 30 September 2008 is an exceptional charge of £84,374 (2007: £227,905) of which £71,317 related to redundancy costs following restructuring and £13,056 relating to costs related to the share restructuring.

The cash flow implications relating to the exceptional items during the year totalled £84,374 as detailed above.

Included in administrative expenses for 2007 is an exceptional charge for professional fees in respect of an abortive acquisition. A further charge of £7,460 relates to the legal fees for specialist debt and £117,434 for share based payment charge.

The cash flow implications relating to the exceptional items during 2007 totalled £115,971.

4 Employees

	2008	2007
	£	£
Staff costs (including directors) consist of:		
Wages and salaries	1,272,649	1,746,304
Social security costs	131,214	195,117
Other pension costs	65,776	86,361
Share-based payment	(322,811)	117,434
	<u>1,146,828</u>	<u>2,145,216</u>
	<u>1,146,828</u>	<u>2,145,216</u>
The average number of employees, including directors, during the year was as follows:	Number	Number
Management and administration	5	10
Sales and distribution	10	12
Technical and engineering	17	21
	<u>32</u>	<u>43</u>
	<u>32</u>	<u>43</u>

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Notes forming part of the financial statements for the year ended 30 September 2008 (continued)

5 Directors' remuneration

	2008	2007
	£	£
Aggregate emoluments	205,304	603,158
Compensation for loss of office	39,869	55,002
Company contributions made to money purchase pension scheme	12,020	35,728
	<u>205,304</u>	<u>603,158</u>

Included within the aggregate emoluments is an amount in respect of the highest paid director of £112,052 (2007: £174,644).

There are two directors in the company's money purchase pension scheme (2007: two). Company contributions for money purchase pension scheme in respect of the highest paid director amounted to £4,095 (2007: £16,380).

During the year none of the directors (2007: none) exercised their share options.

6 Interest payable and similar charges

	2008	2007
	£	£
Invoice discounting charges	23,154	-
Other loan interest	6,008	32,684
Convertible loan interest	266,181	111,043
Finance lease interest	1,041	777
	<u>296,384</u>	<u>144,504</u>

CENTURION ELECTRONICS PLC

Notes forming part of the financial statements for the year ended 30 September 2008 (*continued*)

7 Taxation on loss on ordinary activities	2008	2007
	£	£
<i>Current tax</i>		
UK corporation tax on loss for the year	-	-
Adjustments in respect of previous periods	(91,687)	-
	<hr/>	<hr/>
Total current tax	(91,687)	-
	<hr/>	<hr/>
Taxation on loss on ordinary activities	(91,687)	-
	<hr/> <hr/>	<hr/> <hr/>

The tax assessed for the year is different from the standard rate of corporation tax in the UK of 29% (2007: 30%). The differences are reconciled below:

	2008	2007
	£	£
(Loss) on ordinary activities before taxation	(745,762)	(1,519,569)
	<hr/>	<hr/>
(Loss) on ordinary activities at the standard rate of corporation tax in the UK of 30% (2006: 30%)	(216,271)	(455,871)
Effects of:		
Expenses not allowable for tax purposes	(87,971)	44,890
Depreciation in excess of capital allowances	21,308	23,291
Adjustments in respect of previous periods	(91,687)	-
Unrelieved losses carried forward	282,934	387,690
	<hr/>	<hr/>
Current tax charge for year	(91,687)	-
	<hr/>	<hr/>

CENTURION ELECTRONICS PLC

Notes forming part of the financial statements for the year ended 30 September 2008 (*continued*)

7 Taxation on loss on ordinary activities (*continued*)

The company has estimated trading losses of £9,872,569 (2007: £9,279,520) and decelerated capital allowances of £11,007 (2007: £185,158) available for offset against future profits. The company has not recognised the deferred tax asset of £2,767,401 (2007: £2,728,309) since there is no persuasive evidence that there will be suitable taxable gains against which the losses can be relieved.

8 Fixed assets

Intangible fixed assets

	Development Costs £
<i>Cost</i>	
At 1 October 2007	51,142
Additions	-
	<hr/>
At 30 September 2008	51,142
	<hr/> <hr/>
<i>Amortisation</i>	
At 1 October 2007	-
Provided for the year	2,841
	<hr/>
At 30 September 2008	2,841
	<hr/> <hr/>
<i>Net book value</i>	
At 30 September 2008	48,301
	<hr/> <hr/>
At 30 September 2007	51,142
	<hr/> <hr/>

This comprises development and testing of a new core modular product. It has been amortised in the 4th quarter as the product is now in use. At this point, the asset will be amortised over three years on a straight line basis.

CENTURION ELECTRONICS PLC

Notes forming part of the financial statements for the year ended 30 September 2008 *(continued)*

8 Fixed assets (continued)

Tangible fixed assets

	Tooling	Motor	Fixtures	Office	Total
	£	Vehicles	and fittings	Equipment	£
		£	£	£	£
<i>Cost</i>					
At 1 October 2007	444,874	122,208	593,242	368,833	1,529,157
Additions	20,206	-	7,769	18,440	46,415
Disposals	-	(86,824)	-	-	(86,824)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 September 2008	465,080	35,384	601,011	387,273	1,488,748
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Depreciation</i>					
At 1 October 2007	279,175	61,305	323,793	256,338	920,611
Provided for the year	116,271	6,531	48,139	75,571	246,512
Disposals	-	(48,701)	-	-	(48,701)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 September 2008	395,446	19,135	371,932	331,909	1,118,422
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Net book value</i>					
At 30 September 2008	69,634	16,250	229,079	55,363	370,329
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 September 2007	165,699	60,903	269,449	112,495	608,546
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The net book value of tangible fixed assets included assets held under finance leases and hire purchase contracts as follows:

	2008	2007
	£	£
<i>Net book value</i>		
Motor vehicles	16,250	60,903
Fixtures and fittings	-	10,955
	<u> </u>	<u> </u>
<i>Depreciation charged on these assets during the year was as follows:</i>		
Motor vehicles	6,531	17,678
Fixtures and fittings	-	1,787
	<u> </u>	<u> </u>

CENTURION ELECTRONICS PLCNotes forming part of the financial statements for the year ended 30 September 2008 (*continued*)

9	Stocks	2008	2007
		£	£
	Finished goods held for resale	1,386,367	466,570
		<u> </u>	<u> </u>
	There is no material difference between the replacement cost of stocks and the amounts stated above.		
10	Debtors	2008	2007
		£	£
	Trade debtors	600,057	454,015
	Other debtors	323,162	49,604
	Prepayments	59,034	229,690
		<u> </u>	<u> </u>
		982,253	733,309
		<u> </u>	<u> </u>
11	Creditors: amounts falling due within one year	2008	2007
		£	£
	Other loans (secured as per note 13)	-	256,250
	Asset Financing (secured as per note 13)	335,068	
	Trade creditors	490,842	182,893
	Other taxation and social security	92,595	65,734
	Obligations under finance lease and hire purchase contracts	5,875	22,178
	Other creditors	207,546	311,901
	Accruals	299,953	474,894
		<u> </u>	<u> </u>
		1,431,879	1,313,850
		<u> </u>	<u> </u>
12	Creditors: amounts falling due after more than one year	2008	2007
		£	£
	Convertible loan notes	3,000,000	1,977,500
	Other creditors	-	31,250
		<u> </u>	<u> </u>
		3,000,000	2,008,750
		<u> </u>	<u> </u>

CENTURION ELECTRONICS PLC

Notes forming part of the financial statements for the year ended 30 September 2008 (*continued*)

12 Creditors: amounts falling due after more than one year (*continued*)

	2008 £	2007 £
Other loans are due:		
In one year or less or on demand	-	256,250
In more than one year but not more than two years	-	-
	-----	-----
	-	256,250
Less: amounts included within creditors less than one year	-	(256,250)
	-----	-----
	-	-
	=====	=====

Convertible loan notes

Obligations under convertible loan notes are due as follows:	2008 £	2007 £
In more than one year but not more than two years	3,000,000	1,977,500
In more than two years but not more than five years	-	-
	-----	-----
	3,000,000	1,977,500
	=====	=====

In January 2008, the company issued £3,000,000 of 10% convertible loan notes in consideration for £750,000 and the irrevocable and unconditional release and discharged of the £1,000,000 convertible 2009 loan notes: £1,000,000 convertible 2007 loan notes: obligations under the £250,000 working capital loan agreement dated 14th March 2006. The new convertible loan note was confirmed by shareholders at the EGM held by the company on 22nd May 2008 and is held by Ravensworth.

Up to £3,000,000 is redeemable in June 2010 if not previously converted and carries interest at 10% p.a. payable quarterly in arrears. The holders of the loan notes may convert whole or part of their holding of convertible loan notes into new ordinary shares at the conversion price of 0.5p per new ordinary share. This would result in the issue and allotment of 6000,000,000 new ordinary shares at a price of 0.5p per share. In the event of the conversion in full of the convertible loan notes and together with the existing shareholding held by Ravensworth would result in them holding 97.98 percent of the issued share capital of the company.

In February 2008 a Receivables Finance agreement was established with Lloyds TSB giving an facility maximum of £1,500,000 allowing a 85% advance on invoicing with an interest cost of 1.75% above base rate. In addition a loan agreement with Lloyds TSB on inventory up to a maximum of £150,000 at 2.25% above base rate. Lloyds TSB have an all Assets Debenture by way of a fixed and floating charge.

CENTURION ELECTRONICS PLC

Notes forming part of the financial statements for the year ended 30 September 2008 (*continued*)

13 Deferred Tax

	Unprovided 2008 £	Unprovided 2007 £
Accelerated capital allowances	3,082	55,547
Losses carried forward	(2,764,319)	(2,783,856)
	<u> </u>	<u> </u>

The unprovided deferred tax asset has been calculated at the prevailing rate of UK tax of 28%.

14 Share capital	2008 No.	2008 £	2007 No.	2007 £
Authorised				
<i>Equity share capital</i>				
Ordinary shares of 5 pence each	-	-	26,066,660	1,303,333
New Ordinary shares of 0.5p each	1,237,543,945	6,187,720	-	-
New Deferred shares of 4.5p each	13,680,295	615,613	-	-
Deferred shares of £1 each	196,667	196,667	196,667	196,667
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	1,251,420,907	7,000,000	26,263,327	1,500,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
 Allotted, called up and fully paid				
<i>Equity share capital</i>				
Ordinary shares of 5 pence each	-	-	13,680,295	684,014
New ordinary shares of 0.5p each	13,680,295	68,401	-	-
New deferred shares of 4.5p each	13,680,295	615,613	-	-
Deferred shares of £1 each	196,667	196,667	196,667	196,667
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	27,557,257	880,681	13,876,295	880,681
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

At the EGM on 22nd May 2008 resolutions were approved to enable the company to increase the authorised share capital, reorganised the ordinary share capital and created new deferred shares. The existing issued ordinary shares each were converted and redesignated into one New Ordinary share of 0.5p each and one Deferred share of 4.5p and to sub-divide every unissued Ordinary share of 5p each into 10 New Ordinary shares of 0.5p each.

CENTURION ELECTRONICS PLC

Notes forming part of the financial statements for the year ended 30 September 2008 (*continued*)

14 Share capital (*continued*)

In addition the authorised share capital of the company was increased from £1,500,000 to £7,000,000 by the creation of 1,100,000,000 New Ordinary shares of 0.5p each in the capital of the company.

The £1 deferred shares carry no voting rights and are non-redeemable. They are entitled to 1p of every £999.99 of distributions made to ordinary shareholders and are also entitled to the equivalent proportion of net assets in the event of the company being wound up.

Share options

At 30 September 2008 the following share options were outstanding under the company's share option schemes in respect of the ordinary shares of 0.5 pence each:

EMI Scheme

Date of Grant	Number of Shares	Period over which option can be exercised	Exercise price of option
05/10/2004	7,530	5 October 2006 to 5 October 2014	7.500pence
10/04/2006	554,320	27 June 2007 to 27 June 2015	6.875pence
17/04/2007	5,130,110	1 October 2010 to 17 April 2017	1.450pence

Unapproved share option scheme

Date of Grant	Number of Shares	Period over which option can be exercised	Exercise price of option
19/04/2006	2,181,800	27 June 2007 to 27 June 2015	6.875pence

All of the above shares under option at 30 September 2008 were held by the directors and employees of the company.

The Directors consider that an important part of the company's remuneration policy should include equity incentives through the grant of share options to directors and employees. Consequently on 21 November 2002, the company entered into the Enterprise Management Incentive (EMI) Options and adopted the Unapproved Share Option Scheme.

Pursuant to the Share Option Schemes, options have or may be granted to directors and employees of the company at not less than the market value of the Ordinary Shares at the time of grant over an aggregate maximum of 10% of the company's issued ordinary share capital.

All options issued are conditional upon the individual remaining a director or employee of the Company.

No share options were exercised during the period. The options outstanding at 30 September 2008 had a weighted average exercise price of 3.34p and a weighted average remaining contractual life of 7.87 years (2007: 8.87 years).

CENTURION ELECTRONICS PLC

Notes forming part of the financial statements for the year ended 30 September 2008 (continued)

It is the Directors' opinion that it is unlikely that any of the share options will be taken up and therefore the share based payments from previous periods have been reversed. This amounted to £322,811.

The group recognised total expenses of £0 and £117,434 related to equity-settled share-based payment transactions in 2008 and 2007 respectively.

15 Reserves	Share premium account	Capital redemption reserves	Profit and loss account
	£	£	£
As previously reported at 1 October 2006	7,139,660	130,000	(7,400,310)
Loss for the year	-	-	(1,519,569)
Share based payment expense	-	-	117,434
	<hr/>	<hr/>	<hr/>
As at 30 September 2007	7,139,660	130,000	(8,802,445)
Loss for the year	-	-	(654,075)
Share based payment expense	-	-	(322,811)
	<hr/>	<hr/>	<hr/>
As at 30 September 2008	7,139,660	130,000	(9,779,331)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

16 Reconciliation of movements in shareholders' funds	2008	2007
	£	£
Loss on ordinary activities after taxation for the year	(654,075)	(1,519,569)
	<hr/>	<hr/>
	(654,075)	(1,519,569)
Share based payment expense	(322,811)	117,434
	<hr/>	<hr/>
Net movement in shareholders' funds	(976,886)	(1,402,135)
Opening shareholders' funds	(652,104)	750,031
	<hr/>	<hr/>
Closing shareholders' funds	(1,628,990)	(652,104)
	<hr/> <hr/>	<hr/> <hr/>

CENTURION ELECTRONICS PLC

Notes forming part of the financial statements for the year ended 30 September 2008 (continued)

17 Commitments under operating leases

As at 30 September 2008, the company had annual commitments under non-cancellable operating leases in respect of land and buildings and motor vehicles as set out below:

	2008 £	2007 £
Operating leases which expire:		
Within one year		
Motor vehicles	931	20,445
	<u>931</u>	<u>20,445</u>
In two to five years		
Land and buildings	145,674	145,674
Motor vehicles	15,515	-
	<u>161,189</u>	<u>145,674</u>

18 Related party transactions and Post Balance Sheet Events

Following the agreements reached with Ravensworth, there is a potential for Ravensworth to become a related party with 97.77% of the shares and as such there would be a requirement to disclose transactions with Ravensworth. During the year an additional/incremental £750,000 (2007: £1,000,000) of convertible loan note was granted to Ravensworth.

In January 2009, several forward foreign currency contracts were closed out due to margin call. Deposits had been paid to support these contracts and were refundable when they matured. As a result of the close out, these deposits became non-refundable. In 2008, these deposits amounted to £115,179 and have been written off to the Profit and Loss account as an expense. In 2009 this amount will be £271,954.

19 Reconciliation of operating profit to net cash outflow from operating activities

	2008 £	2007 £
Operating loss	(449,378)	(1,375,065)
Share based payments	(322,811)	117,434
Loss on sales of fixed assets	17,016	6,684
Depreciation	246,512	229,763
Amortisation	2,841	-
(Increase)/Decrease in stocks	(919,797)	156,616
(Increase)/Decrease in debtors	(248,944)	1,007,778
Increase/(Decrease) in creditors	46,763	(784,166)
	<u>(1,627,798)</u>	<u>(640,956)</u>

CENTURION ELECTRONICS PLC

Notes forming part of the financial statements for the year ended 30 September 2008 (*continued*)

20 Reconciliation of net cash inflow to movement in net debt	2008	2008	2007	2007
	£	£	£	£
Increase in cash in the year	(795,287)		82,569	
Cash (inflow)/outflow from changes in debt and lease financing	(1,062,516)		(1,016,255)	
Change in net debt resulting from cash flows	<u> </u>	(1,857,803)	<u> </u>	(933,686)
Movement in net debt in the year		(1,857,803)		(933,686)
Net debt at start of year		(1,467,498)		(533,812)
Net debt at end of year (note 21)		<u><u>(3,325,301)</u></u>		<u><u>(1,467,498)</u></u>

21 Analysis of net debt	At	Cash	At
	1 October	flow	30 September
	2007	£	2008
	£	£	£
Cash in hand and at bank	810,929	(795,287)	15,642
Debt due after 1 year	(2,000,000)	(1,000,000)	(3,000,000)
Debt due within 1 year	(256,250)	(78,818)	(335,068)
Obligations under finance leases	(22,177)	16,302	(5,875)
Total	<u><u>(1,467,498)</u></u>	<u><u>(1,857,804)</u></u>	<u><u>(3,325,301)</u></u>

22 Pension Commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £65,776 (2007: £86,361).

23 Controlling Party

The Directors do not consider there to be one ultimate controlling party.