



centurion[®]
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Centurion Electronics plc

Admission to AIM

Nominated Adviser

Corporate Synergy PLC

Broker

Daniel Stewart & Company PLC



THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about its contents you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

The Directors of Centurion Electronics plc, whose names appear on page 3 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the rules for AIM published by the London Stock Exchange plc. To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made for the entire issued and to be issued ordinary share capital of the Company to be admitted to trading on the Alternative Investment Market of the London Stock Exchange plc (“AIM”). AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks in investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The London Stock Exchange plc has not itself examined or approved the contents of this document. It is expected that trading in the Ordinary Shares and the Placing Shares will commence on AIM on 2 December 2002.

A copy of this document, which comprises a prospectus drawn up in accordance with the Public Offers of Securities Regulations 1995, as amended, (the “POS Regulations”), has been delivered to the Registrar of Companies in England and Wales for registration in accordance with regulation 4(2) of the POS Regulations.

YOUR ATTENTION IS DRAWN TO THE RISK FACTORS SET OUT IN PART I OF THIS DOCUMENT.

Centurion Electronics plc

(Registered in England and Wales with registered number 2826917)

Placing of 7,667,000 new Ordinary Shares at 30p per share Admission to trading on the Alternative Investment Market

Nominated Adviser:	Broker:
Corporate Synergy PLC	Daniel Stewart & Company PLC

Corporate Synergy PLC, which is regulated by The Financial Services Authority, is acting as nominated adviser to the Company in connection with the proposed admission of the Ordinary Shares to trading on AIM. Its responsibilities as the Company’s nominated adviser under the AIM Rules are owed solely to the London Stock Exchange plc and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by Corporate Synergy PLC as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). Corporate Synergy PLC will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document or for advising them on the contents of this document or any other matter.

Daniel Stewart & Company PLC, which is regulated by The Financial Services Authority, is acting as broker to the Company in connection with the proposed admission of the Ordinary Shares to trading on AIM. Daniel Stewart & Company PLC will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document nor for advising them on the contents of this document or any other matter.

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ADMISSION STATISTICS

Placing Price	30p
Number of new Ordinary Shares being placed	7,667,000
Gross proceeds of the Placing receivable by the Company	£2.3 million
Proportion of enlarged issued share capital subject to the Placing	36.5%
Number of Ordinary Shares in issue at Admission	21,000,000
Market capitalisation at Admission at the Placing Price	£6.3 million

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Admission effective and dealings in the Ordinary Shares and Placing Shares to commence on AIM	2 December 2002
CREST accounts credited	2 December 2002
Share certificates in respect of the Placing Shares expected to be despatched by	9 December 2002

DIRECTORS AND ADVISERS

Directors:	Steven Paul Cunningham (<i>Chairman and Chief Executive</i>) Alistair Powell (<i>Technical Director</i>) Matthew Joseph Savill FlntSMM (<i>Sales Director</i>) Amanda Cecile Thorneycroft ACA (<i>Financial Director</i>) Brian Thomas Hendon FCA (<i>Non-Executive Director</i>)
Company Secretary:	Amanda Cecile Thorneycroft ACA
Registered Office:	108 High Street Stevenage Herts SG1 3DW
Nominated Adviser:	Corporate Synergy PLC 12 Nicholas Lane London EC4N 7BN
Broker:	Daniel Stewart & Company PLC 48 Bishopsgate London EC2N 4AJ
Auditors:	BDO Stoy Hayward Prospect Place 85 Great North Road Hatfield Herts AL9 5BS
Reporting accountants to the Company:	BDO Stoy Hayward 8 Baker Street London W1U 3LL
Solicitors to the Company:	Finers Stephens Innocent 179 Great Portland Street London W1W 5LS
Solicitors to the Placing:	Memery Crystal 31 Southampton Row London WC1B 5HT
Financial PR:	Tavistock Communications 1 Angel Court London EC2R 7HX
Registrars:	Capita IRG plc Balfour House 390/398 High Road Ilford Essex IG1 1NQ
Bankers:	HSBC plc 31 Chequer Street St Albans Herts AL1 3YN

DEFINITIONS AND GLOSSARY OF TERMS

The following definitions apply throughout this document, unless the context otherwise requires:

“A Preference Shares”	the 100,000 A preference shares of £1 each in the capital of the Company, all of which have been redeemed
“Act”	the Companies Act 1985, as amended
“Admission”	the admission of all of the Ordinary Shares and the Placing Shares to trading on AIM
“AIM”	the Alternative Investment Market of the London Stock Exchange
“AIM Rules”	the rules for companies admitted to trading on AIM, published by the London Stock Exchange and dated August 2002
“Articles”	the articles of association of the Company
“B Preference Shares”	the 300,000 B preference shares of 10 pence each in the capital of the Company, all of which have been redeemed
“Company” or “Centurion”	Centurion Electronics PLC
“Corporate Synergy”	Corporate Synergy PLC, nominated adviser to the Company
“CREST”	the computerised settlement system to facilitate the transfer of title of shares in uncertificated form, operated by CRESTCo Limited for UK, Irish and international securities
“Daniel Stewart”	Daniel Stewart & Company PLC, broker to the Company
“Deferred Shares”	the deferred shares of £1 each in the capital of the Company
“Directors” or “Board”	the directors of the Company
“DVD”	Digital Versatile Disc
“EMI Options”	the four conditional enterprise management incentive contracts between the Company and certain of the Directors under the provisions of Schedule 14 of the Finance Act 2000, a summary of which is set out in paragraph 8 of Part IV of this document
“FSA”	the Financial Services Authority
“HSBC”	HSBC Ventures (UK) Limited, a shareholder in the Company
“LCD”	liquid crystal display, a technology used by the Company in its products
“London Stock Exchange”	London Stock Exchange plc
“Official List”	the official list of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 0.1 pence each in the capital of the Company
“Placing”	the conditional placing of the Placing Shares pursuant to the Placing Agreement

“Placing Agreement”	the conditional agreement dated 21 November 2002 between the Company (1), the Directors (2), Daniel Stewart (3) and Corporate Synergy (4) relating to the Placing, further details of which are set out in paragraph 6.1 of Part IV of this document
“Placing Price”	30p per Placing Share
“Placing Shares”	the 7,667,000 new Ordinary Shares to be issued pursuant to the Placing
“Plug & Play™”	Centurion’s consumer brand, aimed at the retail sector
“POS Regulations”	The Public Offers of Securities Regulations 1995, as amended
“Preferred Ordinary Shares”	the 200,000 preferred ordinary shares of £1 each, all of which have been reclassified
“Professional”	Centurion’s vehicle brand, aimed at vehicle manufacturers
“Share Option Schemes”	together, the Unapproved Share Option Scheme and the EMI Options
“TFT LCD Technology”	thin film transistor and liquid crystal display technology, which is used by the Company in the manufacturing of the Company’s screens
“UK Listing Authority”	the FSA, acting in its capacity as the competent authority for the purposes of the Financial Services and Markets Act 2000
“Unapproved Share Option Scheme”	the Company’s 2002 Unapproved Share Option Scheme
“US”	United States of America

PART I

INFORMATION ON THE COMPANY

INTRODUCTION

Centurion is one of the UK market leaders in the field of automotive audio-visual entertainment. Its principal activities are the conception, design, marketing and distribution of automotive audio-visual products, comprising TFT LCD monitors, DVD and video systems. These can be broadly split into two types of products:

- the Company's 'Professional' range, which is marketed under the Centurion™ brand and comprises products which require skilled in-vehicle installation; and
- its 'Plug and Play™' range, designed for the retail sector, enabling the end user to plug in a portable DVD or video system, using a car's lighter socket.

The Company's customers consist of major motor manufacturers, leading multiple retailers and franchise motor dealer groups, as well as independent retailers.

The Company launched a limited range of 'Professional' audio-visual products under its own Centurion™ brand in May 1999 and launched its Plug & Play™ range in November of the same year. In early 2000, the Company won the prestigious regional Deloitte & Touche Fast 50 award for innovations in technology. In the year ended 30 September 2002, the Company achieved sales of £4.1 million, compared with £1.8 million in the previous year, and an operating profit before exceptional items of £781,000, compared with £283,000 in the previous year.

In October 2001, HSBC made an equity investment in the Company to finance its expansion. In view, *inter alia*, of the Company's growth, the Directors believe that the Company has now reached an appropriate stage in its development for it to obtain a listing on AIM, which will assist in raising its profile with its customers. The Company is also proposing to raise £2.3 million, before expenses, by way of the Placing, in order to finance the next stage of its growth. The funds raised will be used to invest in brand development, product design, the Company's infrastructure and for general working capital purposes.

KEY STRENGTHS

The Company has the following key strengths:

- it is one of the UK market leaders in the field of automotive audio-visual entertainment;
- the Company operates in the fast growing automotive multimedia market, which from August 2001 to July 2002 grew approximately tenfold in the number of in-car vision units sold (*source: GFK Marketing Services Limited*);
- it has established its brands, Centurion™ and Plug & Play™, in the UK, which are marketed as being synonymous with high quality, versatility and value for money;
- the Company has created barriers to entry to its market through exclusive distribution agreements with product manufacturers;
- further barriers to entry have been created through relationships with major car manufacturers, leading multiple retailers and franchise motor dealer groups;
- it is ahead of competitors in the UK, where it has established a route to market, recognised brands and consumer acceptance of its products. The Company intends to use the same model for expansion into mainland Europe, where the Directors believe the market for the Company's products to be some one to two years behind that of the UK; and

- Centurion has a strategy of ongoing product development with its manufacturing partners, allowing products to be quickly brought to market in response to changing technology and consumer demand.

THE BUSINESS

History

Centurion was formed in 1993 and initially supplied electronic products to the in-car market, concentrating on vehicle security systems.

Through the Company's relationships with electronic manufacturers, the Company's directors became aware of technological developments within the field of TFT LCD Technology. In 1999, following customer research, the directors recognised that there was an opportunity to move into the fast growing automotive audio-visual market, and in May 1999 launched the Company's 'Professional' range, and in November its Plug & Play™ range.

The principal benefits of these technological developments for in-car applications are that:

- monitors are now sufficiently compact to be easily fitted into cars, mounted in headrests, the roof of a car or in free standing systems; and
- TFT LCD Technology gives high picture quality and functionality.

In January 2000, Centurion reached an agreement with Halfords, Europe's largest car accessory retailer, with over 400 stores nationwide, thus launching the Plug & Play™ brand into the mainstream retail market.

In January 2001, Centurion agreed with Fiat to supply its Centurion™ products, as a dealer fit optional extra, on all its new Fiat and Alfa Romeo cars in the UK, and, in December of the same year, Dixons launched the Plug & Play™ range through stores across the UK.

In March 2002, Mazda launched a Centurion™ roof-mounted screen and DVD system as an optional extra in its Premacy range and the Plug & Play™ range became available through the Pendragon car dealership group. In May 2002, Centurion agreed to supply products for BMW for the new Mini. In June, Argos included the Company's Plug & Play™ products in its Autumn/Winter catalogue for the first time.

On 4 November 2002, in order to simplify its capital structure and in contemplation of its application to join AIM, the Company redeemed the A Preference Shares and B Preference Shares in issue. The Directors believe that the Company has now reached an appropriate stage in its development for it to obtain a listing on AIM, which will enable it to raise money to finance its expansion and raise its profile with its customers.

The Products

The Company's principal products comprise:

- free standing monitors with widescreens ranging from 5.6" to 7". They are supplied with a remote control, stereo sound, twin headphone socket and a universal mounting bracket, which enables them to be fitted in a variety of locations;
- roof-mounted monitors – custom fit roof-mounted widescreens with sizes ranging from 7" to 15.2" available either motorised or non-motorised with built-in infra red headphone sender, remote control and casing with built-in crystal lighting; and
- headrest screens – fitted screens for easy installation, ranging from 5" to 7" wide, which include remote control and stereo headphones.

In addition, the Company's range includes accessories such as DVD players, video players, games console compatible kits and TV tuners, all of which are marketed under the Plug & Play™ brand.

Product Manufacture

Centurion has two key manufacturing partners in the Far East and has a representative office in Taipei, Taiwan, which is responsible for the day to day management of its relationships with these manufacturers, for monitoring product development and for quality control, in particular ensuring that the Company's products meet EU and UK manufacturing standards.

Customers

The majority of the Company's products are supplied to three types of customer:

- car manufacturers, including BMW, Fiat, Mazda and Alfa Romeo;
- leading multiple retailers, including Halfords, Argos, Currys, Dixons, and Motorworld; and
- franchised motor dealer groups, including Pendragon.

Product Development

Centurion's new product initiatives include:

- widescreen portable TFT LCD monitors, which can be wall-mounted for home and leisure use; and
- integrated home entertainment systems with built in DVD and multimedia functions.

MARKETS, STRATEGY AND COMPETITION

Current Market

The in-car multimedia market in the UK, in terms of in-car vision units sold, has grown approximately tenfold from August 2001 to July 2002, with Centurion accounting for a significant proportion of the market (*source: GFK Marketing Services Limited*).

The Directors believe that Centurion is in a good position to enter and exploit the European market.

Strategy

Over the last three years, the Company has developed recognised brands and strong relationships with its customers. Centurion intends to develop new customer relationships, in particular with major motor manufacturers and retail clients, and new product ranges.

The Directors intend to continue to consolidate the Company's position in the UK market and then, using its existing relationships with customers, expand into Western Europe, a market which the Directors believe to be one to two years behind the UK.

To broaden its product offering, Centurion intends to develop a range of second-generation products, building on, and developing, the Centurion™ and Plug and Play™ brands by:

- designing products with a Centurion specific 'look and feel', strengthening brand recognition;
- developing and introducing a complementary range of accessories alongside existing products;
- developing and launching a range of new products, using the 'Plug & Play™' brand, into broader market sectors; and
- maintaining, supporting and developing the Company's existing relationships with its retail customers and original equipment manufacturers.

Competition

There are a number of substantial electronic manufacturers who market products in the automotive multimedia market. The technology used by Centurion has enabled the Company to establish a leading

position in this market in a relatively short time. However, the Directors recognise that competitors could seek to compete more aggressively within this market.

FINANCIAL INFORMATION

Financial Record

The following table has been extracted, without adjustment, from the Accountants' Report on the Company set out in Part IIA of this document. Investors should read the whole of this document and not just rely on the summarised information.

	15 months ended 30 September 2000 £'000	Year ended 30 September 2001 £'000	Year ended 30 September 2002 £'000
Turnover	1,524	1,845	4,138
Gross profit	707	770	1,821
Operating profit before exceptional items	210	283	781
Exceptional items	–	(56)	(238)
Operating profit after exceptional items	210	227	543
Interest payable and similar charges	(69)	(99)	(108)
Profit on ordinary activities before taxation	141	128	435

Over the period above, turnover has increased from £1,524,000 to £4,138,000 and profit on ordinary activities before taxation from £141,000 to £435,000. Growth in the second half of the year ended 30 September 2002 was strong, which can be illustrated by unaudited annualised turnover over this period being £5.5 million.

Current Trading

Since the year end, Centurion's trading has been satisfactory. In connection with the redemption of the 'A' Preference Shares and the 'B' Preference Shares on 4 November 2002, the Company prepared and filed unaudited interim accounts for the month ended 31 October 2002. These accounts, which are set out in Part IIB of this document, show that the Company made an unaudited profit before taxation of £118,000 on turnover of £581,000 in that month.

The Company's order book remains strong, with encouraging levels of demand from its customers. Accordingly, the Directors are optimistic about the outcome for the current financial year.

DIRECTORS AND EMPLOYEES

Directors

Steven Cunningham, aged 35, Chairman and Chief Executive

Steven joined Centurion in 1995 as Managing Director and has worked in the automotive industry for the last ten years. Prior to joining Centurion, he held senior positions in sales and marketing, most recently as sales and marketing director of Eclipse International Holdings Limited, a privately owned electronics company. He has extensive experience of international business and is used to dealing with customers and suppliers across Europe and throughout the rest of the world. He led the negotiations with HSBC in connection with its investment in the Company, and is responsible for setting and implementing the Company's strategy, both for key customer and supplier relationships and for the day to day management of the business.

Alistair Powell, aged 43, Technical Director

Alistair has worked with vehicle manufacturers and in the after market in the automotive electronics field for eighteen years and has been directly responsible for product development and design for companies such as

Fiat, Daewoo and Phillips. Alistair joined Centurion in 1996 and oversees product procurement, product development and logistics.

Matthew Savill, FInstSMM, aged 36, Sales Director

Matthew has an ONC qualification in mechanical engineering and has spent the past ten years in sales positions, eight of which have been in the automotive industry. Matthew joined Centurion in 1996 and is responsible for managing all the key retail distribution relationships.

Amanda Thorneycroft, ACA, aged 41, Financial Director

Amanda graduated from St Andrews University in 1982 with an MA in Geography and International Studies. She qualified as a chartered accountant with Ernst & Young, where she worked for twelve years, firstly in mainstream audit, and then in their emerging businesses department. In 1995, she joined Harvey & Brockless Limited as commercial manager and was promoted to finance director later that year. Amanda joined the Company in January 2002 as Finance Director, and is responsible for the financial and administrative affairs of the Company.

Brian Hendon, FCA, aged 52, Non-Executive Director

Brian is an experienced entrepreneurial managing director and chartered accountant with a wide range of corporate experience at senior level within the fast moving consumer goods sector. Brian has a proven and successful track record in the strategic development, growth and subsequent sale of medium sized companies as a director and shareholder, and is experienced in raising funds for such businesses. Brian also has in-depth business experience of trading with UK retailers and with suppliers in the Far East, Indian subcontinent and Eastern Europe.

In due course, the Company intends to appoint an additional non-executive director with relevant experience, in order to further strengthen the Board.

Employees

The Company currently employs 22 full time staff, all of whom are based at the Company's headquarters in Welwyn Garden City, Hertfordshire.

ENTERPRISE INVESTMENT SCHEME AND VENTURE CAPITAL TRUSTS

Provisional clearance has been received from the Inland Revenue that the Company will be a qualifying company for EIS purposes and also a qualifying investment for VCTs, although private investors should be aware that EIS tax reliefs will be reduced or withdrawn due to the Company redeeming the A Preference Shares and the B Preference Shares prior to the Placing. Further details on EIS reliefs are set out in paragraph 11 of Part IV of this document.

Investors considering taking advantage of any of the reliefs under EIS or available to VCTs should seek their own professional advice in order that they fully understand how the rules apply in their individual circumstances.

THE PLACING, ADMISSION AND REASONS FOR ADMISSION

The Company is proposing to raise £2.3 million (before expenses) through a placing of 7,667,000 new Ordinary Shares, representing 36.5 per cent. of the issued ordinary share capital of the Company at Admission. All of the Placing Shares have been conditionally placed with institutional and other investors. The Placing Shares will rank *pari passu* with the existing Ordinary Shares including the rights to all dividends and other distributions declared, paid or made after the date of their issue.

Application has been made to the London Stock Exchange for all of the existing Ordinary Shares and the Placing Shares to be admitted to trading on AIM. Admission is expected to become effective and trading in the existing Ordinary Shares and the Placing Shares to commence on 2 December 2002.

Steven Cunningham owns 9,700,000 Ordinary Shares (being 46.2 per cent. of the issued ordinary share capital at Admission). Amanda Thorneycroft and Brian Hendon have subscribed for an aggregate of 31,667 Ordinary Shares pursuant to the Placing. Details of the Directors' shareholdings are set out in paragraph 3 of Part IV of this document.

The Directors believe that an AIM listing will assist the Company in its development by:

- enabling it to raise funds to finance its expansion plans and to strengthen its balance sheet;
- raising its profile generally and within its sector, which is important given the nature of its customer base; and
- enabling the Company to attract and retain good quality staff by offering its staff equity incentives through share options.

USE OF FUNDS

The Directors intend to use the net proceeds of the Placing as follows:

- *brand marketing and development* – through targeted marketing and advertising campaigns including interactive in-store displays in retail outlets and promotional advertising support;
- *product development* – through investment in product design, development and tooling;
- *infrastructure development* – in particular in new offices, IT systems, human resources and warehousing capacity; and
- *working capital* – to finance the Company's growth.

Pending their use, the Company will place the net proceeds of the Placing on deposit.

LOCK-INS AND ORDERLY MARKET ARRANGEMENTS

At Admission, the Directors will together own 10,031,667 Ordinary Shares, representing approximately 47.8 per cent. of the then issued ordinary share capital of the Company. Under the terms of the Placing Agreement, the Directors have undertaken to the Company, Corporate Synergy and Daniel Stewart that, save in certain limited circumstances, they will not dispose of any interest in Ordinary Shares held by them (and will use their reasonable endeavours to procure that any connected person within the meaning of the Act does not dispose of any of their interests in Ordinary Shares) for a period of twelve months from Admission other than with the prior written consent of Corporate Synergy and Daniel Stewart (and in certain other specified circumstances) and for a further twelve months, only having consulted Daniel Stewart and Corporate Synergy, or the Company's then broker and nominated adviser, so as to ensure the maintenance of an orderly market in the Ordinary Shares.

In addition, HSBC will at Admission own 3,333,000 Ordinary Shares, representing approximately 15.9 per cent. of the then issued ordinary share capital of the Company. HSBC has also undertaken to the Company, Corporate Synergy and Daniel Stewart that, save in certain limited circumstances, it will not dispose of any of its Ordinary Shares for a period of twelve months from Admission other than with the prior written consent of Corporate Synergy and Daniel Stewart.

Further details of these agreements are set out in paragraph 6 of Part IV of this document.

DIVIDEND POLICY

The Company intends to adopt a progressive dividend policy and, subject to satisfactory trading, to declare a final dividend in respect of the year ending 30 September 2003.

CORPORATE GOVERNANCE

The Directors intend to comply with the Combined Code on the Principles of Good Governance and the Code of Best Practice so far as is reasonably practicable for a company of Centurion's size. The Company intends to further strengthen the board by the appointment of a non-executive chairman in due course.

An audit committee, comprising Steven Cunningham, Amanda Thorneycroft and Brian Hendon, has been established to operate with effect from Admission. The audit committee will determine the application of the financial reporting and internal control principles, including reviewing the effectiveness of the Company's financial reporting, internal control and risk management procedures and the scope, quality and results of the external audit.

A remuneration committee, comprising Steven Cunningham, Amanda Thorneycroft and Brian Hendon, has also been established to operate with effect from Admission. It will review the performance of the executive directors and will set their remuneration, determine the payment of bonuses to executive directors and consider bonus and option schemes. None of the executive directors will take part in discussions concerning their personal remuneration.

Once appointed, it is intended that the non-executive chairman will chair both the audit and remuneration committees.

SHARE OPTIONS

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 EMI Options, which are conditional on Admission, 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 ten per cent. of the Company's issued ordinary share capital from time to time. Further details of the Share Option Schemes and option holders are set out in paragraphs 3, 8 and 9, respectively, of Part IV of this document.

RISK FACTORS

In addition to the other relevant information set out in this document, the following specific factors should be considered carefully in evaluating whether to make an investment in the Company. The investment offered in this document may not be suitable for all of its recipients. If you are in any doubt about the action you should take, you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

Potential competition

The Company operates in a competitive market with a number of larger, well-funded potential competitors who could tailor their products so as to compete directly with the Company's products.

Continuity of supply

The Company's suppliers could experience manufacturing difficulties which could lead to the Company being unable to supply products to its customers.

Dependence on key employees

Centurion, as a small company, is dependent on a number of senior employees. The Company has taken out keyman insurance in respect of Steven Cunningham and Alistair Powell.

Intellectual Property

Although the Directors believe that the Company's proprietary rights will not be challenged and that its products do not infringe the intellectual property rights of others, third parties may assert intellectual property claims in relation to the Company's products or may assert claims that the Company has infringed a particular copyright, patent, trademark, design right or other proprietary right or confidential information belonging to them.

EIS and VCT relief

There are circumstances in which an investor could cease to qualify for the taxation advantages offered by the EIS. This could occur on the investor ceasing to be resident or ordinarily resident in the United Kingdom during the period of three years following the issue of the shares. In addition, the investor could cease to qualify for the relief if the investor receives value from the Company during the period beginning one year before the shares are issued and ending three years after. Payment of a reasonable dividend, however, would not be regarded as the receipt of value.

If the Company ceases to carry on the business outlined in this document during its three year relevant period, this could prejudice the qualifying status of the Company under the EIS. This situation will be closely monitored with a view to preserving the Company's status but this cannot be guaranteed.

Although the Directors have received provisional confirmation from the Inland Revenue that the Placing Shares will be a "qualifying holding" for the purposes of investment by VCTs and will rank as eligible shares for the purposes of the EIS, neither the Company nor the Directors can provide any warranty or guarantee in this regard. Accordingly subscribers must take their own advice and rely on it.

Investment risk

Potential investors should be aware that the value of shares can go down as well as up and that an investment in a share which is to be traded on AIM may be less realisable and may carry a higher degree of risk than an investment in a share quoted on the Official List. The price which investors may realise for their holding of Ordinary Shares, and when they are able to do so, may be influenced by a large number of factors, some of which are specific to the Company and others of which are extraneous.

The risks listed above do not necessarily comprise all those faced by the Company.

ADDITIONAL INFORMATION

Your attention is drawn to the information contained in the rest of this document.

PART IIA

ACCOUNTANTS' REPORT ON THE COMPANY



BDO Stoy Hayward
Chartered Accountants

8 Baker Street
London W1U 3LL

The Directors
Centurion Electronics plc
108 High Street
Stevenage
Hertfordshire
SG1 3DW

21 November 2002

The Directors
Corporate Synergy PLC
12 Nicholas Lane
London
EC4N 7BN

Dear Sirs

CENTURION ELECTRONICS PLC (“CENTURION” OR THE “COMPANY”)

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the prospectus dated 21 November 2002 of Centurion.

The Company was incorporated as Dialkey Limited on 15 June 1993 and changed its name to Centurion Electronics Limited on 5 February 2002. On 13 February 2002, the Company was re-registered as a public limited company.

Basis of preparation

The financial information is based on the audited financial statements of Centurion for the 15 months ended 30 September 2000 and the two years ended 30 September 2002 (the “Relevant Period”) after making such adjustments as we considered necessary.

BDO Stoy Hayward, Chartered Accountants and Registered Auditors, Prospect Place, 85 Great North Road, Hatfield, Hertfordshire AL9 5BS, have been auditors to Centurion for the two years ended 30 September 2002. Cook & Partners, Chartered Accountants and Registered Auditors, Manufactory House, Bell Lane, Hertford, Hertfordshire, SG14 1BP, were auditors for the 15 months ended 30 September 2000. Each of the audit reports throughout the Relevant Period was unqualified.

Responsibility

Such financial statements are the responsibility of the directors of Centurion who approved their issue.

The directors of Centurion are responsible for the contents of the prospectus dated 21 November 2002 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors who audited the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the prospectus dated 21 November 2002, a true and fair view of the state of affairs of Centurion as at the dates stated and of its profits for the periods then ended.

Consent

We consent to the inclusion in the prospectus dated 21 November 2002 of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

FINANCIAL INFORMATION

Accounting policies

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards. The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information:

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales.

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% on reducing balance
Fixtures and fittings	– 10% on cost
Office Equipment	– 20% on cost

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Invoice discounted debts

Where invoice discounted debts can be separately identified and the financing house has no recourse to the other assets of the Company, a linked presentation is adopted.

Pension scheme

The Company operates a non-contributory stakeholder compliant pension scheme for the benefit of its employees.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the Company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the Company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

Foreign currency

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

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.

Profit and loss accounts

		15 months ended 30 September 2000 £000	Year ended 30 September 2001 £000	Year ended 30 September 2002 £000
Turnover	1	1,524	1,845	4,138
Cost of sales		(817)	(1,075)	(2,317)
Gross profit		707	770	1,821
Administrative expenses		(497)	(543)	(1,278)
Operating profit	2	210	227	543
Interest payable and similar charges	5	(69)	(99)	(108)
Profit on ordinary activities before taxation		141	128	435
Tax on profit from ordinary activities	6	(29)	(41)	(116)
Profit on ordinary activities after taxation		112	87	319
Dividends (including non-equity)	7	(89)	(68)	(57)
Retained profit	15	23	19	262
Earnings per share	8			
Basic		£11.20	£8.36	£28.01
Diluted		£11.20	£8.36	£21.14

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account and therefore no separate statement of recognised gains and losses has been prepared. There is no difference between the profits shown above and the historical cost equivalents.

Balance sheets

		As at 30 September 2000 £000	As at 30 September 2001 £000	As at 30 September 2002 £000
Fixed assets				
Tangible assets	9	37	100	197
Current assets				
Stock	10	267	492	728
Debtors:				
Trade debtors subject to financing		305	489	1,086
Less: non-returnable advances		(114)	(215)	(702)
Net trade debtors	11	191	274	384
Other debtors	11	15	24	262
Cash at bank and in hand		6	1	157
		479	791	1,531
Creditors: amounts falling due within one year	12	(394)	(616)	(612)
Net current assets		85	175	919
Total assets less current liabilities		122	275	1,116
Creditors: amounts falling due after more than one year	12	(21)	(155)	(162)
Provisions for liabilities and charges	13	–	–	(12)
		101	120	942
Capital and reserves				
Called up share capital	14	50	50	340
Share premium account	15	–	–	270
Profit and loss account	15	51	70	332
Shareholders' funds	16	101	120	942
Analysis of shareholders' funds				
Equity		61	80	342
Non-equity		40	40	400
Convertible equity		–	–	200
Shareholders' funds	16	101	120	942

Cash flow statements

		15 months ended 30 September 2000 £000	Year ended 30 September 2001 £000	Year ended 30 September 2002 £000
Net cash inflow from operating activities	20	34	11	148
Returns on investments and servicing of finance				
Interest paid		(69)	(99)	(109)
Preference dividends paid		—	(3)	(42)
Net cash outflow from returns on investments and servicing of finance		(69)	(102)	(151)
Taxation				
UK corporation tax paid		(7)	(23)	(55)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(18)	(39)	(86)
Sale of tangible fixed assets		—	—	11
Net cash outflow from capital expenditure		(18)	(39)	(75)
Equity dividends paid		(89)	(65)	—
Cash outflow before financing		(149)	(218)	(133)
Financing				
Issue of share capital		40	—	500
Bank loan (paid)/advanced		(13)	186	(72)
Director's loan received		—	60	—
Capital element of finance lease payments		(1)	(9)	(19)
Cash inflow from financing		26	237	409
(Decrease)/increase in cash for the period	21	(123)	19	276

Notes to the financial information

1 Turnover

The turnover of the Company for the Relevant Period was derived from its principal activity, wholly undertaken in the United Kingdom.

2 Operating profit

This is arrived at after charging:

	15 months ended 30 September 2000 £000	Year ended 30 September 2001 £000	Year ended 30 September 2002 £000
This is arrived at after charging:			
Depreciation	7	14	30
Auditors' remuneration – audit services	8	5	10
Exceptional items (see below)	–	56	238
Loss on disposal of fixed assets	–	–	7

The exceptional item in the year ended 30 September 2002 represents the costs of a theft of stocks from the Company's premises to the value of £238,000 (2001 and 2000 – £Nil). The Company has submitted a claim under its insurance policy but in accordance with its accounting policy and Financial Reporting Standard No.12 – "Provisions, contingent liabilities and contingent assets" it has not recognised the recovery under this insurance policy in the results for the year ended 30 September 2002.

The exceptional item in the year ended 30 September 2001 represents the costs of refinancing undertaken in that year.

3 Employees

The average number of employees in each period, including executive directors, was:

	15 months ended 30 September 2000 Number	Year ended 30 September 2001 Number	Year ended 30 September 2002 Number
Management	3	3	5
Distribution	4	9	16
	<u>7</u>	<u>12</u>	<u>21</u>

Staff costs for all employees, including executive directors, consist of:

	15 months ended 30 September 2000 £000	Year ended 30 September 2001 £000	Year ended 30 September 2002 £000
Wages and salaries	181	187	402
Social security costs	16	16	47
	<u>197</u>	<u>203</u>	<u>449</u>

4 Directors' remuneration

	15 months ended 30 September 2000 £000	Year ended 30 September 2001 £000	Year ended 30 September 2002 £000
Directors' emoluments consist of:			
Fees and remuneration	<u>76</u>	<u>70</u>	<u>232</u>
Emoluments of the highest paid director:			
Emoluments	<u>52</u>	<u>42</u>	<u>145</u>

5 Interest payable and similar charges

	15 months ended 30 September 2000 £000	Year ended 30 September 2001 £000	Year ended 30 September 2002 £000
Interest on:			
Loans	14	28	27
Bank overdrafts and invoice financing charges	<u>55</u>	<u>71</u>	<u>81</u>
	<u>69</u>	<u>99</u>	<u>108</u>

6 Taxation on profit from ordinary activities

	15 months ended 30 September 2000 £000	Year ended 30 September 2001 £000	Year ended 30 September 2002 £000
<i>Current tax</i>			
UK corporation tax on profits for the period	29	39	102
Adjustment in respect of previous periods	<u>–</u>	<u>2</u>	<u>2</u>
Total current tax	29	41	104
<i>Deferred tax</i>			
Origination and reversal of timing differences (see note 13)	<u>–</u>	<u>–</u>	<u>12</u>
Taxation on profit on ordinary activities	<u>29</u>	<u>41</u>	<u>116</u>

6 Taxation on profit from ordinary activities (continued)

The tax assessed for each period differs from the standard rate of corporation tax in the UK. The differences are explained below:

	15 months ended 30 September 2000 £000	Year ended 30 September 2001 £000	Year ended 30 September 2002 £000
Profit on ordinary activities before tax	141	128	435
Taxation on ordinary activities at the standard rate of corporation tax in the UK of 30% (2001: 20%, 2000: 20%)	28	25	130
Effects of:			
Expenses (allowable)/disallowable for tax purposes	(2)	16	(3)
Depreciation for the period in excess of capital allowances	3	(2)	1
Adjustment to tax charge in respect of previous periods	–	2	2
Loss on disposal of fixed assets	–	–	2
Marginal relief	–	–	(28)
Current tax charge for the period	29	41	104

7 Dividends

	15 months ended 30 September 2000 £000	Year ended 30 September 2001 £000	Year ended 30 September 2002 £000
Preference dividend			
Paid	–	3	31
Proposed	–	–	8
Ordinary dividends			
Interim paid of £nil per share (2001: £6.47 per share, 2000: £nil per share)	–	65	–
Final proposed of £nil per share (2001: £nil per share, 2000: £8.90 per share)	89	–	–
Cumulative convertible participating preferred ordinary shares of £1 each			
Paid of 5.4p per share (2001: £nil, 2000: £nil)	–	–	11
Proposed of 3.4p per share (2001: £nil, 2000: £nil)	–	–	7
	89	68	57

8 Earnings per share

Earnings per ordinary share have been calculated using the weighted average number of shares in issue during the relevant financial periods. The weighted average number of equity shares in issue for the basic earnings per share calculation is 10,000 (2001 – 10,000; 2000 – 10,000) and the earnings, being profit after tax and preference dividends, are £280,000 (2001 – £84,000; 2000 – £112,000).

The numerator for the 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:

	15 months ended 30 September 2000 Number	Year ended 30 September 2001 Number	Year ended 30 September 2002 Number
Basic earnings per share denominator			
Ordinary shares of £1 each	10,000	10,000	10,000
Weighted average number of cumulative convertible participating preferred ordinary shares of £1 each	–	–	3,251
	10,000	10,000	13,251

9 Tangible assets

	Motor vehicles £000	Office equipment £000	Fixtures and fittings £000	Total £000
Cost				
As at 1 July 1999	–	16	9	25
Additions	25	3	–	28
As at 30 September 2000	25	19	9	53
Additions	48	9	20	77
As at 30 September 2001	73	28	29	130
Additions	79	16	50	145
Disposals	(26)	–	–	(26)
As at 30 September 2002	126	44	79	249
Depreciation				
As at 1 July 1999	–	7	2	9
Provided for the period	1	5	1	7
As at 30 September 2000	1	12	3	16
Provided for the year	7	5	2	14
As at 30 September 2001	8	17	5	30
Provided for the year	17	8	5	30
Disposals	(8)	–	–	(8)
As at 30 September 2002	17	25	10	52
Net book value				
As at 1 July 1999	–	9	7	16
As at 30 September 2000	24	7	6	37
As at 30 September 2001	65	11	24	100
As at 30 September 2002	109	19	69	197

The net book value of tangible assets held under finance lease and hire purchase contracts was as follows:

	As at 30 September 2000 £000	As at 30 September 2001 £000	As at 30 September 2002 £000
Net book value			
Motor vehicles	8	36	92
Depreciation charged on these assets during the period/year was as follows:			
Motor vehicles	1	3	4

10 Stocks

	As at 30 September 2000 £000	As at 30 September 2001 £000	As at 30 September 2002 £000
Finished goods and goods held for resale	267	492	728

11 Debtors

	As at 30 September 2000 £000	As at 30 September 2001 £000	As at 30 September 2002 £000
Trade debtors subject to financing	305	489	1,086
Less: non-returnable proceeds	(114)	(215)	(702)
	191	274	384
Other debtors	15	24	262
	206	298	646

During the years under review, the Company invoice discounted certain debts. A discounting charge on those invoice discounted debts is calculated on the daily balances using an agreed rate over the financier's base rate. The Company also pays a service charge that covers the administration of the account and also includes a fee for the provision of credit protection.

The Company is not obliged and does not intend to support any losses arising from the assigned debts against which cash has been advanced. The financiers have confirmed in writing that, in the event of default in payment by a debtor, payment will not be required from the Company in any other way.

All amounts fall due for payment within one year.

12 Creditors

Amounts falling due within one year

	As at 30 September 2000 £000	As at 30 September 2001 £000	As at 30 September 2002 £000
Bank loans and overdrafts (secured)	144	194	103
Trade creditors	180	177	212
Other creditors	12	125	79
Tax and social security creditor	20	57	80
Corporation tax	34	52	102
Obligations under finance leases and hire purchase agreements	4	11	21
Proposed dividend	–	–	15
	<u>394</u>	<u>616</u>	<u>612</u>

Amounts falling due after more than one year

	As at 30 September 2000 £000	As at 30 September 2001 £000	As at 30 September 2002 £000
Bank loan (secured)	19	131	108
Obligations under finance leases and hire purchase agreements	2	24	54
	<u>21</u>	<u>155</u>	<u>162</u>

The bank loan is secured by fixed and floating charges over the assets of the Company.

Financial liabilities are due:

	As at 30 September 2000 £000	As at 30 September 2001 £000	As at 30 September 2002 £000
Loans and overdraft			
– in one year or less	144	34	103
– in more than one year but not more than two years	19	25	25
– in more than two years but not more than five years	–	75	75
– in more than five years	–	31	8
	<u>163</u>	<u>165</u>	<u>211</u>
Less: amounts included within current liabilities	(144)	(34)	(103)
	<u>19</u>	<u>131</u>	<u>108</u>
Finance leases			
– in one year or less	4	11	21
– in more than one year but not more than two years	2	9	21
– in more than two years but not more than five years	–	15	33
	<u>6</u>	<u>35</u>	<u>75</u>
Less: amounts included within current liabilities	(4)	(11)	(21)
	<u>2</u>	<u>24</u>	<u>54</u>

13 Provision for liabilities and charges

	As at 30 September 2000 £000	As at 30 September 2001 £000	As at 30 September 2002 £000
Deferred taxation (see below)	—	—	12
	<u>—</u>	<u>—</u>	<u>12</u>

Deferred taxation

	As at 30 September 2000 £000	Un-provided As at 30 September 2001 £000	As at 30 September 2002 £000
Capital allowances	—	10	—
	<u>—</u>	<u>10</u>	<u>—</u>

	As at 30 September 2000 £000	Provided As at 30 September 2001 £000	As at 30 September 2002 £000
Capital allowances	—	—	12
	<u>—</u>	<u>—</u>	<u>12</u>

Deferred taxation movements are:

	As at 30 September 2000 £000	As at 30 September 2001 £000	As at 30 September 2002 £000
Opening balance	—	—	—
Transfer from profit and loss account	—	—	12
Closing balance	<u>—</u>	<u>—</u>	<u>12</u>

14 Share capital

	As at 30 September 2000 £000	As at 30 September 2001 £000	As at 30 September 2002 £000
Authorised			
110,000 (2000 and 2001: 10,000) ordinary shares of £1 each	10	10	110
200,000 cumulative convertible participating preferred ordinary shares of £1 each	–	–	200
100,000 8% cumulative preference shares of £1 each	100	100	–
100,000 'A' cumulative redeemable preference shares of £1 each	–	–	100
300,000 'B' cumulative redeemable preference shares of 10p each	–	–	30
	<u>110</u>	<u>110</u>	<u>440</u>
Allotted, called up and fully paid			
10,000 ordinary shares of £1 each	10	10	10
200,000 cumulative convertible participating preferred ordinary shares of £1 each	–	–	200
40,000 8% cumulative preference shares of £1 each	40	40	–
100,000 'A' cumulative redeemable preference shares of £1 each	–	–	100
300,000 'B' cumulative redeemable preference shares of 10p each	–	–	30
	<u>50</u>	<u>50</u>	<u>340</u>

On 9 October 2001 a capital restructuring of the Company was undertaken. The Company repurchased the 40,000 8% cumulative shares of £1 each at par. A capital redemption reserve did not crystallise because on the same day 100,000 'A' cumulative redeemable preference shares of £1 each were issued at par. The consideration was in the form of £40,000 cash and £60,000 by way of the capitalisation of a directors' loan which was included in other creditors as at 30 September 2001.

200,000 cumulative convertible participating preferred ordinary shares of £1 each and 300,000 cumulative redeemable preference shares of 10p each were also issued at £1 each. The cash consideration was £500,000 creating a share premium account of £270,000.

Included with shareholders' funds are amounts of equity and non-equity interests as follows:

	As at 30 September 2000 £000	As at 30 September 2001 £000	As at 30 September 2002 £000
Convertible equity interests			
Cumulative convertible participating preferred ordinary shares of £1 each	–	–	200
Non-equity interests			
8% cumulative preference shares of £1 each	40	40	–
'A' cumulative redeemable preference shares of £1 each	–	–	100
'B' cumulative redeemable preference shares of 10p each (including premium)	–	–	300
	<u>40</u>	<u>40</u>	<u>400</u>

14 Share capital (continued)

Cumulative Convertible Participating Preferred Ordinary Shares (CCPPOS)

The issued CCPPOS are convertible equity shares under the definition of Financial Reporting Standard No. 4 – “Capital instruments” and entitle the holders to 25 per cent. of the voting rights (the ‘preferred ordinary percentage’) of the Company. They carry an entitlement to a fixed dividend at a rate of 9p (net) per share per annum. The dividend accrues from the date of issue. When the ‘A’ and ‘B’ cumulative preference shares have been redeemed in full (see below), the CCPPOS carry an entitlement to receive a cumulative participating preferential cash dividend which accrues from the first day of the financial year following the date of repayment in full of the preference shares.

The CCPPOS are not redeemable. The CCPPOS are only convertible on flotation or other capital restructuring of the Company. The CCPPOS will then be converted into the requisite number of ordinary shares as to maintain the 25 per cent. voting rights (the ‘ordinary percentage’) of the Company.

‘A’ Cumulative Redeemable Preference Shares (‘A’ CRPS) and ‘B’ Cumulative Redeemable Preference Shares (‘B’ CRPS)

The ‘A’ and ‘B’ CRPS are non-equity shares which carry an entitlement to a dividend of 10p (net) per share per annum. The dividend accrues from the date of issue.

The Company shall redeem the ‘A’ and ‘B’ CRPS in tranches in accordance with the following at £1 per share, together with a sum equal to any arrears, deficiencies or accruals of dividends up to and including the actual redemption.

Date of redemption of tranche	‘A’ CRPS Number	‘B’ CRPS Number
30 November 2003	25,000	75,000
31 March 2004	25,000	75,000
30 November 2004	25,000	75,000
31 March 2005	25,000	75,000
	<u>100,000</u>	<u>300,000</u>

If the Company fails to redeem any preference shares on the specified date, the dividend thereon will continue to accrue to the date of the actual redemption.

Voting

The ordinary shareholders are entitled to 75 per cent. of the voting rights (the ‘ordinary percentage’) of the Company and the remaining 25 per cent. of the voting rights is the CCPPOS shareholders (the ‘preferred ordinary percentage’) as mentioned above. The holders of the CCPPOS and the ordinary shares shall be allowed to cast an aggregate number of votes equal to the sum of the ‘ordinary’ and ‘preferred ordinary’ percentage.

The ‘A’ CRP shareholders do not have any voting rights and the ‘B’ CRP shareholders do not have any voting rights unless the dividend that they are entitled to is in arrears by more than 21 days.

15 Reserves

	Share premium account £000	Profit and loss account £000	Total £000
At 1 July 1999	–	28	28
Profit for the period	–	23	23
As at 30 September 2000	–	51	51
Profit for the year	–	19	19
As at 30 September 2001	–	70	70
Profit for the year	–	262	262
300,000 B preference shares of 10p issued at a premium of 90p per share	270	–	270
As at 30 September 2002	270	332	602

16 Reconciliation of movements in shareholders' funds

	As at 30 September 2000 £000	As at 30 September 2001 £000	As at 30 September 2002 £000
At the beginning of the period	38	101	120
Issue of shares	40	–	560
Profit for the period	112	87	319
Dividends	(89)	(68)	(57)
At the end of the period	101	120	942

17 Commitments under operating leases

The following are the annual commitments under non-cancellable operating leases:

	As at 30 September 2000		As at 30 September 2001		As at 30 September 2002	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:						
Within one year	–	–	–	14	–	–
In two to five years	29	14	29	–	29	–
	29	14	29	14	29	–

18 Related party transactions

Included within other creditors as at 30 September 2001 was an amount of £60,000 owed to SP Cunningham, a director of the Company, which was used as part consideration for the issue of the 'A' Cumulative redeemable preference shares as per note 14.

19 Ultimate controlling entity

SP Cunningham is considered the ultimate controlling entity of the Company by virtue of his 72.75 per cent. controlling stake in the voting rights of the Company.

20 Reconciliation of operating profit to net cash flow from operating activities

	15 months ended 30 September 2000 £000	Year ended 30 September 2001 £000	Year ended 30 September 2002 £000
Operating profit	210	227	543
Depreciation	7	14	30
Loss on sale of fixed assets	–	–	7
Decrease/(increase) in stocks	11	(225)	(236)
Decrease/(increase) in debtors	23	(92)	(348)
(Decrease)/increase in creditors	(217)	87	152
Net cash flow from operating activities	<u>34</u>	<u>11</u>	<u>148</u>

21 Reconciliation of net cash flow to movement in net debt

	15 months ended 30 September 2000 £000	Year ended 30 September 2001 £000	Year ended 30 September 2002 £000
(Decrease)/increase in cash in the period	(123)	19	276
Cash outflow/(inflow) from increase in debt and lease financing	<u>13</u>	<u>(237)</u>	<u>91</u>
Change in net debt resulting from cash flows	(110)	(218)	367
New finance leases	(7)	(38)	(59)
Non-cash consideration in respect of share issue	<u>–</u>	<u>–</u>	<u>60</u>
Movement in net debt in the period	(117)	(256)	368
Net debt at the beginning of the period	(46)	(163)	(419)
Net debt at the end of the period (note 22)	<u>(163)</u>	<u>(419)</u>	<u>(51)</u>

22 Analysis of net debt

	At start of the period £000	Cash flow £000	Non-cash charges £000	At the end of the period £000
15 months ended 30 September 2000				
Cash in hand, at bank	37	(31)	–	6
Overdrafts	(52)	(92)	–	(144)
Cash	(15)	(123)	–	(138)
Debt due after one year	(31)	12	–	(19)
Finance leases	–	1	(7)	(6)
Financing (excluding share capital)	(31)	13	(7)	(25)
Total	(46)	(110)	(7)	(163)
Year ended 30 September 2001				
Cash in hand, at bank	6	(5)	–	1
Overdrafts	(144)	24	–	(120)
Cash	(138)	19	–	(119)
Debt due after one year	(19)	(112)	–	(131)
Debt due within one year	–	(134)	–	(134)
Finance leases	(6)	9	(38)	(35)
Financing (excluding share capital)	(25)	(237)	(38)	(300)
Total	(163)	(218)	(38)	(419)
Year ended 30 September 2002				
Cash in hand, at bank	1	156	–	157
Overdrafts	(120)	120	–	–
Cash	(119)	276	–	157
Debt due after one year	(131)	23	–	(108)
Debt due within one year	(134)	49	60	(25)
Finance leases	(35)	19	(59)	(75)
Financing (excluding share capital)	(300)	91	1	(208)
Total	(419)	367	1	(51)

23 Post balance sheet events

On 4 November 2002 the following changes were made to the share capital of the Company:

- each of the issued and unissued ordinary shares of £1 each in the capital of the Company was subdivided into 1,000 ordinary shares of 0.1 pence each;
- 196,667 of the 200,000 issued Preferred Ordinary Shares were reclassified as Deferred Shares and 3,333 were reclassified as 3,333,000 ordinary shares of 0.1 pence each;
- 100,000 A Preference Shares were redeemed at par; and
- 300,000 B Preference Shares were redeemed at a premium of 90 pence per share.

Yours faithfully

BDO Stoy Hayward
Chartered Accountants

PART IIB

UNAUDITED INTERIM ACCOUNTS OF THE COMPANY FOR THE MONTH ENDED 31 OCTOBER 2002

The interim accounts set out below for Centurion for the one month ended 31 October 2002 are unaudited and do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1986. The interim accounts have been prepared in accordance with the Companies Act 1985. The Directors of Centurion confirm that the interim accounts have been properly prepared and they consent to the inclusion of the interim accounts and this statement in this document and accept responsibility for them. The interim accounts were prepared for the purpose of enabling the redemption by Centurion on 4 November 2002 of all of its redeemable preference shares.

Unaudited interim profit and loss account for the month ended 31 October 2002

	Note	Month ended 31 October 2002 £	Year ended 30 September 2002 £
Turnover	2	580,974	4,138,221
Cost of sales		328,930	2,316,764
Gross profit		252,044	1,821,457
Administrative expenses		126,407	1,277,539
Operating Profit	3	125,637	543,918
Interest payable	5	(7,752)	(108,827)
Profit on ordinary activities before taxation		117,885	435,091
Taxation on profit from ordinary activities	6	31,000	115,759
Profit on ordinary activities after taxation for the period		86,885	319,332
Dividends	7	4,833	56,817
Retained profit for the financial period		82,052	262,515

Balance sheet at 31 October 2002

	Note	31 October 2002		30 September 2002	
		£	£	£	£
Fixed assets					
Tangible assets	8		194,078		196,949
Current assets					
Stocks		897,233		727,788	
Debtors:					
Trade debtors subject to financing		1,271,997		1,085,604	
Less: non-returnable proceeds		(543,705)		(701,659)	
		<u>728,292</u>		<u>383,945</u>	
Other debtors		50,604		261,883	
Cash at hand and in bank		242,012		157,485	
		<u>1,918,141</u>		<u>1,531,101</u>	
Creditors: amounts falling due within one year	9	<u>(914,416)</u>		<u>(612,299)</u>	
Net current assets			<u>1,003,725</u>		<u>918,802</u>
Total assets less current liabilities			<u>1,197,803</u>		<u>1,115,751</u>
Creditors: amounts falling due after more than one year	10	(161,969)		(161,969)	
Provisions for liabilities and charges	11	<u>(11,317)</u>		<u>(11,317)</u>	
			<u>(173,286)</u>		<u>(173,286)</u>
			<u>1,024,517</u>		<u>942,465</u>
Capital and reserves					
Called up share capital	12		340,000		340,000
Share premium account	13		270,000		270,000
Profit and loss account	13		414,517		332,465
Shareholders' funds	14		<u>1,024,517</u>		<u>942,465</u>

These unaudited interim accounts were approved by the Board on 4 November 2002.

Notes forming part of the unaudited interim accounts for the month ended 31 October 2002

1 Accounting policies

These unaudited interim accounts have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

The following principal accounting policies have been applied;

Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax or local taxes on sales.

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all tangible fixed assets, except for investment properties and freehold land, evenly over their expected useful lives. It is calculated at the following rates:

Motor vehicles	–	20% per annum on reducing balance
Fixtures & fittings	–	10% per annum on cost
Office equipment	–	20% per annum on cost

Invoice discounted debts

Where invoice discounted debts can be separately identified and the financing house has no recourse to the other assets of the company, a linked presentation is adopted.

Pension scheme

The company operates a non-contributory stakeholder compliant pension scheme for the benefit of its employees.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

1 Accounting policies (continued)

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.

Foreign currency

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

2 Turnover

None of the company's turnover in the current and prior period is attributable to markets outside the United Kingdom.

3 Operating profit

	31 October 2002	30 September 2002
	£	£
This is arrived at after charging:		
Exceptional item (see below)	—	238,167

The exceptional item in the year ended 30 September 2002 represents the costs of a theft of stocks from the company's premises to the value of £238,167. The company has submitted a claim under its insurance policy but in accordance with Financial Reporting Standard 12 (Provisions, contingent liabilities and assets) it has not recognised the recovery under this insurance in the accounts at 31 October or at 30 September 2002.

4 Employees

	31 October 2002	30 September 2002
	£	£
Staff costs consist of:		
Wages and salaries	45,783	402,406
Social security costs	4,449	46,444
	<u>50,232</u>	<u>448,850</u>
	Number	Number
The average number of employees, including directors, during the period was as follows:		
Management	5	5
Distribution	16	16
	<u>21</u>	<u>21</u>

5 Interest payable

	31 October 2002	30 September 2002
	£	£
Loan interest	650	26,836
Discounting charges	5,350	63,450
Bank interest	1,752	18,541
	<u>7,752</u>	<u>108,827</u>

6 Taxation on profit on ordinary activities

	31 October 2002	30 September 2002
	£	£
<i>Current tax</i>		
UK corporation tax at the prevailing rate on profits for the period	31,000	102,000
Adjustment in respect of previous periods	–	2,442
Total current tax	<u>31,000</u>	<u>104,442</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences (see note 11)	–	11,317
Taxation on profit on ordinary activities	<u>31,000</u>	<u>115,759</u>

7 Dividends

	31 October 2002	30 September 2002
	£	£
Ordinary shares of £1 each		
Cumulative convertible participating preferred ordinary shares of £1 each		
Paid £ Nil (2002 : 5.4p) per share	–	10,751
Proposed 0.75p (2001 : 3.4p) per share	1,500	6,855
	<u>1,500</u>	<u>17,606</u>
Preference shares		
Paid	–	30,873
Proposed	3,333	8,338
	<u>3,333</u>	<u>39,211</u>
	<u>4,833</u>	<u>56,817</u>

8 Tangible fixed assets

	Motor Vehicles	Fixture & Fittings	Office Equipment	Total
	£	£	£	£
<i>Cost</i>				
At 1 October 2002	125,903	78,543	44,586	249,032
Additions	–	–	216	216
At 31 October 2002	<u>125,903</u>	<u>78,543</u>	<u>44,802</u>	<u>249,248</u>
<i>Depreciation</i>				
At 1 October 2002	17,219	9,713	25,151	52,083
Provided for the month	2,159	458	470	3,087
At 31 October 2002	<u>19,378</u>	<u>10,171</u>	<u>25,621</u>	<u>55,170</u>
<i>Net book value</i>				
At 31 October 2002	<u>106,525</u>	<u>68,372</u>	<u>19,181</u>	<u>194,078</u>
At 30 September 2002	<u>108,684</u>	<u>68,830</u>	<u>19,435</u>	<u>196,949</u>

9 Creditors: amounts falling due within one year

	31 October 2002	30 September 2002
	£	£
Bank loans and overdrafts (secured as per note 10)	234,640	102,736
Trade creditors	245,469	211,790
Taxation and social security	135,148	80,070
Obligations under finance lease and hire purchase contracts	17,858	21,117
Corporation tax	133,000	102,000
Proposed dividend	20,026	15,193
Other creditors	128,275	79,393
	<u>914,416</u>	<u>612,299</u>

10 Creditors: amounts falling due after more than one year

	31 October 2002	30 September 2002
	£	£
Bank loan (secured – see below)	108,333	108,333
Obligations under finance leases	53,636	53,636
	<u>161,969</u>	<u>161,969</u>

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

The bank loan is repayable in instalments and secured by fixed and floating charges over the assets of the company.

Financial liabilities are due:	31 October 2002 £	30 September 2002 £
In one year or less	234,640	102,736
In more than one year but not more than two years	25,000	25,000
In more than two years but no more than five years	75,000	75,000
In more than five years	8,333	8,333
	<u>342,973</u>	<u>211,069</u>
Less: amounts included within creditors less than one year	(234,640)	(102,736)
	<u>108,333</u>	<u>108,333</u>

	31 October 2002 £	30 September 2002 £
Obligations under finance leases are due as follows:		
In one year or less	17,858	21,117
In more than one year but not more than two years	20,542	20,542
In more than two years but not more than five years	33,094	33,094
	<u>71,494</u>	<u>74,753</u>
Less: amounts included within creditors less than one year	(17,858)	(21,117)
	<u>53,636</u>	<u>53,636</u>

11 Provisions for liabilities and charges

	£
As at 1 October 2002	11,317
Charge to profit and loss account	—
As at 31 October 2002	<u>11,317</u>

Deferred Taxation

	Provided		Unprovided	
	31 October 2002 £	30 September 2002 £	31 October 2002 £	30 September 2002 £
Accelerated capital allowances	<u>11,317</u>	<u>11,317</u>	<u>—</u>	<u>—</u>

12 Share capital

	31 October 2002 £	30 September 2002 £
Authorised		
Ordinary shares of £1 each	110,000	110,000
Cumulative convertible participating preferred ordinary shares of £1 each	200,000	200,000
'A' cumulative redeemable preference shares of £1 each	100,000	100,000
300,000 'B' cumulative redeemable preference shares of 10p each	30,000	30,000
	<u>440,000</u>	<u>440,000</u>
Called up and fully paid		
Ordinary shares of £1 each	10,000	10,000
Cumulative convertible participating preferred ordinary shares of £1 each	200,000	200,000
'A' cumulative redeemable preference shares of £1 each	100,000	100,000
'B' cumulative redeemable preference shares of 10p each	30,000	30,000
	<u>340,000</u>	<u>340,000</u>

The company shall redeem the 'A' and 'B' cumulative redeemable preference shares (CRPS) in tranches in accordance with the following table at £1 per share, together with a sum equal to any arrears, deficiencies or accruals of dividends up to and including the actual redemption.

Date of redemption of tranche	'A' CRPS	'B' CRPS
30 November 2003	25,000	75,000
31 March 2004	25,000	75,000
30 November 2004	25,000	75,000
31 March 2005	25,000	75,000

If the company fails to redeem any preference shares on the specified date, the dividend thereon will continue to accrue to the date of the actual redemption.

The company has set aside £400,000 for the redemption of these shares.

13 Reserves

	Share premium account £	Profit and account £
As at 1 October 2002	270,000	332,465
Profit for period	–	82,052
As at 31 October 2002	<u>270,000</u>	<u>414,517</u>

14 Reconciliation of movements in shareholders funds

	31 October 2002	30 September 2002
	£	£
Profit for the period	86,885	319,332
	<hr/>	<hr/>
Dividends	86,885	319,332
	(4,833)	(56,817)
Issue of share capital	–	560,000
	<hr/>	<hr/>
Net addition to shareholders funds	82,052	822,515
Opening shareholders' funds	942,465	119,950
	<hr/>	<hr/>
	<u>1,024,517</u>	<u>942,465</u>

PART III

PRO FORMA STATEMENT OF NET ASSETS OF THE COMPANY

Set out below is an unaudited pro forma statement of net assets of the Company which is based on the Company's balance sheet at 30 September 2002, as adjusted to reflect the matters referred to in the notes below. This pro forma statement of net assets has been prepared for illustrative purposes only, to provide information about how the Placing might have affected the net assets of Centurion, had it occurred on 30 September 2002. Because of its nature, it may not give a true reflection of the financial position of the Company.

	As at 30 September 2002 (note 1) £000	Adjustments		Pro forma net assets of the Company £000
		(note 2) £000	(note 3) £000	
Fixed assets				
Tangible assets	197	–	–	197
Current assets				
Stock	728	–	–	728
Debtors:				
Trade debtors subject to financing	1,086	–	–	1,086
Less: non-returnable advances	(702)	–	–	(702)
Net trade debtors	384	–	–	384
Other debtors	262	–	–	262
Cash at bank and in hand	157	(400)	1,900	1,657
	1,531	(400)	1,900	3,031
Creditors: amounts falling due within one year	(612)	–	–	(612)
Net current assets	919	(400)	1,900	2,419
Total assets less current liabilities	1,116	(400)	1,900	2,616
Creditors: amounts falling due after more than one year	(162)	–	–	(162)
Provisions for liabilities and charges	(12)	–	–	(12)
Net assets	942	(400)	1,900	2,442

Notes:

The pro forma statement of net assets has been prepared on the following basis:

1. The net assets of Centurion at 30 September 2002 have been extracted, without adjustment, from the Accountants' Report set out in Part IIA of this document.
2. The Company redeemed 100,000 A Preference Shares at par on 4 November 2002 and redeemed 300,000 B Preference Shares at a premium of 90 pence per share on 4 November 2002.
3. This adjustment represents the gross proceeds of £2.3 million from the Placing, less estimated expenses of £400,000 (including VAT).
4. No adjustments have been made to reflect the Company's trading results since 30 September 2002.



The Directors
Centurion Electronics plc
108 High Street
Stevenage
Hertfordshire
SG1 3DW

21 November 2002

The Directors
Corporate Synergy PLC
12 Nicholas Lane
London
EC4N 7BN

Dear Sirs

Centurion Electronics plc (the “Company”)

Pro forma statement of net assets

We report on the pro forma statement of net assets set out in Part III of the prospectus dated 21 November 2002 which has been prepared, for illustrative purposes only, to provide information about how the Placing (as defined in the prospectus) might have affected the financial information presented.

Responsibilities

It is the responsibility solely of the directors of Centurion Electronics plc to prepare the pro forma statement of net assets.

It is our responsibility to form an opinion on the pro forma statement of net assets and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma statement of net assets beyond that owed to those to whom we addressed those reports at the date of their issue.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practices Board.

Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma statement of net assets with the Directors.

Opinion

In our opinion:

- (a) the pro forma statement of net assets has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Company; and
- (c) the adjustments are appropriate for the purposes of the pro forma statement of net assets.

Yours faithfully

BDO Stoy Hayward
Chartered Accountants

PART IV

ADDITIONAL INFORMATION

1. INCORPORATION

- 1.1 The Company was incorporated in England and Wales on 15 June 1993 as a private limited company under the Companies Act 1985 with the name Dialkey Limited and with registered number 2826917. On 5 February 2002 the Company changed its name to Centurion Electronics Limited.
- 1.2 On 13 February 2002 the Company was re-registered as a public company under the Act.
- 1.3 The principal legislation under which the Company operates is the Act and the regulations made thereunder.
- 1.4 The liability of the members of the Company is limited.

2. SHARE CAPITAL OF THE COMPANY

- 2.1 The authorised and issued share capital of the Company at the date of this document, and at Admission, is/will be as follows:

	At the date of this document				At Admission			
	No. of Ordinary Shares	Nominal Value £	No. of Deferred Shares	Nominal Value £	No. of Ordinary Shares	Nominal Value £	No. of Deferred Shares	Nominal Value £
Authorised Share Capital	243,333,000	243,333	196,667	196,667	243,333,000	243,333	196,667	196,667
Issued and fully paid share capital	13,333,000	13,333	196,667	196,667	21,000,000	21,000	196,667	196,667

2.2 Authorised Share Capital

The Company was incorporated with an authorised share capital of £1,000 divided into 1,000 ordinary shares of £1 each. Since the date of incorporation of the Company, the following alterations to the Company's authorised share capital have occurred:

- 2.2.1 on 16 May 1996 the authorised share capital of the Company was increased by £9,000 from £1,000 to £10,000 by the creation of an additional 9,000 ordinary shares of £1 each;
- 2.2.2 on 29 September 2000 the authorised share capital of the Company was increased by £100,000 from £10,000 to £110,000 by the creation of 100,000 £1 cumulative 8 per cent. preference shares ("the Cumulative Preference Shares");
- 2.2.3 On 9 October 2001 the authorised share capital of the Company was:
 - 2.2.3.1 increased by £40,000 from £110,000 to £150,000 by the creation of 40,000 A preference shares of £1 each;
 - 2.2.3.2 the 100,000 Cumulative Preference Shares were reclassified as ordinary shares of £1 each; and
 - 2.2.3.3 the authorised share capital of the Company was further increased from £150,000 to £440,000 by the creation of 200,000 Preferred Ordinary Shares, 300,000 B Preference Shares and 60,000 A Preference Shares;
- 2.2.4 on 4 November 2002:
 - 2.2.4.1 each of the issued and unissued ordinary shares of £1 each in the capital of the Company was subdivided into 1,000 ordinary shares of 0.1 pence each;
 - 2.2.4.2 196,667 of the 200,000 issued Preferred Ordinary Shares were reclassified as Deferred Shares and 3,333 were reclassified as 3,333,000 ordinary shares of 0.1 pence each;

2.2.4.3 each of the A Preference Shares forming part of the authorised share capital of the Company was reclassified as 1,000 ordinary shares of 0.1 pence each; and

2.2.4.4 each of the B Preference Shares forming part of the authorised share capital of the Company was reclassified as 100 ordinary shares of 0.1 pence each.

2.3 Issued Share Capital

The Company was incorporated with an issued share capital of £2 divided into 2 ordinary shares of £1 each. Since the date of incorporation of the Company, the following alterations to the Company's issued share capital have occurred:

2.3.1 on 16 May 1996 4,999 ordinary shares of £1 each were issued for cash at par to each of Steven Cunningham and Mr R.B. Halliday;

2.3.2 on 29 September 2000 40,000 £1 Cumulative Preference Shares were issued for cash at par to Steven Cunningham;

2.3.3 on 9 October 2001:

2.3.3.1 200,000 Preferred Ordinary Shares were issued for cash at par to HSBC;

2.3.3.2 300,000 B Preference Shares were issued for cash at a premium of 90 pence per share to HSBC;

2.3.3.3 100,000 A Preference Shares were issued for cash at par to Steven Cunningham; and

2.3.3.4 40,000 Cumulative Preference Shares of £1 each were redeemed by the Company at par;

2.3.4 on 4 November 2002:

2.3.4.1 each of the issued and unissued ordinary shares of £1 each in the capital of the Company was subdivided into 1,000 ordinary shares of 0.1 pence each;

2.3.4.2 100,000 A Preference Shares were redeemed at par;

2.3.4.3 300,000 B Preference Shares were redeemed at a premium of 90 pence per share; and

2.3.4.4 196,667 of the 200,000 issued Preferred Ordinary Shares were reclassified as 196,667 Deferred Shares and 3,333 were reclassified as 3,333,000 ordinary shares of 0.1 pence each.

2.4 Save as disclosed in paragraphs 3.4 and 6 of this Part IV, no share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option.

2.5 On 15 November 2002, the Directors were generally and unconditionally, for the purposes of Section 80 of the Act, authorised to allot relevant securities up to an aggregate nominal amount of £19,000, such authority to expire on 30 September 2007, save that the Company may, at any time before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired.

2.6 On 15 November 2002, the Directors were empowered pursuant to Section 95 of the Act to allot equity securities as if Section 89(1) of the Act did not apply to any such allotment provided that such power be limited to the allotment of equity securities up to an aggregate nominal amount of £3,150 (being fifteen per cent. of the issued ordinary share capital at Admission). This authority expires at the conclusion of the next annual general meeting of the Company, or fifteen months after the date of such authority if earlier, save that the Company may at any time before such expiry make an offer or agreement which would or might require equity securities to be allotted for cash after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred had not expired.

2.7 The Company does not have in issue any security not representing share capital and there are no outstanding convertible securities issued by the Company.

3. DIRECTORS' AND OTHER INTERESTS

- 3.1 The interests of the Directors and their immediate families (all of which are beneficial unless otherwise stated) and of connected persons within the meaning of section 346 of the Act, in the issued share capital of the Company as at 20 November 2002 (being the latest practicable date prior to publication of this document), and at Admission, which have been notified to the Company pursuant to section 324 of the Act or are required to be entered into the register of directors' interests maintained under the provisions of section 325 of the Act, or could, with reasonable diligence, be ascertained by the Directors, together with the percentages which such interests represent of the ordinary shares in issue will be/are as follows:

Name	At the date of this document		At Admission	
	No. of Ordinary Shares	% of issued Ordinary Shares	No. of Ordinary Shares	% of issued Ordinary Shares
Steven Cunningham	9,700,000	72.75	9,700,000	46.2
Alistair Powell ⁽¹⁾	300,000	2.25	300,000	1.4
Matthew Savill ⁽¹⁾	nil	nil	nil	nil
Amanda Thorneycroft ⁽¹⁾	nil	nil	16,667	0.1
Brian Hendon ⁽²⁾	nil	nil	15,000	0.1

(1) Details as to the number of EMI Options held are set out in paragraph 3.4 below.

(2) These shares will be held by Mr Hendon's pension fund. Mr Hendon has, conditional on Admission, an option to subscribe for up to 166,667 Ordinary Shares at the Placing Price which has been issued pursuant to the terms of the Unapproved Share Option Scheme.

- 3.2 Save as disclosed in paragraph 3.1 above, as at the date of this document and on Admission, so far as the Directors are aware, the only persons who are directly or indirectly interested in more than 3 per cent. of the issued Ordinary Shares (excluding the Placing Shares) are, and will be, as follows:

Name	At the date of this document		At Admission	
	Number of Ordinary Shares	% of issued Ordinary Shares	Number of Ordinary Shares	% of issued Ordinary Shares
HSBC Ventures (UK) Limited	3,333,000	25.0	3,333,000	15.9

- 3.3 There are 196,667 authorised and issued Deferred Shares, all of which are held by HSBC, the rights attaching to which are set out in paragraph 7 (i) of this Part IV.

- 3.4 Under the terms of the EMI Options, a summary of which are set out in paragraph 8 below, the following persons have been granted options to subscribe for Ordinary Shares at the Placing Price, conditionally on Admission:

Name	Number of Ordinary Shares under option
Alistair Powell	250,000
Matthew Savill	250,000
Amanda Thorneycroft	250,000

- 3.5 Save as disclosed in paragraphs 3.1 and 3.4 above, no Director (or member of his/her family) has any interest, beneficial or non-beneficial, in the share capital of the Company.

- 3.6 Save as disclosed in paragraphs 3.1 and 3.2 above, the Directors are not aware of any person who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

- 3.7 None of the Directors has or has had an interest in any transaction which is or was significant to the business of the Company and which was effected during the current year or any earlier financial year and remains in any respect outstanding or unperformed.
- 3.8 The aggregate of the remuneration paid to the Directors in respect of the Company's financial year ended 30 September 2002 was £232,000. The aggregate of the remuneration paid to the Directors in respect of the Company's financial year ending 30 September 2003 is estimated, under the arrangements in force at Admission, to be approximately £267,000.
- 3.9 Save as disclosed in paragraph 3.11 below, there will be no variation in the total emoluments receivable by the Directors as a result of Admission and the Placing.
- 3.10 There are no outstanding loans granted or guarantees provided by the Company to or for the benefit of any of the Directors.
- 3.11 The services of the Directors are provided to the Company under the following agreements:
- (i) On 21 November 2002 Steven Cunningham entered into a service agreement with the Company pursuant to which he is employed as Chairman and Chief Executive of the Company at an annual salary (subject to review) of £110,000. The agreement is for a fixed term of one year from 21 November 2002 and continues thereafter until terminated by either party giving to the other not less than 12 months' notice in writing, such notice to be served at any time. Under the terms of the service agreement Steven Cunningham is entitled to a bonus of up to £85,000 on a formula based on the level of actual profits compared with budgeted profits. This agreement is conditional on Admission;
 - (ii) On 21 November 2002 Alistair Powell entered into a service agreement with the Company pursuant to which he is employed as a Director of the Company at an annual salary (subject to review) of £35,000. The agreement is for a fixed term of six months from 21 November 2002 and continues thereafter until terminated by either party giving the other not less than six months' notice in writing, such notice to be served at any time. Under the terms of the service agreement Alistair Powell is entitled to a bonus of up to 50 per cent. of his salary. This agreement is conditional on Admission;
 - (iii) On 21 November 2002 Matthew Savill entered into a service agreement with the Company pursuant to which he is employed as a Director of the Company at an annual salary (subject to review) of £40,000. The agreement is for a fixed term of six months from 21 November 2002 and continues thereafter until terminated by either party giving the other not less than six months' notice in writing, such notice to be served at any time. Under the terms of the service agreement Matthew Savill is entitled to a bonus of up to 50 per cent. of his salary together with commission based on the monthly sales turnover of the Company at a rate of between 0.15 per cent. and 0.25 per cent. of the Company's sales for the relevant monthly period. This agreement is conditional on Admission;
 - (iv) On 21 November 2002 Amanda Thorneycroft entered into a service agreement with the Company pursuant to which she is employed as Finance Director of the Company at an annual salary (subject to review) of £60,000. The agreement is for a fixed term of six months from 21 November 2002 and continues thereafter until terminated by either party giving the other not less than six months' notice in writing, such notice to be served at any time. Under the terms of the service agreement Amanda Thorneycroft is entitled to a bonus of up to 50 per cent. of her salary. This agreement is conditional on Admission;
 - (v) On 21 November 2002 Brian Hendon entered into a letter of appointment with the Company pursuant to which he is employed as a Non Executive Director of the Company at an annual salary (subject to review) of £18,000. His appointment is terminable by either party giving to the other not less than three months' notice in writing, such notice to be served at any time. This agreement is conditional on Admission.

3.12 The Directors currently hold the following directorships, and have or have held the following directorships within the five years prior to the publication of this document, and are currently partners, or have been partners within the five years prior to the publication of this document, of the following firms or partnerships:

	Current Directorships	Former Directorships
Steven Cunningham	Centurion Electronics Plc Incaranything.com Limited	Storkbond Limited. This company was dissolved on 10 July 2001. Main Idea Limited. This company was dissolved on 19 May 1998. Immobiliser Limited. Steven Cunningham was appointed a director of this company on 1 May 1995. On 31 August 1995 an administrative receiver was appointed and the company entered into compulsory liquidation which was completed on 16 April 1997 and this company was dissolved on 19 August 1997. Immobiliser (UK) Limited. Steven Cunningham was appointed a director of this company on 9 October 1995 and resigned as a director on 10 May 1996. On 17 September 1996 a liquidator was appointed and the company entered into a creditors voluntary liquidation. A final meeting of creditors took place on 21 April 1997 and the company was dissolved on 1 August 1997. Ongar Nine Limited. Steven Cunningham was appointed a director of this company on 1 May 1995 and resigned as a director on 10 April 1996. On 4 November 1996 a liquidator was appointed and the company entered into a creditors voluntary liquidation. A final meeting of creditors took place on 4 March 1998 and the company was dissolved on 5 June 1998. At no time was Steven Cunningham a shareholder of any of the above three companies. The above three companies all formed part of the same group.
Alistair Powell	Centurion Electronics Plc	None
Matthew Savill	Centurion Electronics Plc	None
Amanda Thorneycroft	Centurion Electronics Plc	Taylor & Lake Limited. Harvey & Brockless Limited.
Brian Hendon	Centurion Electronics Plc A. Forester & Co. Limited Maurice Phillips Group PLC Maurice Phillips & Co. Limited Specialbrook Trading Limited	None

3.13 Save as disclosed in paragraph 3.12 above, no Director has:

- (i) any unspent convictions;
- (ii) had a bankruptcy order made against him or entered into an individual voluntary arrangement;
- (iii) been a director of a company or a partner in any firm which, at that time or within 12 months after ceasing to be a director or partner (as the case may be), had a receiver appointed, or went into compulsory liquidation, or creditors voluntary liquidation or went into administration, or entered into any company or partnership voluntary arrangements or made any composition or arrangement with its creditors;
- (iv) had any asset which has been subject to a receivership or has been a partner in a partnership at the time of or within 12 months preceding an asset of the partnership being subject to a receivership;
- (v) had any public criticism against him by any statutory or regulatory authority (including recognised professional bodies); or
- (vi) been disqualified by a court from acting as a director or acting in the management or conduct of the affairs of any company.

4. PREMISES

The Company's business address (which is also the address for all of the Directors) is Unit 5, Martinfield Business Centre, Martinfield, Welwyn Garden City, Herts A17 1HG.

5. SUBSIDIARIES

The Company has no subsidiaries.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company within the two years immediately preceding the date of this document and are or may be material:

- 6.1 the Placing Agreement dated 21 November 2002 between the Company (1), Corporate Synergy (2), Daniel Stewart (3) and the Directors (4), pursuant to which Daniel Stewart agreed conditionally upon, *inter alia*, Admission taking place by no later than 31 December 2002 (or such later date as the Company, Daniel Stewart and Corporate Synergy may agree) to use its reasonable endeavours to procure places for the Placing Shares at the Placing Price. Under the terms of the Placing Agreement the Company has agreed to pay each of Corporate Synergy and Daniel Stewart a corporate finance fee and to grant to each an option, the details of which are summarised in paragraphs 6.3 and 6.4 below. Under the Placing Agreement the Company has agreed to pay Daniel Stewart a commission of 4 per cent. of the value of the Placing Shares subscribed at the Placing Price.

The Placing Agreement contains certain representations, warranties and (in respect only of the Company) an indemnity in favour of Daniel Stewart and Corporate Synergy given by the Company and the Directors together with provisions which enable Daniel Stewart and Corporate Synergy to terminate the Placing Agreement in certain circumstances prior to Admission, including circumstances where any warranties are found to be untrue or inaccurate in any material respect.

Under the terms of the Placing Agreement the Directors have agreed not to dispose of any of their interests in any Ordinary Shares, and to use their reasonable endeavours to procure that persons connected with them within the meaning of the Act do not dispose of any of their interests in Ordinary Shares, (other than with the prior written consent of Corporate Synergy and Daniel Stewart and in certain specified circumstances including the acceptance of a general offer for the Company) held by them before the first anniversary of the date of Admission and thereafter for a further year only to

dispose of their interest in any Ordinary Shares having consulted Daniel Stewart and Corporate Synergy, or the Company's then broker and nominated adviser, so as to ensure the maintenance of an orderly market in the Ordinary Shares;

- 6.2 an agreement between the Company (1), the Directors (2) and Corporate Synergy (3) dated 21 November 2002 pursuant to which the Company appointed Corporate Synergy as its nominated adviser for the purposes of Admission, conferring on Corporate Synergy all powers, authorities and discretions which are reasonably necessary for, or reasonably incidental to, its role as nominated adviser. This agreement is for a fixed term of 12 months and is terminable thereafter on the giving of 3 months' written notice by either party. This agreement is conditional on Admission;
- 6.3 an option agreement dated 21 November 2002 made between the Company and Corporate Synergy pursuant to which the Company granted Corporate Synergy an option to acquire Ordinary Shares being equal to 0.5 per cent. of the issued share capital of the Company at Admission at an exercise price per Ordinary Share being equal to the lower of the Placing Price or the average weighted price at which Ordinary Shares are subscribed for cash during the period where the option can be exercised. The option may be exercised in whole or in part at any time following Admission and before the fifth anniversary of the date of Admission;
- 6.4 an option agreement dated 21 November 2002 made between the Company and Daniel Stewart pursuant to which the Company granted Daniel Stewart an option to acquire Ordinary Shares being equal to 0.5 per cent. of the issued share capital of the Company at Admission at an exercise price per Ordinary Share being equal to the lower of the Placing Price or the average weighted price at which Ordinary Shares are subscribed for cash during the period where the option can be exercised. The option may be exercised in whole or in part at any time following Admission and before the fifth anniversary of the date of Admission;
- 6.5 a lock-in deed dated 21 November 2002 between the Company (1), HSBC (2), Corporate Synergy (3) and Daniel Stewart (4) pursuant to which HSBC has agreed not to dispose of any of its interest in any Ordinary Shares (other than with the prior written consent of Corporate Synergy and Daniel Stewart and in certain specified circumstances including the acceptance of a general offer for the Company) held by it before the first anniversary of Admission;
- 6.6 an agreement between the Company and Daniel Stewart dated 21 November 2002 pursuant to which the Company appointed Daniel Stewart as its broker for the purposes of AIM for a period of twelve months from Admission and is terminable thereafter on the giving of 3 months' notice by either party. This agreement is conditional on Admission;
- 6.7 a deed of termination dated 4 November 2002 made between the Company (1) Steven Cunningham and Alistair Powell (2) and HSBC (3) relating to the termination of the Subscription and Shareholders' Agreement.
- 6.8 an agreement dated 9 October 2001 between the Company (1) and Steven Cunningham (2) pursuant to which the Company agreed to purchase 40,000 issued preference shares of £1 each from Steven Cunningham for an aggregate price of £40,000, such monies to be paid out of the proceeds of a fresh issue of shares;
- 6.9 a subscription agreement dated 9 October 2001 made between the Company (1) Steven Cunningham and Alistair Powell (2) and HSBC (3) ("the Subscription and Shareholders' Agreement"). Under the terms of this agreement 100,000 A Preference Shares were subscribed at par by Steven Cunningham, 200,000 Preferred Ordinary Shares were subscribed at par by HSBC and 300,000 B Preference Shares were subscribed at a premium of 90 pence per share by HSBC. Under the terms of this Agreement HSBC is entitled to appoint a nominated director to the board of directors of the Company. A monthly monitoring fee is payable to HSBC together with an annual fee in respect of the services of any nominated director appointed by HSBC, such fee being payable to the director direct. Under the terms of the agreement each of Steven Cunningham and Alistair Powell entered into certain restrictive covenants with the Company and, together with the Company, gave certain representations and warranties concerning the Company to HSBC (subject to certain limitations); and

7. MEMORANDUM AND ARTICLES OF ASSOCIATION

7.1 The Company's primary object is that of a trading commercial company.

7.2 The Articles of Association of the Company contain provisions *inter alia*, to the following effect:

(a) *Share capital*

The Company may by ordinary resolution:

- (i) increase its share capital by such sum to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate its share capital into shares of larger amounts than its existing shares;
- (iii) cancel any shares which have not been taken, or agreed to be taken, by any person and diminish the amount of its share capital by the amount of the shares so cancelled; and
- (iv) sub-divide its shares, or any of them, into shares of smaller amounts than is fixed by the Memorandum of Association of the Company.

The Company may by special resolution reduce its share capital and any capital redemption reserve and any share premium account in any manner subject to the provisions of the Act. The Company may issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or the shareholders. Subject to the provisions of the Act and the rights of holders of any class of shares, the Company may purchase its own shares, including redeemable shares.

(b) *Voting*

Subject to any special terms as to voting upon which any shares for the time being may be held, on a show of hands every member who (being an individual) is present in person or by proxy not being himself a member or (being a corporation) is present by its duly appointed representative shall have one vote, and on a poll every member present in person, or by representative, or proxy, shall have one vote for every share in the capital of the Company held by him. A proxy need not be a member of the Company. Where, in respect of any shares, any registered holder or any other person appearing to be interested in such shares fails to comply with any notice given by the Company under Section 212 of the Act, then not earlier than 14 days after service of such notice, the shares in question may be disenfranchised.

(c) *Dividends*

The Company may by ordinary resolution in general meeting declare dividends provided that they shall be paid in accordance with the Act and out of profits available for distribution and shall not exceed the amount recommended by the Directors. The Directors may from time to time pay such interim dividends as appear to the Directors to be justified by the profits of the Company and are permitted by the Act.

Subject to the rights of persons, if any, holding shares with special dividend rights, and unless the terms of issue otherwise provide, all dividends shall be apportioned and paid *pro rata* according to the amount paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is payable. Amounts paid or credited as paid in advance of calls shall not be regarded as paid on shares for this purpose.

All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. All dividends unclaimed for a period of 12 years after having been declared shall, if the Directors so resolve, be forfeited and shall revert to the Company.

Where, in respect of any shares, any registered holder or any other person appearing to be interested in the shares of the Company fails to comply with any notice given by the Company

under Section 212 of the Act, then, provided that the shares concerned represent at least 0.25 per cent. in nominal value of the issued shares of the relevant class, the Company may withhold dividends on such shares.

There is no fixed date on which an entitlement to a dividend arises.

(d) *Modification of Rights*

All or any of the special rights attached to any class of shares for the time being forming part of the capital of the Company may, subject to the provisions of the Act, be varied or abrogated either:

- (i) in such manner (if any) as may be provided by such rights; or
- (ii) in the absence of any such provision, with the consent in writing of the holders of three quarters in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class, but not otherwise. To every such meeting all the provisions of the Articles relating to general meetings or to the proceedings thereat shall, so far as applicable and with the necessary modifications, apply, except that the necessary quorum at any such meeting (other than an adjourned meeting) shall be two persons at least, holding or representing by proxy at least one third in nominal value of the issued shares of the class in question and that any holder of shares of the class in question present in person or by proxy may demand a poll.

(e) *Transferability*

Transfers of Ordinary Shares, which are in registered form, shall be effected in the manner authorised by the Stock Transfer Act 1963. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The Directors may decline to recognise any instrument of transfer unless:

- (i) the instrument of transfer (duly stamped) is deposited at the Company's registered office accompanied by the share certificate for the shares to which it relates and such other evidence as the Directors may reasonably require showing the right of the transferor to make the transfer;
- (ii) the instrument of transfer is in respect of only one class of share;
- (iii) the instrument of transfer is in favour of not more than four transferees; and
- (iv) the instrument of transfer is in respect of a share in respect of which all sums presently payable to the Company have been paid.

Where, in respect of any shares, any registered holder or any person appearing to be interested in such shares fails to comply with any notice given by the Company under Section 212 of the Act, then, provided that the shares concerned represent at least 0.25 per cent. in nominal value of the issued shares of the relevant class, the Company may prohibit transfers of such shares or agreements to transfer any of such shares.

(f) *Directors of the Company*

Unless otherwise determined by ordinary resolution, the number of directors (other than alternative directors) shall be not less than two and not more than eight. Subject to certain exceptions, a director shall not vote (or be counted in the quorum) in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest and, if he shall do so, his vote shall not be counted.

Any remuneration paid for the services of the directors, as fixed by the Company in general meeting, may be divided between the directors as they shall agree or, failing agreement, equally

and shall be deemed to accrue from day to day. The directors may remunerate a director who serves on any committee or devotes special attention to the business of the Company, or who otherwise performs services which in the opinion of the directors are outside the scope of the ordinary duties of a director, by way of salary, lump sum, percentage of profits or otherwise as the directors may determine.

At each annual general meeting of the Company, one-third of the directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one-third, shall retire. A retiring director may, if eligible, offer himself for re-election. In addition, any director who as at the date of the relevant annual general meeting has been in office more than three years since his appointment or last election or who was elected or last elected at the annual general meeting preceding by three years the relevant annual general meeting, and who in either case is not otherwise to retire by reason of the Articles, shall also retire by rotation.

Each director (other than an alternate director) may appoint another director or (subject to the approval of a majority of the directors) any other person to be an alternate director of the Company, and may at any time remove an alternate director so appointed by him from office and, subject to any requisite approval, appoint another person in his place.

The Company may purchase and maintain for any director insurance against any liability which by virtue of any law would otherwise attach to him in respect of any negligence, default, breach of duty or breach of trust of which he may be guilty in relation to the Company.

No person is capable of being appointed a director of the Company if at the time of the appointment he has attained the age of 70.

(g) *Borrowing Powers*

The directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled share capital, and (subject to the Act) to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Directors shall restrict the borrowings of the Company and its subsidiaries so as to ensure that the aggregate of the amounts borrowed by the Company and all its subsidiaries and remaining outstanding at any time shall not without previous sanction of an ordinary resolution of the Company exceed an amount equal to the greater of either four times the aggregate of the nominal amount of the paid up share capital of the Company and the amount shown as standing to the credit of its capital and revenue reserves as defined in the Articles but excluding certain amounts as defined therein.

(h) *Distribution of assets on liquidation*

If the Company shall be wound up, the liquidator may, with the sanction of an extraordinary resolution of the Company or any other sanction required by the Act, divide amongst the members *in specie* or in kind the whole or any part of the assets of the Company, those assets to be set at such values as he deems fair. The liquidator may also vest the whole or part of the assets of the Company in trustees on trust for the benefit of the contributories.

(i) *Deferred Shares*

The Deferred Shares confer the following rights and restrictions on the holders thereof:

(1) *Income*

The Deferred Shares shall confer upon the holders thereof as a class the right to receive 1p for each £999.99 of such dividends and other distributions as shall be resolved to be distributed out of the profits of the Company available for distribution the same to be

distributed amongst the holders of the Deferred Shares in proportion to the amounts paid up or credited as paid up thereon.

(2) *Capital*

In the event of the winding up of the Company or other return of capital the Deferred Shares shall confer upon the holders thereof as a class the right to receive 1p for each £999.99 of the assets of the Company available for distribution amongst the members the same to be distributed amongst the holders of the Deferred Shares in proportion to the amounts paid up or credited as paid up thereon.

(3) *Voting*

The Deferred Shares shall not at any time confer on the holders thereof any right to attend or vote at any General Meetings of the Company or to receive notices thereof.

(j) *Uncertificated Shares*

The Directors may implement such arrangements as they think fit in order for any class of shares to be held, evidenced and transferred in uncertificated form. The Company will not be required to issue a certificate to any person holding shares in uncertificated form.

8. THE EMI OPTIONS

- 8.1 The EMI Options were all entered into on 21 November 2002 and are conditional on Admission. The EMI Options were granted to certain of the Directors who each satisfied the requirements of Schedule 14 Finance Act 2000 as amended from time to time.
- 8.2 The aggregate number of Ordinary Shares which will be issued pursuant to the EMI Options and any other options which are granted in accordance with Schedule 14 of the Finance Act 2000 will not exceed, on the date of grant, ten per cent. of the issued ordinary share capital of the Company at the relevant time when aggregated with any options which are granted under any employee share scheme in respect of rights granted during the preceding ten years.
- 8.3 No option granted to any individual under an EMI Option may receive in full the special tax benefits for EMI Options if it would cause the aggregate market value (measured at the time of grant) of (a) all his/her EMI Options and (b) all options held by the individual under any other approved share option scheme (except a SAYE scheme), to exceed £100,000 (or such other limit if any as prescribed by Schedule 14 Finance Act 2000 from time to time). An EMI Option which causes an individual to breach this £100,000 limit is apportioned, so that the number of shares which bring the individual to the limit attract EMI benefits and the number of shares with a value in excess of the limit are deemed to be granted under a separate unapproved share option.
- 8.4 No payment was received by the Company for the grant of EMI Options.
- 8.5 The exercise price per Ordinary Share for the EMI Options is the Placing Price.
- 8.6 In addition to the exercise price, if the Company becomes liable to the Inland Revenue for any income tax or national insurance contributions (including employer's national insurance contributions), payable in connection with the exercise or release of an option, the employee will be liable to reimburse the Company.
- 8.7 The option price may be adjusted in the event of a capitalisation issue or upon consolidation, subdivision or reduction of the Company's share capital, subject to the written certificate of the auditors that such adjustment is fair and reasonable and provided that no increase is made to the aggregate exercise price relating to any option.
- 8.8 The EMI Options are exercisable after two years from Admission. The EMI Options will state the first and last date upon which options can normally be exercised, which will not be later than the tenth anniversary of the date of grant.

- 8.9 EMI Options will normally lapse on cessation of employment except at the absolute discretion of the directors of the Company who may allow the option holder to exercise his or her options on a once and for all basis during a period not exceeding forty days following cessation of employment. However, in any event options will become exercisable for:
- 8.9.1 a period of 12 months on the death of an option holder; or
 - 8.9.2 for a period of forty days on his ceasing to be an employee of the Company by reason of retirement at normal retirement age, injury, disability (including illness), redundancy, unfair, wrongful or constructive dismissal, or the sale or transfer out of the Company of his employing company, business or part of the business to which his employment relates.
- 8.10 Rights of exercise will also arise on a person obtaining control of the Company or upon a members' voluntary winding up of the Company. If the acquiring company agrees, and the provisions of Schedule 14 of the Finance Act 2000 will not be contravened, the EMI Options contain machinery to permit the acquiring company to offer replacement EMI Options to the option holders.
- 8.11 Until EMI Options are exercised, option holders will have no voting rights in respect of the Ordinary Shares comprised in their options. Ordinary Shares issued pursuant to the exercise of the EMI Options will rank *pari passu* in all respects with the Ordinary Shares then in issue, except that they will not rank for any dividend or other distribution paid or made by reference to a record date falling prior to the date of allotment or transfer, nor for any dividend to be paid before the date of allotment or transfer.
- 8.12 EMI Options are not transferable, except to personal representatives on the death of an option holder.
- 8.13 Benefits under EMI Options confer neither pension rights nor rights to compensation on the termination of the employment of the option holder.
- 8.14 Further options may be granted in accordance with Schedule 14 of the Finance Act 2000 will have an exercise price as shall be determined by the Board although it will not be less than the market value of an Ordinary Share.

9. THE UNAPPROVED SHARE OPTION SCHEME

- 9.1 Conditional upon Admission the Unapproved Share Option Scheme was adopted by the Board on 21 November 2002. As at the date of Admission, options over a total of 166,667 Ordinary Shares have been granted under the terms of the Unapproved Share Option Scheme.
- 9.2 The Unapproved Share Option Scheme is not designed to be capable of approval by the Board of Inland Revenue under Schedule 9 to the Income and Corporation Taxes Act 1998.
- 9.3 Options are currently satisfied by the allotment of Ordinary Shares.
- 9.4 Options are not transferable, nor are they pensionable. Options may normally be exercised between the second and tenth anniversaries of the date of grant by a person who is a director or employee on the date of exercise. No performance conditions are required to be met. Options will normally lapse on the expiry of the tenth anniversary after the date of the grant.
- 9.5 Options will normally lapse on cessation of employment except at the absolute discretion of the Directors who may allow the option holder to exercise his options on a once and for all basis during a period not exceeding six months following cessation of employment. However, in any event options will become exercisable for:
- 9.5.1 a period of 12 months on the death of an option holder; or
 - 9.5.2 for a period of six months on his ceasing to be an employee of the Company by reason of retirement at normal retirement age, injury, disability (including illness), redundancy, unfair, wrongful or constructive dismissal, or the sale or transfer out of the Company of his employing company, business or part of the business to which his employment relates.

- 9.6 Ordinary shares issued pursuant to the exercise of options will rank in full for all dividends or other distributions payable by reference to a record date occurring on or after the date of allotment. In all other respects the Ordinary Shares so allotted shall be identical and rank *pari passu* with the fully paid registered Ordinary Shares in issue on the date of such allotment.
- 9.7 The exercise price of an option is such price as shall be determined by the Board although it will not be less than the nominal value of an Ordinary Share.
- 9.8 The option price may be adjusted in the event of a capitalisation issue or upon consolidation, subdivision or reduction of the Company's share capital, subject to the written certificate of the auditors that such adjustment is fair and reasonable and provided that no increase is made to the aggregate exercise price relating to any option.
- 9.9 The aggregate number of Ordinary Shares for which options may be granted under the Unapproved Share Option Scheme at any time shall be further limited so that it shall not exceed 10 per cent. of the issued ordinary share capital of the Company at the relevant time, when aggregated with any such shares that have been issued under the EMI Options, further options which are granted in accordance with Schedule 14 of the Finance Act 2000 or under any other employee share scheme in respect of rights granted during the preceding 10 years.
- 9.10 The Board has the power to amend the provisions of the Unapproved Share Option Scheme provided that no amendment may materially affect the rights of an option holder in respect of an option granted prior to the amendment being made and provided that any amendments to the advantage of existing or future participants (except for minor amendments) are sanctioned by ordinary resolution of the shareholders.

10. LITIGATION

The Company is not, nor has it been, involved in any legal or arbitration proceedings which may have or have had during the 12 months preceding the date of this document a significant effect on its financial position, nor are any such proceedings pending or threatened against the Company.

11. UNITED KINGDOM TAXATION

The following paragraphs are intended as a general guide only for shareholders who are resident and ordinarily resident in the United Kingdom for tax purposes, holding Ordinary Shares as investments and not as securities to be realised in the course of a trade, and are based on current legislation and UK Inland Revenue practice. Any prospective subscriber of Placing Shares who is in any doubt about his tax position or who is subject to taxation in a jurisdiction other than the United Kingdom, should consult his own professional adviser immediately.

11.1 Taxation of Chargeable Gains

For the purposes of UK tax on chargeable gains, the issue of Placing Shares pursuant to the Placing will be regarded as an acquisition of a new holding in the share capital of the Company. To the extent that a shareholder acquires Placing Shares allotted to him, the Placing Shares so allotted will, for the purposes of tax on chargeable gains, be treated as acquired on the date of allotment. The amount paid for the Placing Shares will constitute the base cost of a shareholder's holding. Taper relief will apply on the disposal of the Placing Shares if the investor is an individual or trustee. The amount paid for the Placing Shares will be eligible for indexation allowance if the investor is a company. If a Shareholder disposes of all or some of his Ordinary Shares, a liability to tax on chargeable gains may, depending on his circumstances, arise.

11.2 Inheritance Tax

Business Property Relief

Unquoted ordinary shares representing minority interests in trading companies such as the Company potentially qualify for 100 per cent. business property relief which gives up to 100 per cent. exemption

from inheritance tax. Therefore, where an investor makes a lifetime gift of shares or dies while still owner of the shares, no inheritance tax will be payable in respect of the value of the shares, provided certain conditions are met. The main condition is that the investor held the share for two years before the date of transfer or death.

11.3 *Stamp Duty and Stamp Duty Reserve Tax*

No stamp duty or stamp duty reserve tax (“SDRT”) will generally be payable on the issue of the Placing Shares.

11.4 *Dividends and other Distributions*

Dividends paid by the Company will carry an associated tax credit of one-ninth of the cash dividend or ten per cent. of the aggregate of the cash dividend and associated tax credit. Individual shareholders resident in the United Kingdom receiving such dividends will be liable to income tax on the aggregate of the dividend and associated tax credit at the Schedule F ordinary rate (10 per cent.) or the Schedule F upper rate (32.5 per cent.).

The effect will be that taxpayers who are otherwise liable to pay tax at only the lower rate or basic rate of income tax will have no further liability to income tax in respect of such a dividend. Higher rate taxpayers will have an additional tax liability (after taking into account the tax credit) of 22.5 per cent. of the aggregate of the cash dividend and associated tax credit. Individual shareholders whose income tax liability is less than the tax credit will not be entitled to claim a repayment of all or part of the tax credit associated with such dividend.

A UK resident corporate shareholder should not be liable to corporate tax or income tax in respect of dividends received from the Company unless that company is carrying on a trade of dealing in shares.

Trustees of discretionary trusts who are liable to account for income tax at the rate applicable to trusts on the trust’s income are required to account for tax at the Schedule F trust rate, currently 25 per cent. on dividends.

11.5 *Enterprise Investment Scheme (EIS) Tax Reliefs*

To obtain the tax reliefs described below it is necessary to subscribe for ordinary shares in a qualifying company and claim the relief. The summary below gives only a brief outline of how the tax reliefs are given assuming the investor is a 40 per cent. tax payer. It does not set out all the rules which must be met for periods of between three and five years by the Company and the investor. The tax reliefs will only be relevant to investors who pay income tax and/or wish to defer a capital gain. The summary is not a substitute for the investor obtaining professional advice before applying for shares.

There are four EIS tax reliefs available:

- (1) Income tax relief;
- (2) Capital gains tax exemption;
- (3) Loss relief; and
- (4) Capital gains tax deferral.

These tax reliefs will be reduced or withdrawn following the redemption of the A Preference Shares and B Preference Shares and the position of potential EIS investors is outlined below.

1. *Income Tax Relief*

This allows an investor to reduce the amount of his, or her, liability to income tax in the year of investment. Relief is obtained at the lower rate of income tax, currently 20 per cent., on the amount invested in the shares of qualifying companies. Investors should be able to deduct an amount equal to 20 per cent. of their investment from their liability to income tax in the current

tax year. Relief cannot be claimed on more than £150,000 invested by an individual (in any number of qualifying companies) in any tax year.

To retain this relief the shares must be held by the investor for a period that ends three years after the shares issue date or three years after the trade starts, whichever is later. This will be referred to below as the three year period.

<i>Example</i>	£
Gross Investment in shares	10,000
Less tax relief at 20%	(2,000)
Net cost of investment	<u>8,000</u>

2. *Capital Gains Tax Exemption*

This exempts investors from the liability to capital gains tax when they realise a gain on a disposal of their shares in qualifying companies after the three year period, provided the EIS income tax relief was given on the shares and has not been withdrawn.

<i>Example</i>	£
Realised value of shares after three year period	20,000
Original gross investment in shares	(10,000)
Tax free gain	<u>10,000</u>

3. *Loss Relief*

In the event of an investor suffering a loss arising from the disposal of the EIS shares at any time, this relief allows the offset of losses against either capital gains or taxable income in the year of the loss.

<i>Example</i>	40%*	22%*
	£	£
Realised value of shares	Nil	Nil
Original cost of investment	(10,000)	(10,000)
EIS Income tax relief	2,000	2,000
Loss	<u>(8,000)</u>	<u>(8,000)</u>
EIS loss relief	3,200	1,760
Net loss	<u>4,800</u>	<u>6,240</u>

* Assumes tax rates do not change

4. *Capital Gains Tax Deferral*

Individuals and certain trustees can defer all or part of their capital gains tax liabilities by subscribing for eligible shares in an EIS company. There is no monetary limit on the amount of the EIS subscription and thus the gain that can be deferred in this way. The gains that can be deferred are those that have arisen in the three years before the EIS shares are issued or those that arise up to one year after that date. Such gains may be the result of the disposal of an asset or, a gain previously deferred by the individual, may have become chargeable to tax.

Investors should note that this relief is a deferral only and that the original capital gain will crystallise on the disposal of the EIS shares at any time, resulting in CGT being payable in the normal way. The investor would however, be able to claim further deferral to the extent that a qualifying reinvestment is made within the time allowed. A transfer of shares on the owner's death does not cause the deferred gain to crystallise.

Example (assumes a higher rate taxpayer with a chargeable gain of £10,000)

	£
Gross Investment in shares	10,000
Less CGT deferral at 40%	(4,000)
Less tax relief at 20%	(2,000)
Net cost of investment	<u>(4,000)</u>

Taper Relief

Where a deferred gain becomes taxable and that gain arose on a business asset, for example, shares in an unquoted trading company, it may attract taper relief and result in lower CGT being paid. The extent of the taper relief will depend on how long the investor had owned the asset at the time the original gain arose.

Inheritance Tax Relief

Unquoted shares in qualifying companies held for at least two years should qualify for business property relief at 100 per cent. for inheritance tax purposes, regardless of the size of holding or voting entitlement, provided certain conditions are met.

Reduction or withdrawal of EIS Tax Reliefs

As the Company redeemed all the A Preference Shares and B Preference Shares for £400,000 on 4 November 2002 the tax reliefs of potential EIS investors will be reduced or withdrawn.

There is a loss of EIS reliefs (income tax, capital gains tax exemption and deferral) where the Company redeems preference shares during a specified period. The specified period starts 12 months before the share issue date and ends on the third anniversary of this date and is called the period of restriction ("PoR"). The reduction or withdrawal of EIS tax reliefs would be as follows:

1. *Income Tax relief*

An investor would lose all or part of his EIS income tax relief, if at any time in the PoR the Company redeems its share capital. Where EIS income tax relief is withdrawn from EIS shareholders, it is withdrawn in proportion to their entitlement to EIS relief. For example, if EIS investors subscribe £800,000 for new shares and the Company has paid £400,000 to redeem its shares, each EIS investor would only obtain income tax relief on half the amount he subscribed. If EIS investors subscribe £400,000 or less for new shares they will not be entitled to any income tax relief at all.

2. *Capital gains tax exemption*

There is a restricted capital gains tax exemption where part of the income tax relief attributed to the eligible shares has been reduced or withdrawn because the Company has redeemed its A Preference Shares and B Preference Shares within the PoR. The exemption is restricted by excluding the proportion 'A'/B' where 'A' is the income tax relief withdrawn and B is the relief originally given.

3. *Capital gains tax deferral*

As the Company has redeemed all the A Preference Shares and B Preference Shares before the proposed EIS share issue, the EIS shares will be treated as never having been eligible shares for capital gains tax deferral purposes and potential EIS investors would not be entitled to defer capital gains by investing in the Company.

An investor who subscribes for new ordinary shares in the Company one year after the Company has redeemed all of its A Preference Shares and B Preference Shares should qualify for the full EIS tax reliefs described above.

This is only a condensed summary of the tax reliefs available to investors and should not be construed as constituting advice which a potential investor should obtain from his, or her, own investment or taxation adviser before applying for Placing Shares. The figures in this section are examples only. They are not, and should not be construed as, forecasts of the likely performance of the investment described in this document.

Persons who are not resident in the United Kingdom should consult their own tax advisers on the possible application of such provisions and on what relief or credit may be claimed for any such tax credit in the jurisdiction in which they are resident. These comments are intended only as a general guide to the current tax position in the United Kingdom as at the date of this document. The comments assume that Ordinary Shares are held as an investment and not as an asset of financial trade.

If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the United Kingdom, you should consult your professional adviser.

12. WORKING CAPITAL

The Directors are of the opinion that, having made due and careful enquiry, and taking into account the net proceeds of the Placing and the existing facilities available to the Company, the Company has sufficient working capital for its present requirements, that is for at least 12 months from the date of Admission.

13. GENERAL

- 13.1 The aggregate expenses of the Placing and Admission, including commissions of £92,000, are estimated at £400,000 including VAT (all of which are payable by the Company).
- 13.2 There are no significant investments in progress by the Company.
- 13.3 No exceptional factors have influenced the Company's activities.
- 13.4 Other than as described in this document, the Company is not dependent on any intellectual property rights, licences or particular contracts, which are of fundamental importance to the Company's business.
- 13.5 BDO Stoy Hayward, Chartered Accountants, have given and not withdrawn their consent to the issue of this prospectus with the inclusion in it of their report and letter and references to their name in the form and context in which they respectively appear.
- 13.6 Daniel Stewart & Company Plc has given and not withdrawn its written consent to the issue of this prospectus with the inclusion in it of its name and references to its name in the form and context in which it appears.
- 13.7 Corporate Synergy Plc has given and not withdrawn its written consent to the issue of this prospectus with the inclusion in it of its name and references to its name in the form and context in which it appears.
- 13.8 Save as disclosed in this document there has been no significant change in the financial or trading position of the Company since 30 September 2002, the date to which the latest audited financial statements were made up.
- 13.9 Other than the advisors named on page 3 of this prospectus and persons who are trade suppliers, no person has received, directly or indirectly, from the Company within 12 months preceding the Company's application for Admission or is contractually entitled to receive, directly or indirectly, from the Company on or after Admission, fees totalling £10,000 or more or securities of the Company

where these have a value of £10,000 or more calculated by reference to the Placing Price or any other benefit to a value of £10,000 or more at the date of Admission.

13.10 The Placing Price of 30 pence per Ordinary Share is at a premium of 29.9 pence above the nominal value of each Ordinary Share.

13.11 The financial information relating to the Company contained in this prospectus does not comprise statutory accounts for the purposes of Section 240 of the Act.

13.12 There is no Director or member of a Director's family who has a related financial product referenced to the Ordinary Shares.

14. AVAILABILITY OF THIS DOCUMENT

Copies of this document will be available from the date of this document free of charge to the public on any week day (excluding Saturdays) at the offices of Corporate Synergy PLC, 12 Nicholas Lane, London EC4N 7BN and at the offices of Finers Stephens Innocent, Solicitors, 179 Great Portland Street, London W1W 5LS until at least one month from Admission.

Dated: 21 November 2002



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