

CENTURION ELECTRONICS PLC

Chairman's statement

This is my first statement since being appointed Chairman on 26 January 2004 following the sudden death of Steven Cunningham. On behalf of the Board of Directors, our employees and investors, I wish to extend our condolences to his wife and family. Under his guidance as Chairman and Chief Executive, Centurion developed from a small vehicle security company to the UK's leading supplier of in-car entertainment equipment.

During the last six months to 31 March 2004, I am pleased to report that Centurion has developed and expanded its business in all areas. New products have been launched into the market, new sales channels have been opened in the UK and Europe and relationships with existing customers have been extended.

We have made a significant financial investment in both people and infrastructure to ensure that the Company is well placed to deliver on existing contracts and win further new business.

Results

In the six months to 31 March 2004, turnover increased by 60% to £4.43 million compared to £2.76 million for the corresponding period in the prior year. Operating profits increased from £439,592 to £1.04 million. Included in operating profits is exceptional operating income of £470,000 being the net proceeds of a keyman insurance policy for Steven Cunningham. The growth in operating profits excluding the exceptional income is 29%.

While basic earnings per share grew by 81% to 3.01 pence per share for the six months to 31 March 2004 compared with 1.66 pence for the six months to 31 March 2003, earnings per share before receipt of the keyman insurance and related costs were 1.53 pence. Diluted earnings per share rose 83% to 2.92 pence from 1.60 pence.

In March 2004 Centurion raised a further £1.21 million before expenses by way of a placing of 1,100,000 Ordinary Shares at a price of 110p to new institutional investors.

The Directors have not declared an interim dividend.

Product Development

We remain highly committed to research and development for both our retail and OEM offerings, and we continue to make substantial investment in our new product pipeline. In March 2004 we formed a partnership with a new research and development company based in Taiwan and we will work with them to continue to push the boundaries of in-car audio-visual entertainment, adding new features and improving functionality. The design of new products continues to meet the EU regulations for safety and vehicle end-of-life laws.

In December 2003 we launched the Plug & Play Blue™ and Viewtech™ ranges designed to complement our existing product offerings and compete in the mass market. Both have exceeded management's expectations and, in particular, Plug & Play Blue™ has enabled us to win new retail customers.

Later this year we also plan to launch a range of products for the portable home and leisure market. These will incorporate the latest in technology and design and will be available to meet the Christmas demand from retailers.

Sales Channels

OEM

The Company announced on 26 April 2004 that we have extended our relationship with Kia Motors UK Ltd and will be supplying rear-seat entertainment systems to their entire range of vehicles. Kia currently has a special promotion running whereby all of its Sedona models sold between April and the end of June are fitted with a Centurion roof-mounted DVD system as standard. Kia is supporting this promotion through a national newspaper advertising campaign featuring the Sedona and our system.

Another of our key customers, Toyota Motor Marketing Europe NV/SA, is currently running a national television advertising campaign for the Corolla Verso which is also based around the inclusion of a Centurion twin-headrest-screen DVD system. Our system is fitted as standard on the top specification model of the Corolla Verso in the UK and is available as a vehicle option Europe wide.

We expect both of these campaigns to raise the profile of in-car entertainment systems in general and of our systems in particular.

Retail

As stated at the time of our Annual General Meeting on 10 February 2004, our business with key retailers was slower than expected over the Christmas period and retail margins continue to be under pressure; however, current indications are that, with the launch of our new generation 6.5-inch screen and other products in the second half of the year, the retail business will continue to grow. Our new 8-inch Plug & Play Blue™ will be in the Argos Autumn Winter catalogue, which will now feature two Centurion products compared with only one previously.

Plug & Play™ is also doing well with motor dealer groups. We have benefited in our dealings with motor manufacturers by our ability to provide 'after market' products as well as designing bespoke systems. Motor manufacturers selling Plug & Play™ products throughout their dealerships include Kia Motors UK Ltd and Fiat UK Ltd.

Infrastructure

Building

Our new facility in Welwyn Garden City has recently been expanded to incorporate vehicle development bays, a new research and development laboratory, a quality testing laboratory and a bespoke designed pick and pack area. This capital investment meets the high quality standards required by motor manufacturers and further demonstrates our commitment to growing our market share of OEM business.

People

Investment in high quality personnel and processes is key to supporting our future growth strategy. Over the past few months, senior management has been strengthened in all areas of the business. A new position of Head of Human Resources was created in February leading to the recruitment of additional quality, project, engineering and sales managers with particular skill-sets and experience of OEMs.

Quality

The Company is now a first-tier supplier into the motor manufacturers, and we have developed quality systems throughout the business to support this and are currently implementing ISO9001:2000.

Europe

Following a review of our European strategy, we have now appointed a specialist European sales consultancy to develop a network of manufacturers representatives located in key cities across Europe. These representatives will be responsible for directly marketing our products to improve both the speed and the effectiveness of their take-up.

We have also designed and packaged a range of products especially for the European market, which was launched at the Sinsheim Car Sound show in Germany at the end of April. The trade response was extremely encouraging.

Outlook

The in-car rear-seat entertainment market continues to expand rapidly, and Centurion is well positioned and structured to achieve further substantial growth across all market sectors.

We remain committed to our strategy of creating and supporting innovative products to provide our customers with high quality cost effective solutions, and we are currently working on the development of entertainment systems for a number of motor manufacturers and vehicle models with launch dates extending beyond the current year.

The Board has increased the level of investment both of infrastructure and, in particular, staffing across the Company. We anticipate that this increased level of investment will secure Centurion's position as the UK's leading supplier of in-car audio-visual entertainment equipment

and will leave the Company well positioned to take advantage of the various opportunities which continue to present themselves, both in the UK and abroad. With good visibility of earnings from motor manufacturers and retail groups, we are confident that the results for the second half of the year will demonstrate continuing strong progress.

I would like to thank the team at Centurion for their hard work over the last few months. They have demonstrated, under difficult circumstances, their commitment to the continued success of the Company and to retaining its leading position in the field of automotive audio-visual entertainment.

Finally, I would also like to thank our customers, business partners and investors for their continued support over the last six months. We look forward to working together with them to achieve our goals.

Brian Hendon

Chairman

Profit and loss account for the six months ended 31 March 2004

	Note	Unaudited 6 months to 31 March 2004	Unaudited 6 months to 31 March 2003	Audited Year to 30 September 2003 As restated
		£	£	£
Turnover		4,425,971	2,761,496	6,248,945
Cost of sales		2,480,398	1,526,409	3,165,886
Gross profit		1,945,573	1,235,087	3,083,059
Administrative expenses		(1,379,555)	(795,495)	(1,963,641)
Exceptional item - Other operating income	2	470,000	–	160,000
Operating Profit	2	1,036,018	439,592	1,279,418
Interest payable and similar charges		(80,006)	(41,700)	(99,889)
Profit on ordinary activities before taxation		956,012	397,892	1,179,529
Taxation on profit on ordinary activities	4	257,000	103,896	308,401
Profit on ordinary activities after taxation		699,012	293,996	871,128
Dividends		–	–	184,078
Retained profit for the financial period		699,012	293,996	687,050
Earnings per share	3			
Basic		3.01p	1.66p	4.45p
Diluted		2.92p	1.60p	4.27p

All recognised gains and losses for the period are included in the profit and loss account.

Balance sheet as at 31 March 2004

	Unaudited 6 months to 31 March 2004 £	Unaudited 6 months to 31 March 2003 £	Audited Year to 30 September 2003 £
Fixed assets			
Tangible assets	774,516	478,909	595,347
Current assets			
Stocks	2,892,643	1,465,743	2,262,160
Debtors:			
Trade debtors subject to financing	2,787,956	1,688,353	2,277,927
Less: non-returnable proceeds	(848,311)	(688,434)	(898,599)
	<u>1,939,645</u>	<u>999,919</u>	<u>1,379,328</u>
Other debtors	877,462	215,790	376,484
Cash at bank and in hand	2,432,136	1,029,491	1,712,784
	<u>8,141,886</u>	<u>3,710,943</u>	<u>5,730,756</u>
Creditors: amounts falling due within one year	<u>(2,434,983)</u>	<u>(1,296,393)</u>	<u>(1,806,651)</u>
Net current assets	<u>5,706,903</u>	<u>2,414,550</u>	<u>3,924,105</u>
Total assets less current liabilities	<u>6,481,419</u>	<u>2,893,459</u>	<u>4,519,452</u>
Creditors: amounts falling due after more than one year	<u>(199,617)</u>	<u>(136,319)</u>	<u>(141,863)</u>
Provisions for liabilities and charges	<u>(59,915)</u>	<u>(11,317)</u>	<u>(59,915)</u>
	<u>6,221,887</u>	<u>2,745,823</u>	<u>4,317,674</u>
Capital and reserves			
Called up share capital	220,881	217,667	219,676
Share premium account	4,552,479	2,171,695	3,348,483
Capital redemption reserve	130,000	130,000	130,000
Profit and loss account	1,318,527	226,461	619,515
	<u>6,221,887</u>	<u>2,745,823</u>	<u>4,317,674</u>
Shareholders' funds	<u>6,221,887</u>	<u>2,745,823</u>	<u>4,317,674</u>

Cash flow statement for the six months ended 31 March 2004

	Note	Unaudited 6 months to 31 March 2004 £	Unaudited 6 months to 31 March 2003 £	Audited Year to 30 September 2003 £
Net cash outflow from operating activities				
Returns on investments and servicing of finance	5	(277,741)	(243,672)	(1,083,269)
Interest paid		(80,006)	(41,700)	(99,889)
Preference dividend paid		–	(14,219)	(15,193)
Finance lease interest		(4,227)	–	(5,720)
Net cash outflow from returns on investments and servicing of finance		(84,233)	(55,919)	(120,802)
Taxation				
UK corporation tax received/(paid)		18,897	–	(100,171)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(185,336)	(325,216)	(447,873)
Sale of tangible fixed assets		–	12,650	14,261
		(185,336)	(312,566)	(433,612)
Equity dividends paid		(184,078)	–	–
Cash outflow before financing		(712,491)	(612,157)	(1,737,854)
Financing				
Short term import loans		202,880	–	670,025
Bank loans (paid)/advanced		48,499	(14,583)	(27,083)
Capital element of finance lease rental payments		(24,736)	(10,616)	(37,948)
Share options exercised		31,500	–	31,500
Redemption of preference shares		–	(400,000)	(400,000)
Issue of share capital (net of expenses)		1,173,700	1,909,362	3,056,659
		1,431,843	1,484,163	3,293,153
Increase in cash for the period	6, 7	719,352	872,006	1,555,299

Notes to the interim report

1 Accounting policies

The financial information contained in this interim statement has been prepared on the basis of the accounting policies set out in the Company's audited financial statements for the year ended 30 September 2003 which have been applied consistently.

2 Operating Profit and restatement

Unaudited 6 months to 31 March 2004 £	Unaudited 6 months to 31 March 2003 £	Audited Year to 30 September As restated 2003 £
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This is arrived at after (crediting)/charging:

Exceptional items (see below)	(470,000)	–	(160,000)
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The exceptional item in the six months ended 31 March 2004 is included in other operating income and relates to insurance proceeds from the keyman policy held on Steven Cunningham which were paid out on his death. Exceptional costs amounting to £30,000 arising since his death have been set against this income.

The exceptional item of £160,000 in the year ended 30 September 2003 relates to insurance proceeds arising from the theft of stock written off in 2002. This was previously included within administrative expenses and is now shown as a separate item.

3 Earnings per share

Earnings per ordinary share have been calculated using the weighted average number of shares in issue during the relevant financial periods. These take into account the issue of 105,000 ordinary shares on 14 October 2003 and the issue of 1,100,000 ordinary shares on 9 March 2004. The weighted average number of shares in issue for the periods ending 31 March 2003 and 30 September 2003 have been adjusted to take into account the share split of 1,000 ordinary shares of 0.1 pence for every £1 ordinary share that took place on 4 November 2002. The weighted average number of shares in issue for each of those two comparative periods has also been adjusted to take account of the reclassification of 200,000 Preferred ordinary shares as 196,667 Deferred shares of £1 each and of the remaining 3,333 Preferred ordinary shares as 3,333,000 ordinary shares of 0.1 pence each.

The weighted average number of equity shares in issue for the basic earnings per share calculation is 23,239,207 (2003 19,576,108) and the earnings, being profit after tax and preference dividends, are £699,012 (2003 £871,128).

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:

	Unaudited 6 months to 31 March 2004 £	Unaudited 6 months to 31 March 2003 £	Audited Year to 30 September 2003 £
Basic earnings per share denominator ordinary shares of 0.1pence	23,239,207	17,704,859	19,576,108
Weighted average number of cumulative convertible participating preferred ordinary shares (prior to conversion)	–	640,962	319,603
Dilutive effect of company share option schemes	714,468	66,595	510,179
	<u>23,953,675</u>	<u>18,412,416</u>	<u>20,405,890</u>

4 Taxation

The taxation charge has been calculated on the estimated year end rate.

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

	Unaudited 6 months to 31 March 2004 £	Unaudited 6 months to 31 March 2003 £	Audited Year to 30 September 2003 £
Operating profit	1,036,018	439,592	1,279,418
Depreciation	76,877	30,258	90,493
(Profit)/loss on sale of fixed assets	–	348	(1,262)
Interest on finance leases	4,227	–	5,720
Increase in stocks	(630,483)	(737,955)	(1,534,372)
Increase in debtors	(1,061,295)	(569,881)	(1,109,984)
Increase in creditors	296,915	593,966	186,718
Net cash outflow from operating activities	<u>(277,741)</u>	<u>(243,672)</u>	<u>(1,083,269)</u>

6 Reconciliation of net cash inflow to movement in net funds/(debt)

	Unaudited 6 months to 31 March 2004 £	Unaudited 6 months to 31 March 2003 £	Audited Year to 30 September 2003 £
Increase in cash in the year	719,352	872,006	1,555,299
Cash (inflow)/outflow from changes in debt and lease financing	(226,643)	41,539	(604,994)
Change in net debt resulting from cash flows	492,709	913,545	950,305
New finance leases	(70,710)	(16,340)	(54,017)
Movement in net debt in the period	421,999	897,205	896,288
Net funds/(debt) at start of period	767,951	(128,337)	(128,337)
Net funds at end of year (note 7)	1,189,950	768,868	767,951

7 Analysis of net funds

	At 1 October 2003 £	Cash flow £	Other non-cash changes £	At 31 March 2004 £
Cash in hand and at bank	1,712,784	719,352	–	2,432,136
Debt due after 1 year	(81,250)	(28,166)	–	(109,416)
Debt due within 1 year	(772,761)	(223,213)	–	(995,974)
Obligations under finance leases	(90,822)	24,736	(70,710)	(136,796)
		(226,643)		
Total	767,951	492,709	(70,710)	1,189,950

8 Non-statutory Accounts

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

The financial information in respect of the year ended 30 September 2003 has been extracted from the statutory accounts for that year which have been filed with the Registrar of Companies. The auditors report on those accounts was unqualified.

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

INDEPENDENT REVIEW REPORT TO CENTURION ELECTRONICS PLC

Introduction

We have been instructed by the Company to review the profit and loss account for the six months ended 31 March 2004, the balance sheet as at 31 March 2004, the cash flow statement for the six months ended 31 March 2004, and notes 1 to 8 to the interim report. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. Where a company is fully listed, the directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed. The directors of Centurion Electronics plc have voluntarily complied with this requirement in preparing the interim report.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of the Company's management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities, and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and, therefore, provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review, we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 March 2004.

BDO Stoy Hayward LLP
Chartered Accountants
London

10 May 2004

