

centurion[®]
electronics plc

Interim report 2006

Six months ended 31st March 2006



Excellence
By Design

Centurion Electronics Plc

Interim Results

for the six months ended 31 March 2006

Introduction

At the time of the Company's AGM on 19 May 2006, I announced that current trading was in-line with market expectations and that we were optimistic for the remainder of the current financial year.

It is therefore pleasing to report that in the first half of this financial year the Company traded in-line with expectations and is on track to maintain this positive trend for the remainder of the year as a whole.

Financial Performance

For the six months ended 31 March 2006, the Company reported turnover of £3.7 million (2005: £7.8 million). The 2005 figure included sales of £3.1 million relating to the now discontinued retail activities.

A pre-exceptional operating loss of £0.78 million (2005: £0.08 million loss) is being reported, whilst the loss on ordinary activities before taxation amounted to £0.17 million, against a loss of £4.3 million in the comparable period. The exceptional items relate to an exceptional credit of £1.0 million arising from the write-down of debt, and administrative expenses of £0.2 million, following the debt restructuring in February 2006.

The debt re-structuring programme was accompanied by a Placing of new ordinary shares raising £2.55 million at 0.5p per share, and the issue of convertible loan notes of £1.0 million. This has provided the Company with working capital to develop its high quality infotainment systems for a number of the world's leading automotive manufacturers.

Earnings per share, excluding the exceptional profit, reflect a loss per share of 1.05 pence (2005: loss per share of 0.92 pence).

Dividend

The Board believes that, at this stage of the Company's recovery, it is not appropriate to pay an Interim dividend. However, the Board does intend to adopt a progressive dividend policy in the future as appropriate.

Review

Throughout the first half of the current financial year, the management has been firmly focussed on further developing existing relationships with the number of high-profile car manufacturers that make up the core of our key customer base.

Overall trading has remained fairly buoyant, and it is pleasing to report that our core customers have retained a progressive view regarding the installation of in-car entertainment systems. Existing relationships with the Toyota Group, Renault and others, have continued to progress well. We now supply a variety of in-car entertainment products to a total of 15 different vehicles across our customer base. A key development for Centurion is our first "factory fit" product for one of our main customers which will see a specifically designed rear seat system to be installed on the assembly line. We anticipate that production will begin in the first half of FY2007.

Over the last six months, the Company has continued to focus on the implementation of major automotive industry Tier 1 attributes such as preparing for ISO/TS16949 accreditation and legislative industry requirements, and has substantially increased its expertise in this area, while maintaining its urgency in key decision making.

The Company has made progressive investment in environmental testing facilities and engineering simulation software, to support our product design and engineering capabilities. We believe that the on-going development of our engineering expertise sets us apart from our competitors and outlines the Company's strategy and future development within the automotive sector. Our commitment and investment in this area will be key to winning and developing future business.

Our on-going relationships with strategic supply partners for new technology continue to progress well, and we expect to update shareholders on this further at the year end.

Despite the Board's attention being focussed on the refinancing and restructuring of the business earlier this year, the management and operational teams have been able to fully utilise their existing contacts within the industry to promote the business.

Contract Win

In April 2006, it was announced that the Company had secured contracts for the development and supply of an in-car entertainment system to a highly respected, UK-based luxury car manufacturer:

The contract is to supply twin TFT headrest screens for rear seat passengers, which display images from DVD, Auxiliary Input and analogue TV sources with a unique wireless sound transmission system. It is important to recognise that this is the first contract that the Company has secured for direct delivery to an OEM vehicle car assembly plant.

Quality Accreditation

In-line with our on-going commitment to provide our customers with products that adhere to the highest of quality, reliability and performance criteria, I am pleased to announce that we have appointed TUV Product Services as the approved accreditation body in our strategy to achieve ISO9001:2000, whilst continuing to work towards ISO/TS16949 standard accreditation.

TUV provides technical assessment services and compliance solutions to some of the leading players in the automotive industry, and allowing for a proven 12 month record, we hope that this process will be completed by July 2007.

People

I would like to welcome all new employees and management to the Company, including Iwan Rees, who was appointed to the Main Board at the end of March 2006 as an Executive Director. Iwan originally joined the Company in January 2006 as OEM Sales Director and has over 24 years experience in the multi-national automotive industry.

Morale within the Company remained high during this period of change. Recruitment for skilled engineering and technical staff has been necessary to support the business development. The Company currently employs circa 40 people and we will be looking to recruit further during the remainder of 2006 in line with the business needs.

Share consolidation

Since the half year end, the Company received approval at the Annual General Meeting from Shareholders to consolidate every 50 issued and unissued ordinary shares of 0.1p each into one ordinary share of 5p each. Admission of the new ordinary shares of 5p each to trading on AIM became effective on 30 May 2006.

Outlook and future prospects

As a matter of good practice we have required that our Auditor Ernst & Young LLP review this interim statement. As a matter of emphasis, Ernst & Young LLP have stated that, in the context of the recently completed restructuring and the ramping up of the new strategy, there remains a fundamental uncertainty as to the Company's ability to continue as a going concern. Nevertheless the Company continues to perform in line with management's forecasts, and the Directors confirm that the working capital available to the Company will be sufficient for its present requirements for at least the next 12 months, based upon their reasonable assumptions.

Following the re-structuring and refinancing of the business the Board believes that the business is now in a much better position to take full advantage of opportunities within the automotive infotainment market.

Our strategy is to continue providing high-quality service that our existing and new customers expect. The management focus will remain firmly on maintaining financial stability, whilst continuing to invest in and develop further our existing product offering.

Given the continuing improvement in the Company's product ranges and potential for new contract wins, the Board remain confident that further positive progress will be made during this financial year and for the 2006 calendar year as a whole.

Ernst Kastner

Chairman

26 June 2006

Profit and loss account

	Note	Unaudited 6 months to 31 March 2006	Unaudited 6 months to 31 March 2006	Unaudited 6 months to 31 March 2006
		Pre-Exceptional £	Exceptional* £	Total £
Turnover		3,680,389	–	3,680,389
Cost of sales		<u>(2,626,496)</u>	–	<u>(2,626,496)</u>
Gross profit/(loss)		1,053,893	–	1,053,893
Administrative expenses		<u>(1,831,470)</u>	<u>(186,160)</u>	<u>(2,017,630)</u>
Operating (loss)	2	<u>(777,577)</u>	<u>(186,160)</u>	<u>(963,737)</u>
Loss on disposal of fixed assets		–	(4,863)	(4,863)
Interest payable and similar charges		<u>(208,587)</u>	<u>1,005,961</u>	<u>797,374</u>
(Loss)/profit on ordinary activities before taxation		<u>(986,164)</u>	814,938	<u>(171,226)</u>
Taxation on (loss)/profit on ordinary activities	4	<u>–</u>	<u>–</u>	<u>–</u>
(Loss)/profit on ordinary activities after taxation		<u>(986,164)</u>	<u>814,938</u>	<u>(171,226)</u>
(Loss)/earnings per share	3			
Basic and diluted		(1.05p)	0.87p	(0.18p)

*Further details of exceptional items are disclosed in note 2

Centurion Electronics Plc – Interim Report for the six months ended 31 March 2006

Unaudited 6 months to 31 March 2005	Unaudited 6 months to 31 March 2005	Unaudited 6 months to 31 March 2005	Audited Year to 30 September 2005	Audited Year to 30 September 2005	Audited Year to 30 September 2005
Pre-Exceptional £	Exceptional* £	Total £	Pre-Exceptional £	Exceptional* £	Total £
7,800,954	–	7,800,954	14,006,539	–	14,006,539
<u>(5,096,272)</u>	<u>(3,724,448)</u>	<u>(8,820,720)</u>	<u>(10,549,208)</u>	<u>(5,919,966)</u>	<u>(16,469,174)</u>
2,704,682	(3,724,448)	(1,019,766)	3,457,331	(5,919,966)	(2,462,635)
<u>(2,786,018)</u>	<u>(210,274)</u>	<u>(2,996,292)</u>	<u>(5,561,386)</u>	<u>(783,957)</u>	<u>(6,345,343)</u>
(81,336)	(3,934,722)	(4,016,058)	(2,104,055)	(6,703,923)	(8,807,978)
–	–	–	–	(47,643)	(47,643)
<u>(264,632)</u>	<u>–</u>	<u>(264,632)</u>	<u>(659,767)</u>	<u>–</u>	<u>(659,767)</u>
(345,968)	(3,934,722)	(4,280,690)	(2,763,822)	(6,751,566)	(9,515,388)
<u>120,415</u>	<u>876,434</u>	<u>996,849</u>	<u>619,096</u>	<u>–</u>	<u>619,096</u>
<u>(225,553)</u>	<u>(3,058,288)</u>	<u>(3,283,841)</u>	<u>(2,144,726)</u>	<u>(6,751,566)</u>	<u>(8,896,292)</u>
(0.92p)	(12.49p)	(13.41p)	(8.70p)	(27.39p)	(36.09p)

Balance sheet

	Unaudited 6 months to 31 March 2006 £	Unaudited 6 months to 31 March 2005 £	Audited Year to 30 September 2005 £
Fixed assets			
Tangible assets	766,342	934,571	853,264
Current assets			
Stocks	843,861	6,952,177	2,135,476
Debtors	1,237,748	2,877,742	1,384,539
Other debtors	638,134	1,613,760	584,954
Cash at bank and in hand	973,546	2,170,251	682,936
	<u>3,693,289</u>	<u>13,613,930</u>	<u>4,787,905</u>
Creditors: amounts falling due within one year	<u>(2,428,769)</u>	<u>(10,794,557)</u>	<u>(7,598,484)</u>
Net current assets/(liabilities)	<u>1,264,520</u>	<u>2,819,373</u>	<u>(2,810,579)</u>
Total assets less current liabilities	<u>2,030,862</u>	<u>3,753,944</u>	<u>(1,957,315)</u>
Creditors: amounts falling due after more than one year	<u>(1,188,402)</u>	<u>(199,341)</u>	<u>(100,534)</u>
	<u>842,460</u>	<u>3,554,603</u>	<u>(2,057,849)</u>
Capital and reserves			
Called up share capital	880,681	221,481	221,481
Share premium account	7,144,214	4,731,879	4,731,879
Capital redemption reserve	130,000	130,000	130,000
Profit and loss account	<u>(7,312,435)</u>	<u>(1,528,757)</u>	<u>(7,141,209)</u>
Shareholders' funds	<u>842,460</u>	<u>3,554,603</u>	<u>(2,057,849)</u>

Cash flow statement

	Note	Unaudited 6 months to 31 March 2006 £	Unaudited 6 months to 31 March 2005 £	Audited Year to 30 September 2005 £
Net cash outflow/(inflow) from operating activities	5	524,165	(4,702,005)	768,371
Returns on investments and servicing of finance				
Interest paid		(208,587)	(264,632)	(659,767)
Net cash outflow from returns on investments and servicing of finance		(208,587)	(264,632)	(659,767)
Taxation				
UK corporation tax (paid)/received		–	(170)	(170)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(49,121)	(149,153)	(297,883)
Receipts from sales of tangible fixed assets		9,326	–	53,141
		(39,795)	(149,153)	(244,742)
Equity dividends paid		–	–	(272,959)
Cash outflow before financing		275,783	(5,115,960)	(409,267)
Financing				
Short term import loans (paid)/advanced		(2,083,403)	(793,708)	(740,418)
Bank loans paid		(22,667)	(22,667)	(45,333)
Bank loans received		1,003,698	–	–
Capital element of finance lease rental payments		(77,403)	(33,365)	(76,105)
Share options exercised		–	180,000	180,000
Issue of share capital (net of expenses)		3,071,535	–	–
		1,891,760	(669,740)	(681,856)
Increase/(decrease) in cash for the period	6	2,167,543	(5,785,700)	(1,091,123)

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 2005, which have been applied consistently.

Fundamental accounting concept – going concern

The Directors have produced forecast cash flows to 30 September 2007 which indicate that the company can continue as a going concern and meet its liabilities as they fall due. The forecast is, in particular, dependent on OEM customers drawing down product in line with their existing forecasts for the period.

The Directors believe that the forecast cash flows are achievable and therefore believe it is appropriate to prepare the accounts on the going concern basis. The financial information does not include any adjustments to the balance sheet, tangible fixed assets or provision for future liabilities which would result should the going concern basis not be appropriate.

2 Exceptional Items

	Unaudited 6 months to 31 March 2006 £	Unaudited 6 months to 31 March 2005 £	Audited Year to 30 September 2005 £
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This is arrived at after charging/(crediting):

Exceptional items (see below)	(814,938)	3,934,722	6,751,566
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Exceptional Items

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

Included in cost of sales for the six months ended 31 March 2005 is an exceptional charge of £3,724,448 (2004: £nil). This relates to a stock write down for obsolescence and valuation considerations resulting from issues in the supply chain management and stock purchase, categorisation and net realisable value procedures. A further £210,274 (2004: £nil) is included in administrative expenses and relates to compensation costs paid to two outgoing directors as well as consultants' costs.

3 (Loss)/Earnings per share

Earnings per ordinary share have been calculated using the weighted average number of shares in issue during the relevant financial years. These take into account the issue of 659,200,000 ordinary shares on 13 March 2006 as part of the re-financing.

The weighted average number of equity shares in issue for the basic earnings per share calculation is 93,632,009 (2005: 24,488,328) and the earnings, being (losses)/profits after tax are (£171,226) (2005: (£3,283,841)).

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 2006	Unaudited 6 months to 31 March 2005	Audited Year to 30 September 2005
Basic earnings per share denominator			
ordinary shares of 0.1 pence	93,632,009	24,488,328	24,651,824
Dilutive effect of company share option schemes	–	–	–
Diluted earnings per share denominator	<u>93,632,009</u>	<u>24,488,328</u>	<u>24,651,824</u>

The directors have also disclosed, for clarity, earnings per share excluding exceptional items. For the purposes of these ratios the denominators are no different to those set out above. The numerators for these additional ratios are (£986,164) (2005: (£225,553)) and have been calculated as the earnings, being (losses)/profits after tax less exceptional item (see note 2).

4 Taxation on loss on ordinary activities

Corporation Tax

The tax rate used is based on the effective rate for the year, taking into account the exceptional charges for the six months to 31 March 2006.

Deferred tax

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

5 Reconciliation of operating (loss)/profit to net cash outflow from operating activities

	Unaudited 6 months to 31 March 2006 £	Unaudited 6 months to 31 March 2005 £	Audited Year to 30 September 2005 £
Operating (loss)	(963,737)	(4,016,058)	(8,807,978)
Depreciation	121,853	116,752	246,006
Decrease/(increase) in stocks	1,291,615	(2,246,078)	2,570,623
Decrease/(increase) in debtors	93,611	4,183,667	6,335,359
(Decrease)/increase in creditors	(19,177)	(2,740,288)	424,361
	<u>524,165</u>	<u>(4,702,005)</u>	<u>768,371</u>
Net cash inflow/(outflow) from operating activities			

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

	Unaudited 6 months to 31 March 2006 £	Unaudited 6 months to 31 March 2005 £	Audited Year to 30 September 2005 £
Increase/(decrease) in cash for the period	2,167,543	(5,785,700)	(1,091,123)
Cash outflow from changes in debt and lease financing	<u>1,179,775</u>	<u>849,739</u>	<u>861,856</u>
Change in net debt resulting from cash flows	3,347,318	(4,935,961)	(229,267)
New finance leases	–	(68,801)	(68,801)
Other non cash movement	<u>1,005,961</u>	<u>–</u>	<u>–</u>
Movement in net debt in the period	4,353,279	(5,004,762)	(298,068)
Net (debt) at start of period	<u>(4,538,408)</u>	<u>(267,606)</u>	<u>(4,240,340)</u>
Net (debt) at end of the period (note 7)	<u>(185,129)</u>	<u>(5,272,368)</u>	<u>(4,538,408)</u>

7 Analysis of net funds

	At 1 October 2005 £	Cash flow £	Other non-cash changes £	At 31 March 2006 £
Cash in hand and at bank	682,936	290,608	–	973,544
Bank overdrafts	(2,444,581)	1,438,620	1,005,961	–
Invoice discounting facility	(438,315)	438,315	–	–
	<u>(2,199,960)</u>	<u>2,167,543</u>	<u>1,005,961</u>	<u>973,544</u>
Debt due after 1 year	(41,417)	(981,031)	–	(1,022,448)
Debt due within 1 year	(2,128,736)	2,083,403	–	(45,333)
Obligations under finance leases	(168,295)	77,403	–	(90,892)
Total	<u>(4,538,408)</u>	<u>3,347,318</u>	<u>1,005,961</u>	<u>(185,129)</u>

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.

Except for the effect of prior period restatements, the financial information in respect of the year ended 30 September 2005 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 financial information for the six months ended 31 March 2006 which comprises the Profit and Loss Account, Balance Sheet, Cash Flow Statement and the related notes 1 to 8. 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 having regard to guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by the law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report as required by the AIM Rules issued by the London Stock Exchange.

Review work performed

We conducted our review having regard to the guidance contained in Bulletin 2004/1 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of 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 International Standards on Auditing (UK and Ireland) 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

Going concern

In forming our review conclusion, we have considered the adequacy of the disclosures made in Note 1 of the financial information concerning the fundamental uncertainty over the company's ability to continue as a going concern. The financial information is prepared on a going concern basis which is dependent on the company's managing its operations to achieve sufficient cash flows through meeting its sales forecasts. In view of the significance of this fundamental uncertainty we consider that it should be brought to your attention, but our review conclusion is not modified in this respect.

On the basis of our review we are not aware of any material modifications that should be made to the financial information presented for the six months ended 31 March 2006.

Ernst & Young LLP
Luton
26 June 2006

