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Centurion Electronics plc

INTERIM REPORT

**Six months ended
31st March 2003**

Chairman's Statement

Results and Dividend

The past six months have been an important time for Centurion Electronics plc. We raised £2.3 million on our admission to the Alternative Investment Market (AIM) in December 2002, to help progress the next stage of our expansion and I am delighted to announce the Company's continued substantial growth in sales and profitability.

Profit on ordinary activities before taxation grew by 211% from £128,000 to £398,000, whilst turnover increased by 95% from £1,414,500 to £2,761,500. Basic earnings per share grew from 0.90p to 1.66p and diluted earnings per share from 0.69p to 1.60p.

As was stated in our AIM admission document dated 21 November 2002, the Company intends, subject to satisfactory trading, to recommend a final dividend for the current year ended 30 September 2003. No interim dividend will be payable.

Insurance Claim

As announced on 2 April 2003, we have settled our insurance claim relating to the theft of stock last year, for a total of £160,000. In our accounts for the year ended 30 September 2002, included in our AIM admission document, the cost was treated as an exceptional item, and the potential recovery was not recognised, in accordance with FRS 12. I am pleased to report that the recovery while not included in these interim results, will now be included in our accounts for the year ended 30 September 2003.

Products

During the period, Centurion has made considerable progress both in gaining access to new sales channels and in the area of product development, helping our range remain ahead of potential competition. In particular, we continue to stress the importance of product safety and are pioneering testing at vehicle inspectorate centres throughout the UK to develop standards for our product category. In the last six months, we have also added further resources to our Research and Development team to ensure ongoing product innovation.

Plug & Play™

Plug & Play™, our portable entertainment system which can be plugged into a car's lighter socket, continues to be well received, with orders increasing over the period. Available from major retailers including Argos, Halfords, Motorworld, Currys and Dixons, it is becoming a recognisable brand on the high street. Plug & Play™ was featured in the Argos catalogue for the first time in Autumn/Winter 2002, is currently in the Spring/Summer edition and has been reselected for Argos' next Autumn/Winter catalogue.

In December 2002, we signed our second agreement with a major car dealer group. CD Bramall plc, is the second largest car dealer group in the UK and Plug & Play™ is now available from 75 of its dealerships. This is in addition to an existing agreement with Pendragon Group plc, the largest car dealer group in the UK with 125 dealerships.

We expect further growth to be driven by the successful launch of our second generation Plug & Play™ portable DVD system, the PP60. Developed over the past 18 months, this has a six inch screen but the overall system is more compact than its predecessor. It is the first product of its type to offer integrated wireless headphone capability and stereo sound.

Centurion™

Centurion™ is our professional product category, individually designed for motor manufacturers and we continue to progress our development programmes for Nissan, Fiat and Toyota. In addition, there are a number of new projects in the pipeline which we look forward to announcing in due course.

In April, after the period end, we announced that we had signed a new agreement with Nissan to supply its 2003 model Nissan Micra with an in-car DVD system, now available throughout all of Nissan's 229 dealerships in the UK. Early indications are that the system has been extremely well received, with sales exceeding initial forecasts.

Infrastructure

As we mentioned in our AIM admission document, a proportion of the funds raised were to contribute to the further development of our infrastructure. In November 2002, we opened an office in Taiwan, which is responsible for liaison with suppliers, quality control and research and development throughout the Far East.

We have recently moved into new premises of 25,000 square feet in Welwyn Garden City, giving us substantially more space for growth and development and allowing us to house the UK side of the business under one roof, bringing associated cost savings and better controls. In particular, we have been able to quadruple the size of our sales office and to incorporate a research and development laboratory.

I would also like to take this opportunity to welcome John Bell as head of operations, who will oversee all aspects of product logistics, warehousing and purchasing. He brings with him a wealth of experience and further adds to the Company's dynamic management team.

European Market

As well as continuing to develop our position in the UK, we also plan to use our existing relationships with motor manufacturers to expand into Europe. We have recruited specialist sales staff to develop our European business and initial sample orders for Centurion's full product range have been received from France, Spain, Germany, the Czech Republic and Holland.

Outlook

The in-car audio-visual market in the UK continues to show strong and sustainable growth and we have developed an infrastructure which enables us to capitalise on increasing demand from retailers, motor dealerships and motor manufacturers.

During the first six months of the current year we achieved substantial growth in terms of sales and profitability, which has been maintained in the first weeks of the second half year. I am confident that this trend will continue as we add further contracts to our portfolio and therefore believe that the results for the year as a whole will be highly satisfactory.

Finally I would like to thank the entire team at Centurion for their contribution to the Company's achievements and our shareholders, customers and business partners for their continued support.

Steven Cunningham
Chairman

Profit and loss account for the six months ended 31 March 2003

	Note	Unaudited 6 months to 31 March 2003 £	Unaudited 6 months to 31 March 2002 £	Audited Year to 30 September 2002 £
Turnover		2,761,496	1,414,477	4,138,221
Cost of sales		1,526,409	853,451	2,316,764
Gross Profit		1,235,087	561,026	1,821,457
Administrative expenses		795,495	393,194	1,277,539
Operating Profit		439,592	167,832	543,918
Interest payable		(41,700)	(39,852)	(108,827)
Profit on ordinary activities before taxation		397,892	127,980	435,091
Taxation on profit from ordinary activities	3	103,896	35,180	115,759
Profit on ordinary activities after taxation		293,996	92,800	319,332
Dividends		-	1,942	56,817
Retained profit for the financial period		293,996	90,858	262,515
Earnings per share	2			
Basic		1.66p	0.90p	2.80p
Diluted		1.60p	0.69p	2.11p

Statement of total recognised gains and losses for the six months ended 31 March 2003

	Note	Unaudited 6 months to 31 March 2003	Unaudited 6 months to 31 March 2002	Audited Year to 30 September 2002
Profit for the period		293,996	90,858	262,515
Total recognised gains and losses for the period		293,996	90,858	262,515
Prior year adjustment	7	-	-	(30,641)
Total gains and losses since last annual report		293,996	90,858	231,874

Balance Sheet as at 31 March 2003

	Note	Unaudited 6 months to 31 March 2003 £	Unaudited 6 months to 31 March 2002 £	Audited Year to 30 September 2002 £
Fixed assets				
Tangible assets		478,909	125,776	196,949
Current assets				
Stock		1,465,743	817,727	727,788
Debtors:				
Trade debtors subject to financing		1,688,353	764,599	1,085,604
Less: non-returnable advances		(688,434)	(380,577)	(701,659)
		999,919	384,022	383,945
Other debtors		215,790	29,890	261,883
Cash at hand and in bank		1,029,491	76,990	157,485
		3,710,943	1,308,629	1,531,101
Creditors: amounts falling due within one year		(1,296,393)	(521,971)	(612,299)
Net current assets		2,414,550	786,658	918,802
Total assets less current liabilities		2,893,459	912,434	1,115,751
Creditors: amounts falling due after more than one year		(136,319)	(141,627)	(161,969)
Provisions for liabilities and charges		(11,317)	-	(11,317)
		2,745,823	770,807	942,465
Capital and reserves				
Called up share capital		217,667	340,000	340,000
Share premium account		1,901,695	270,000	270,000
Capital redemption reserve		400,000	-	-
Profit and loss account		226,461	160,807	332,465
Shareholders' funds		2,745,823	770,807	942,465

Cash Flow Statement for the six months ended 31 March 2003

	Note	Unaudited 6 months to 31 March 2003 £	Unaudited 6 months to 31 March 2002 £	Audited Year to 30 September 2003 £
Net cash inflow from operating activities	4	(243,672)	(352,038)	148,285
Returns on investments and servicing of finance				
Interest paid		(41,700)	(39,852)	(108,827)
Preference dividends paid		(14,219)	-	(41,624)
Net cash outflow from returns on investments and servicing of finance		(55,919)	(39,852)	(150,451)
Taxation				
UK corporation tax paid		-	(15,068)	(54,752)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(325,216)	(36,473)	(86,825)
Sale of tangible fixed assets		12,650	-	11,000
Net cash outflow from capital expenditure		(312,566)	(36,473)	(75,825)
Equity dividends paid		-	(1,942)	-
Cash outflow before financing		(612,157)	(445,373)	(132,743)
Financing				
Issue of share capital (net of expenses of £390,738)		1,909,362	500,000	500,000
Redemption of preference shares		(400,000)	-	-
Bank loan (paid)/advanced		(14,583)	(21,420)	(71,561)
Capital element of finance lease payments		(10,616)	(1,889)	(18,825)
Cash inflow from financing		1,484,163	476,691	409,614
Increase in cash for the period	5,6	872,006	31,318	276,871

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 2002 which have been applied consistently.

2. 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 number of shares in issue for each period have been adjusted to take into account the share split of 1,000 ordinary shares of 0.1 pence for every £1 ordinary share which took place on 4 November 2002. The weighted number of shares in issue for each period have also been adjusted to take account of the reclassification of 196,667 of 200,000 issued preferred ordinary shares as 196,667 deferred shares and the reclassification 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 17,704,859 (6 months to 31.03.02 10,000,000) and the earnings, being profit after tax and preference dividends, are £293,996 (6 months to 31.03.02 £90,858) 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 2003	Unaudited 6 months to 31 March 2002	Audited Year to 30 September 2002
Basic earnings per share denominator ordinary shares of 0.1pence	17,704,859	10,000,000	10,000,000
Weighted average number of cumulative convertible participating preferred ordinary shares (prior to conversion)	640,962	3,186,494	3,259,948
Dilutive effect of company share option schemes	66,595	-	-
Total	18,412,416	13,186,494	13,259,948

3. Taxation

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

4. Reconciliation of operating profit to net cash inflow from operating activities

	Unaudited 6 months to 31 March 2003 £	Unaudited 6 months to 31 March 2002 £	Audited Year to 30 September 2002 £
Operating profit	439,592	167,832	543,918
Depreciation	30,258	10,789	30,194
Profit/loss on sale of fixed assets	348	-	7,334
Increase in stocks	(737,955)	(326,054)	(236,115)
Increase in debtors	(569,881)	(115,152)	(347,068)
Increase/(decrease) in creditors	593,966	(89,453)	150,022
Net cash inflow from operating activities	(243,672)	(352,038)	148,285

5. Reconciliation of net cash inflow/(outflow) to movement in net debt

	Unaudited 6 months to 31 March 2003 £	Unaudited 6 months to 31 March 2002 £	Audited Year to 30 September 2002 £
Increase in cash in the year	872,006	31,318	276,871
Cash inflow from decrease in debt and lease finance	41,539	23,309	90,386
Change in net debt resulting from cashflow	913,545	54,627	367,257
New finance leases	(16,340)	-	(58,560)
Non cash consideration in respect of share issue	-	60,000	60,000
Movement in net debt in year	897,205	114,627	368,697
Net debt at start of period	(50,601)	(419,298)	(419,298)
Net debt at end of period	846,604	(304,671)	(50,601)

6. Analysis of net debt

	At 1 October 2002 £	Cashflow £	Non cash changes £	At 31 March 2003 £
Cash in hand and at bank	157,485	872,006	-	1,029,491
Debt due after 1 year	(108,333)	14,583	-	(93,750)
Debt due within 1 year	(25,000)	-	-	(25,000)
Obligations under finance leases	(74,753)	26,956	(16,340)	(64,137)
		41,539		
Total	(50,601)	913,545	(16,340)	846,604

7. Prior year adjustment

The prior year adjustment in the year ended 30 September 2002 results from a change in accounting policy for the treatment of accreditation costs. The directors on reviewing the accounting policy for accreditation costs consider it more appropriate to write such expenditure off in the year in which it is incurred rather than capitalising the costs and writing them off over three years as was previously adopted.

	Accreditation Costs £
Cost	
At 1 October 2001 as originally stated	54,717
Prior year adjustment	(54,717)
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At 1 October 2001 (as restated) and as at 30 September 2002	-
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Amortisation	
At 1 October 2001 as originally stated	24,076
Prior year adjustment	(24,076)
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At 1 October 2001 (as restated) and as at 30 September 2002	-
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Net Book Value	
At 30 September 2002	-
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At 30 September 2001 as restated	-
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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 1985.

The financial information in respect of the year ended 30 September 2002 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, Welwyn Garden City, Herts. 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 2003, the statement of total recognised gains and losses for the six months ended 31 March 2003, the balance sheet as at 31 March 2003, the cash flow statement for the six months ended 31 March 2003 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 2003.

BDO Stoy Hayward
Chartered Accountants
London

5 May 2003



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