

17 February 2006

Centurion Electronics plc

Placing of 510,000,000 new Ordinary Shares at 0.5p per new Ordinary Share and Issue of £1.0m Convertible Loan Notes

Preliminary Announcement of Unaudited Results for the 12 months to 30 September 2005

Key Points:

- £3.50m funding for debt restructuring and working capital
- Restructuring and repayment of £3.61m debt
- Placing of 510m new Ordinary Shares at 0.5p per share to raise £2.55m
- Issue of £1.0m Convertible Loan Notes
- Debt restructuring through £2.0m repayment, £1.1m debt cancellation and £600,000 conversion into new Ordinary Shares
- Preliminary announcement of unaudited results for year to 30 September 2005

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Introduction

Following the announcement on 30 November 2005 that Centurion had requested that trading of its shares on AIM be suspended, Centurion announced on 7 February 2006 that it had reached agreement with its lenders under the terms of which the Company's debts and other obligations would be restructured.

The Board is pleased to announce that it has raised £2.55 million through a placing of 510,000,000 new Ordinary Shares at a placing price of 0.5p per share. Centurion is also proposing to raise a further £1,000,000 through the issue of the Convertible Loan Notes, further details of which are set out below.

The Board also announces that it has reached agreement with its principal lender Portimao that, simultaneous with and conditional upon completion of the Placing, of the sum of £3,605,961.35 plus accrued interest due to Portimao, the Company will repay the amount of £2.6 million due to Portimao, through a cash payment of £2.6 million, of which the sum of £600,000 will immediately be used by Portimao to subscribe for 120,000,000 new Ordinary Shares at the Placing Price per share. The balance of the debt owed by the Company to Portimao of £1,005,961.35, plus all accrued interest to the date of repayment owed to Portimao will be waived by Portimao, under the terms of the Loan Repayment Agreement, further details of which are set out below.

Following implementation of the Loan Repayment Agreement and completion of the Placing, Centurion will have no borrowings other than the £1,000,000 Convertible Loan Notes and up to a further £250,000 working capital facility to be provided by Ravensworth under the Loan Agreement. Portimao's interest in the Company's debt arises from an agreement between Portimao and HSBC dated 27 January 2006 under the terms of which HSBC novated all of the Company's indebtedness then owed to HSBC to Portimao.

The Restructuring is necessary to secure the Company's future. The Directors realise that the proposed Placing, the issue of the Convertible Loan Notes and the allotment of the Charles Stanley Shares and Portimao Shares will be extremely dilutive to Shareholders, but it is the Board's opinion that these measures represent the most appropriate and viable option to secure the Company's future while preserving some value for Shareholders.

The Company is also announcing today the unaudited preliminary results of the Company for the year to 30 September 2005 as set out below. The Company's auditors have yet to complete their audit work in respect of the year to 30 September 2005, but are expected to do so once the Placing, the Loan Repayment Agreement, the allotment of the Portimao Shares, the Ravensworth Agreement and the Loan Agreement have all been completed and the Convertible Loan Notes issued and subscribed.

Completion of the Placing, the Loan Repayment Agreement, the Loan Agreement, the Ravensworth Agreement, the allotment of the Portimao Shares and the subscription and issue of the Convertible Loan Notes are subject, inter alia, to the passing of the Resolutions to be proposed at the Extraordinary General Meeting to be held at 10.00 am on 13 March 2006. If the Resolutions to authorise the allotment of the Placing Shares are passed, it is expected that the Placing Shares will be admitted to trading on AIM on 14 March 2006. The Board anticipates that dealings in the Existing Ordinary Shares will recommence from 8.00 a.m. today, 17 February 2006.

An EGM has been convened for 13 March 2006, at which Shareholders will be asked to consider, and if thought fit, to approve the Resolutions in order to implement the Proposals and to enable the Restructuring as outlined in this document to be completed. Details of the EGM are set out in the Circular to be sent to Shareholders today. All of the Directors have irrevocably undertaken to vote in favour of the Resolutions in respect of their entire shareholdings, which total 98,000 Ordinary Shares representing 0.39 per cent. of the issued ordinary share capital of the Company.

Background to and reasons for the Placing

Centurion has experienced difficult trading conditions over the last eighteen months, specifically in the Company's retail division. The management has sought to restructure the business to focus upon the Company's core activities – providing high quality rear seat entertainment systems for a number of the world's leading automotive manufacturers.

The challenges encountered by Centurion in the retail market contributed to excessively high levels of stocks, which in turn revealed various flaws within the Company. The Board has focused, with the support of its bankers, HSBC, on reducing the stock to more appropriate levels, while at the same time reducing the level of indebtedness that had been financing the high stock levels. The Board has also restructured the Company's operational management and systems and the Board is now confident that this exercise has been successfully completed.

On 27 January 2006 the Company consented to the novation by HSBC of all of the loans owed by and debts due from Centurion to HSBC pursuant to an agreement made between HSBC and Portimao. The Company has since reached agreement with Portimao to repay and cancel the Company's debt in accordance with the Loan Repayment Agreement, details of which are set out below. In addition on 27 January 2006 the Company entered into an agreement with HSBC Invoice Finance (UK) Limited ("HSBC Finance") and HSBC whereby HSBC Finance agreed to terminate the debt purchase agreement which it had with the Company and release all the security which it had been granted over the Company.

Principal terms of the Restructuring

- (a) The Loan Repayment Agreement

On 17 February 2006, Portimao entered into a deed acknowledged by the Company whereby Portimao agreed that the outstanding debt of £3,605,961 together with all accrued interest owed to it by the Company would, conditional upon Admission, be satisfied on the following terms

- (i) on Admission, the Company will repay the sum of £2,600,000 and immediately thereafter Portimao will subscribe for, and be allotted, 120,000,000 Ordinary Shares at a subscription price of 0.5p per share;
 - (ii) following the completion of (i) above, the debt due to Portimao by the Company will have been reduced to £1,005,961 plus all accrued interest which will then be cancelled and waived by Portimao and all the security held over the Company by Portimao will be released.
- (b) The Ravensworth Agreement

On 17 February 2006, the Company entered into an agreement with Ravensworth pursuant to which Ravensworth has agreed that immediately following Admission it will subscribe for all of the Convertible Loan Notes in the amount of £1,000,000. The subscription of £1,000,000 shall be satisfied by the Company setting off against the subscription monies all amounts owed on Admission to Ravensworth by the Company pursuant to the terms of the Existing Loan Agreement with the amount of any shortfall being subscribed by Ravensworth in cash. Upon subscription in full by Ravensworth of the Convertible Loan Notes the Existing Loan Agreement will be terminated. The Company anticipates that the Existing Loan Agreement will have been fully drawdown prior to Admission.

In addition under the terms of the Ravensworth Agreement, Ravensworth has agreed to enter into the Loan Agreement at Admission and has also agreed to subscribe for 60,000,000 of the Placing Shares at the Placing Price in the Placing.

(c) The Loan Agreement

Pursuant to the terms of the Ravensworth Agreement, Ravensworth has agreed to enter into the Loan Agreement at Admission. This provides for working capital of up to £250,000 to be available to the Company for a period of two years from Admission by way of a term loan. Interest is payable under the Loan Agreement at the rate of 7.5% per annum and is payable in arrears at three monthly intervals.

The Loan Agreement is a term loan which will become repayable early in the event that any of its terms are breached including, without limitation, non-payment of interest and/or capital when due or breach of any other provisions of the Loan Agreement. The Loan Agreement also includes an arrangement fee of £5,000 payable on signing. In addition, the Company is to give certain representations, warranties and covenants to Ravensworth in respect of its entry into the Loan Agreement.

The Loan Agreement includes a provision that in the event that the Convertible Loan Notes are redeemed in full prior to the Loan Agreement itself being repaid in full, the Company has an obligation to secure such outstanding amount under the Loan Agreement to Ravensworth by way of a debenture.

(d) The Loan Note Instrument

Pursuant to the terms of the Loan Note Instrument, whose adoption by the Company will be sought at the EGM, the Company is proposing to issue up to £1,000,000 of the Convertible Loan Notes. Under the terms of the Ravensworth Agreement (as detailed above), Ravensworth has agreed, conditional on Admission, to subscribe £1,000,000 of the Convertible Loan Notes (being all of the Convertible Loan Notes) which, if converted in full, would result in the issue of 200,000,000 Ordinary Shares.

The Loan Note Instrument is for up to £1,000,000 redeemable on 13 March 2009 if not previously converted or redeemed. The Convertible Loan Notes carry interest and are payable quarterly in arrears, at 7.5% per annum. The Convertible Loan Notes are redeemable at any time by the Company.

The holders of Convertible Loan Notes ("Noteholders") may convert the whole or part of their holding of Convertible Loan Notes into Ordinary Shares at any time at the conversion price of 0.5p per new Ordinary Share.

The Noteholders holding more than 50% of the Convertible Loan Notes will have the right to appoint one director to the Board of the Company and remove from office such person and appoint another in their place.

Under the terms of the Loan Note Instrument the Company has agreed to pay the legal fees incurred by the Noteholders (up to £10,000) in preparation and negotiation of such document.

The new Ordinary Shares to be issued following conversion of any of the Convertible Loan Notes will rank pari passu in all respects with the Ordinary Shares then in issue. The Company shall give notice to the holders of the Convertible Loan Notes if a general offer is made to all holders of Ordinary Shares. Following such notice, the holders of the Convertible Loan Notes shall be entitled to serve a notice of conversion on the Company or elect that the Company redeem its Convertible Loan Notes. If a Noteholder chooses not to serve a notice of conversion or redemption during that period, then that Noteholder's conversion right shall cease to apply.

The Directors have not applied, and do not intend to apply, to the London Stock Exchange or any other recognised investment exchange for the Convertible Loan Notes to be admitted to trading. The Convertible Loan Notes are transferable in amounts or integral multiples of £1. The Company will use its best endeavours to seek admission to trading of any new Ordinary Shares issued on conversion of the Convertible Loan Notes on any recognised investment exchange on which the Ordinary Shares are then traded.

In addition the repayment obligations under the Convertible Loan Notes will be secured by a debenture issued by the Company over the assets of the Company in favour of Ravensworth.

Ravensworth (International) Limited

The conversion in full of the Convertible Loan Notes would result in the issue and allotment of 200,000,000 new Ordinary Shares at the Placing Price per share. In the event of the conversion in full of the Convertible Loan Notes, together with the 60,000,000 Placing Shares which are to be subscribed by Ravensworth pursuant to the Placing and the 5,076,000 Existing Ordinary Shares which it currently holds, and in the absence of further share issues by the Company or purchases by Ravensworth, the issue of new Ordinary Shares to Ravensworth upon the conversion in full of the Convertible Loan Notes would result in Ravensworth holding 29.9 percent of the then issued share capital of the Company. Ravensworth is a private equity fund specialising in the acquisition of stakes in small to medium sized European publicly traded and private companies.

The proposed issue of the Convertible Loan Notes to Ravensworth is a related party transaction as defined in Rule 13 of the AIM Rules. Accordingly, the Directors, having consulted with Charles Stanley, consider the transaction to be fair and reasonable insofar as the Company's Shareholders as a whole are concerned.

Serious Loss of Capital

The Company's unaudited balance sheet as at 30 September 2005, as set out below, shows the Company's net liabilities as at 30 September 2005 are £1,593,077 whereas the amount of its paid up share capital is £221,481. Pursuant to section 142 of the Act, when the net assets of a public company are half or less than half of its called-up share capital, the directors of such company are under a duty to convene an extraordinary general meeting to consider whether any, and if so what, steps should be taken to deal with the situation. In accordance with section 142 of the Act, the EGM has also been convened to consider, in the context of the Placing and the Restructuring, what steps should be taken to deal with the situation.

Working Capital

The Company's financial position has been uncertain. However, with the benefit of the proceeds from the Placing, the Loan Agreement, the allotment of the Portimao Shares and the issue of the Convertible Loan Notes, and as a result of completing the Loan Repayment Agreement and the benefit of the Ravensworth Agreement, the Company's financial position will be considerably improved and its prospects are, in the Board's opinion, extremely positive. In the Directors' opinion, having made due and careful enquiry and taking into account the net proceeds of the Placing, the Loan Agreement, the allotment of the Portimao Shares, the benefit of the Ravensworth Agreement and the issue of the

Convertible Loan Notes together with completion of the Loan Repayment Agreement, the Company will have sufficient working capital for at least the next 12 months.

Details of the Placing

The Company is proposing to raise £2.50 million (net of expenses), by way of a placing of 510,000,000 new Ordinary Shares at 0.5 pence per share. Charles Stanley, as agent for the Company, has agreed to use its reasonable endeavours to procure subscribers for the Placing Shares. The Placing Shares represent 95.4 per cent. of the issued ordinary share capital of the Company as enlarged by the Placing. The Placing has not been underwritten.

Under the terms of the Placing certain of the Directors and senior management have agreed to subscribe for an aggregate of 5.0 million shares at the Placing Price.

The net proceeds of the Placing will be used by the Company, together with the subscription monies to be received pursuant to the issue of the Convertible Loan Notes and upon the allotment of the Portimao Shares, to complete the Loan Repayment Agreement, to undertake the Restructuring and to provide further working capital for the Company.

The Board, having been advised by Charles Stanley, consider that it is in the best interests of the Company and Shareholders as a whole for the funds to be raised by the Placing. If the Company does not raise these funds the Board could not be certain that Portimao would continue to support the Company and the Board believes that the Company would have been left with very limited alternative options, none of which it believes would have represented any value for shareholders. If the Company had made an offer, by way of a rights issue or open offer, to allow existing shareholders to subscribe for any of the Placing Shares, this would have necessitated the publication of a prospectus. Given the precarious financial position of the Company, the costs and extended timescale which would have been necessary in preparing a prospectus were, in the opinion of the Directors, beyond the resources of Centurion.

The obligations of Charles Stanley under the Placing Agreement are conditional, *inter alia*, upon the passing of the Resolutions and Admission occurring on or before 14 March 2006 or such later date as may be agreed between the Company and Charles Stanley, but in any event no later than 28 March 2006. The Placing Agreement also contains certain warranties and indemnities given by the Company and the Directors (in respect only of the warranties) in favour of Charles Stanley as to certain matters relating to the Company and its business. The obligations of Charles Stanley under the Placing Agreement may be terminated in certain circumstances if there occurs either a material breach of any of the warranties or an adverse change in the national or international, financial, economic, market or political conditions and/or in the financial position or prospects of the Company. Such rights exist in the event that such circumstances arise prior to Admission.

The Company has agreed to pay all costs charges and expenses connected with the Placing and Admission, including all fees and expenses payable in connection with admission of the Placing Shares to trading on AIM, expenses of the registrars, printing and advertising expenses, postage and all legal, accounting and other professional fees and expenses and all related VAT. The Placing Agreement provides for the Company to pay Charles Stanley a fee of £42,000 plus VAT where applicable together with a commission equal to 6.0 per cent. of the aggregate of the Placing Price of such number of the Placing Shares as are procured by Charles Stanley and 2.0 per cent. on the balance of Placing Shares subscribed for pursuant to the Placing. Charles Stanley has agreed to receive its fee and commission by way of the issue of the Charles Stanley Shares, credited as fully paid, such shares to be admitted to trading on AIM on 14 March 2006.

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that trading in the Placing Shares will commence on AIM on 14 March 2006.

The Placing Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive any dividend or other distribution declared, made or paid after the date of their unconditional allotment.

Application will also be made to the London Stock Exchange for the Charles Stanley Shares and the Portimao Shares to be admitted to trading on AIM. It is expected that admission to trading on AIM will

become effective and that trading in the Charles Stanley Shares and the Portimao Shares will commence on AIM on 14 March 2006 and 15 March 2006 respectively.

Current trading and future prospects

With the Company's exit from high street retail now complete, and the associated stock dispersal activity concluded, it is anticipated that the Company is well positioned to return to profitability, although the Directors anticipate that the Company is not likely to report a profit for the first half of the current financial year to 31 March 2006. Significant progress in expanding the automotive business beyond the current contracts with Toyota and Renault has been made and the Board anticipates that details of a further contract will be announced shortly. The recent appointment of Iwan Rees as Sales & Marketing Director, further emphasises Centurion's focus on its core automotive business. Mr Rees is not currently a Board Director of Centurion but it is expected that he will be appointed to the Board within the next three months.

At 30 September 2005 the Group had net current liabilities of £2,345,000 and net liabilities of £1,593,000. The Directors have produced forecast cash flows to 30 September 2007 which indicate that the Group can continue as a going concern and meet its liabilities as they fall due. In preparing these cash flows the Directors have, firstly, assumed that the proposed Restructuring, which is described in greater detail above, is successful.

Secondly, the forecast assumes no revenue from the specialist market in the second half of the current year and that the sales pattern of the OEM market follows that demonstrated in the year-ended 30 September 2005. In particular, the sales revenue is dependent upon the OEM customers drawing down product in line with their existing forecasts for the period. Further, the cashflows assume that the business continues to receive the support of unsecured creditors in not requiring payment in line with due dates.

The Directors believe that the management cash flow forecasts are achievable and therefore believe it is appropriate to prepare the accounts to 30 September 2005 on the going concern basis. The financial statements will not include any adjustment to the balance sheet tangible fixed assets or provision for future liabilities which would result should the going concern basis not be appropriate.

Board Changes

In the event that the Resolutions are passed at the EGM and the Restructuring is concluded successfully, Mr Brian Hendon, Chairman of the Company, has advised the Board that he will be resigning from the Board. The Company is pleased to announce that Mr Ernst Kastner, has agreed to accept the appointment as non-Executive Chairman of Centurion with effect from completion of the Proposals.

Mr Ernst Kastner is 35 years old and has been retained by Ravensworth as a consultant solely for the purposes of this transaction. He started his career in 1993 by qualifying as a solicitor in London at Mayer, Brown, Rowe & Maw. In 1996, he moved into the private equity industry, working at Security Capital in London as a Vice President from 1996 to 2000 and then at Doughty Hanson in London as a Senior Associate from 2000 to 2002. During his time at the above private equity houses, he was responsible for analysing and underwriting numerous corporate and asset acquisitions, carrying out due diligence, leading negotiation and execution, as well as devising strategies and implementing the integration of newly acquired businesses. Most recently he has worked from March 2002 to April 2004 as a Project Leader at Excel Advisory Group LLC, providing client advice in the areas of mergers, acquisitions, dispositions, asset management and fund raising.

Increase in Authorised Share capital

It is also proposed that the authorised share capital of the Company be increased by £960,000 by the creation of 960,000,000 new Ordinary Shares. Authority for such increase will be sought at the EGM.

Articles

Since the adoption of the Articles, there have been certain developments in legislation relating to the use of electronic communications, treasury shares and CREST. In addition, certain investor bodies require that the articles of association of listed companies are reviewed regularly to ensure that they remain in keeping with modern business practice. It is proposed that the New Articles, which reflect such legal developments, be adopted and the adoption of the New Articles is proposed at the Extraordinary General Meeting.

Irrevocable undertakings

All of the Directors have irrevocably undertaken to vote in favour of the Resolutions in respect of their entire holdings of Ordinary Shares, which total 98,000 Ordinary Shares representing 0.39 per cent. of the issued ordinary share capital of the Company.

Circular to Shareholders

A circular containing further details of the Placing and the other proposals outlined above, accompanied by the Notice of Extraordinary General Meeting convened for 13 March 2006, will today be posted to shareholders.

Preliminary Announcement of unaudited results for the year to 30 September 2005

Profit and loss account for the year ended 30 September 2005

	Note	2005 £	2004 £
Turnover		14,006,539	15,744,431
Cost of sales		10,334,080	10,727,377
Exceptional cost of sales		<u>5,919,966</u>	<u>0</u>
Gross profit/(loss)		(2,247,507)	5,017,054
Administrative expenses		(5,359,385)	(3,351,423)
Exceptional Administrative expenses		<u>(783,957)</u>	<u>470,000</u>
Operating Profit/(loss)		(8,390,849)	2,135,631
Interest payable and similar charges		<u>(659,767)</u>	<u>(174,946)</u>
Profit on ordinary activities before taxation		(9,050,616)	1,960,685
Taxation on profit on ordinary activities		<u>619,096</u>	<u>(558,758)</u>
Profit on ordinary activities after taxation for the year		(8,431,520)	1,401,927
Dividends (including non-equity)		<u>0</u>	<u>266,359</u>
Retained profit/(loss) for the financial year		<u>(8,431,520)</u>	<u>1,135,568</u>
Earnings/(loss) per share	2		
Basic		(34.20)p	5.91p
Diluted		(34.20)p	5.75p
Earnings/(loss) per share excluding exceptional income			
Basic		(9.03)p	4.52p
Diluted		(9.03)p	4.40p

All amounts relate to continuing activities.

Statement of total recognised gains and losses for the year ending 30th September 2005

	2005 £	Restated 2004 £
(Loss)/profit for the financial year	(8,431,520)	1,401,927
Total recognised gains and losses relating to the year	(8,431,520)	1,401,927
Prior year adjustment	(256,681)	
Total gains and losses recognised since last annual report	<u>(8,688,201)</u>	

Balance sheet at 30 September 2005

	2005 £	2005 £	2004 £	2004 £
Fixed assets		853,264		833,369
Current assets	4,971,466		15,867,241	
Creditors: amounts falling due within one year	<u>(7,317,273)</u>		<u>(9,796,168)</u>	
Net current assets / (liabilities)		<u>(2,345,807)</u>		<u>6,071,073</u>
Total assets less current liabilities		<u>(1,492,543)</u>		<u>6,904,442</u>
Non-current liabilities		(100,534)		(245,999)
		<u>(1,593,077)</u>		<u>6,658,443</u>
Capital and reserves				
Called up share capital		221,481		220,881
Share premium account		4,731,879		4,552,479
Capital redemption reserve		130,000		130,000
Profit and loss account		<u>(6,676,437)</u>		<u>1,755,083</u>
Shareholders' funds		<u>(1,593,077)</u>		<u>6,658,443</u>

Cash flow statement for the year
ended 30 September 2005

	Note	2005 £	2005 £	2004 £	2004 £
Net cash outflow from operating activities	3		(2,766,048)		(1,202,590)
Returns on investments and servicing of finance					
Interest paid		<u>(659,767)</u>		<u>(174,946)</u>	
Net cash outflow from returns on investments and servicing of finance			(659,767)		(174,946)
Taxation					
UK corporation tax paid			(170)		(261,208)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(297,883)		(271,046)	
Sale of tangible fixed assets		<u>53,141</u>		<u>-</u>	
			(244,742)		(271,046)
Equity dividends paid			<u>(272,959)</u>		<u>(184,078)</u>
Cash outflow before financing			<u>(3,943,686)</u>		<u>(2,093,868)</u>
Financing					
Short term import loans (paid)/advanced		(740,418)		2,076,060	
Bank loans paid		(45,333)		(25,000)	
Bank loans received		-		50,833	
Capital element of finance lease rental payments		(76,105)		(62,114)	
Share issues (net of expenses)		-		1,173,701	
Share options exercised		<u>180,000</u>		<u>31,500</u>	
			<u>(681,856)</u>		<u>3,244,980</u>
(Decrease)/Increase in cash	4		<u><u>(4,625,542)</u></u>		<u><u>1,151,112</u></u>

Notes

1 Basis of preparation and financial information

The financial information set out in this preliminary announcement has been prepared on the same basis as the accounting policies used in the Company's 2004 statutory accounts.

The information shown for the years ended 30 September 2005 and 30 September 2004 does not constitute statutory accounts within the meaning of S240 of the Companies Act 1985 and has been extracted from the unaudited preliminary accounts for the year ended September 2005 and the full accounts for the year ended 30 September 2004 respectively.

The reports of the auditors on those accounts were unqualified and did not contain a statement under either S237(2) or S237(3) of the Companies Act 1985.

The accounts for the year ended 30 September 2004 have been filed with the Registrar of Companies. The accounts for the year ended 30 September 2005 will be delivered to the Registrar of Companies in due course.

Our auditors have indicated that the report of the auditors will, subject to the successful completion of the proposed refinancing, incorporate a fundamental uncertainty paragraph around the future trading of the company, covering the factors detailed in the second and third paragraphs of the following "Directors' Summary of Financial Position and Forecasts".

Directors' Summary of Financial Position and Forecasts

At 30 September 2005 the group had unaudited net current liabilities of £2,345,000 and net liabilities of £1,593,000. The directors have produced forecast cash flows to 30 September 2007 which indicate that the group can continue as a going concern and meet its liabilities as they fall due. In preparing these cash flows the directors have, firstly, assumed that the proposed restructuring is successful. The restructuring will result in the issue of new share capital of £2.5 million, the payment of £2.0 million to Portimao, the cancellation of existing debt due to Portimao of £1.0 million and the subsequent issue of £1.0 million of convertible loan notes to Ravensworth. The issue of new share capital is subject to shareholder approval.

Secondly, the forecast assumes no revenue from the specialist market in the second half of the current year and that the sales pattern of the OEM market follows that demonstrated in the year-ended 30 September 2005. In particular, the sales revenue is dependent upon the OEM customers drawing down product in line with their existing forecasts for the period. Further, that the business continues to receive the support of unsecured creditors in not requiring payment in line with due date.

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

2 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 350,000 ordinary shares on 21 December 2004 and the issue of 250,000 shares on 2 February 2005.

The weighted average number of equity shares in issue for the basic earnings per share calculation is 24,651,824 (2004: 23,726,817) and the earnings, being profit after tax are £(8,341,520) (2004: £1,401,927).

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:

	2005	2004
Basic earnings per share denominator ordinary shares of 0.1 pence	24,651,824	23,726,817
Dilutive effect of company share option schemes	-	665,565
	<u>24,651,824</u>	<u>24,392,382</u>

3 Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

	2005 £	2004 £
Operating profit	(8,343,206)	2,135,631
Depreciation	246,006	179,914
Profit on sale of fixed assets	-	-
Increase in stocks	2,570,623	(2,443,939)
Increase in debtors	6,151,798	(6,541,435)
Increase in creditors	(3,391,269)	5,467,239
Net cash outflow from operating activities	<u>(2,766,048)</u>	<u>(1,202,590)</u>

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

	2005 £	2005 £	2004 £	2004 £
(Decrease)/Increase in cash in the year	(4,625,542)		1,151,112	
Cash inflow/(outflow) from changes in debt and lease financing	<u>861,856</u>		<u>(2,039,779)</u>	
Change in net debt resulting from cash flows		(3,763,686)		(888,667)
New finance leases		<u>(68,802)</u>		<u>(146,890)</u>
Movement in net debt in the year		<u>(3,832,488)</u>		<u>(1,035,557)</u>
Net (debt)/funds at start of year		<u>(267,606)</u>		<u>767,951</u>
Net funds/(debt) at end of year		<u><u>(4,100,094)</u></u>		<u><u>(267,606)</u></u>

5 Analysis of net debt

	At 1 Oct 2004 £	Cash flow £	Other non-cash changes £	At 30 Sept 2005 £
Cash in hand and at bank	2,863,896	(2,180,961)	-	682,936
Bank Overdrafts		<u>(2,444,581)</u>	-	<u>(2,444,581)</u>
		(4,625,542)		(1,761,645)
Debt due after 1 year	(86,750)	45,333	-	(41,417)
Debt due within 1 year	(2,869,154)	740,418	-	(2,128,736)
Obligations under finance leases	<u>(175,598)</u>	<u>76,105</u>	<u>(68,802)</u>	<u>(168,295)</u>
Total	<u><u>(267,606)</u></u>	<u><u>(3,763,686)</u></u>	<u><u>(68,802)</u></u>	<u><u>(4,100,094)</u></u>

6 Copies of this announcement are available from the Company's offices at Satellite House, City Park, Welwyn Garden City, Herts. AL7 1LY.

Definitions

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

"Act"	the Companies Act 1985, as amended
"Admission"	the admission of the Placing Shares and the Charles Stanley Shares to trading on AIM and such admission becoming effective in accordance with the AIM Rules
"AIM"	AIM, a market operated by the London Stock Exchange
"AIM Rules"	the rules governing the admission to, and operation of, AIM contained in the document entitled the "AIM Rules" published by the London Stock Exchange
"Articles"	the articles of association of the Company as at the date of this document
"Centurion" or the "Company"	Centurion Electronics PLC
"Charles Stanley"	Charles Stanley Securities, a division of Charles Stanley & Co. Limited
"Charles Stanley Shares"	the 29,200,000 new Ordinary Shares to be issued and allotted to Charles Stanley, credited as fully paid, at the Placing Price per share in accordance with the terms of the Placing Agreement

“Circular”	means the document to be sent to Shareholders today, 17 February 2006, containing further details of the Placing and the other proposals outlined above, accompanied by the Notice of Extraordinary General Meeting convened for 13 March 2006
“Convertible Loan Notes”	the £1,000,000 7.5% secured convertible loan notes 2009 to be issued to Ravensworth under the terms of the Loan Note Instrument and in accordance with the Ravensworth Agreement
“Directors” or the “Board”	the directors of the Company
“EGM” or “Extraordinary General Meeting”	the Extraordinary General Meeting of the Company convened for 10.00 a.m. on 13 March 2006 by the Notice of EGM and any adjournment thereof
“Existing Loan Agreement”	the loan agreement dated 3 February 2006 made between the Company and Ravensworth for the amount of up to £750,000
“Existing Ordinary Shares”	the Ordinary Shares in issue at the date of this document
“Group”	the Company and its subsidiaries from time to time
“HSBC”	HSBC Bank Plc
“Loan Agreement”	the conditional loan agreement, in the agreed form, to be entered into at Admission between the Company and Ravensworth in accordance with the terms of the Ravensworth Agreement for up to £250,000 which can be drawdown by the Company
“Loan Note Instrument”	the loan note instrument, in the agreed form and constituting the Convertible Loan Notes, to be approved by the Company at the EGM
“Loan Repayment Agreement”	the conditional agreement dated 17 February 2006 between the Company and Portimao, which is described in further detail in Part I of this document
“London Stock Exchange”	London Stock Exchange Plc
“New Articles”	the articles of association of the Company proposed to be adopted by the Company pursuant to Resolution 5, further details of which are set out in this document
“Notice of EGM”	the notice of EGM set out at the end of this document
“OEM”	original equipment manufacturer
“Ordinary Shares”	ordinary shares of 0.1p each in the capital of the Company
“Placing”	the conditional placing of the Placing Shares with institutional and other investors and of the Convertible Loan Notes pursuant to the terms of the Placing Agreement and as described in this document
“Placing Agreement”	the agreement dated 17 February 2006 between the Company, the Directors and Charles Stanley in connection with the Placing
“Placing Price”	0.5p per Placing Share
“Placing Shares”	the 510,000,000 new Ordinary Shares which have been conditionally subscribed in accordance with the terms of the Placing Agreement

“Portimao”	Portimao Investments Limited, a company registered in Gibraltar with registration number 33851 whose registered office is 3 Bell Lane, Gibraltar
“Portimao Shares”	the 120,000,000 new Ordinary Shares to be subscribed by Portimao in accordance with the terms of the Loan Repayment Agreement and which are to be admitted to trading on AIM on the next business day following Admission
“Ravensworth”	Ravensworth (International) Limited, a company registered in Gibraltar with registration number 88668 who registered office is at 57/63 Line Wall, Gibraltar
“Ravensworth Agreement”	the agreement dated 17 February 2006 between the Company and Ravensworth, further details of which are set out in Part I of this document
“Regulations”	The Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) and as amended from time to time
“Resolutions”	the resolutions set out in the Notice of EGM
“Restructuring”	the restructuring of the Company’s finances as outlined in this announcement
“Shareholders”	holders of Ordinary Shares