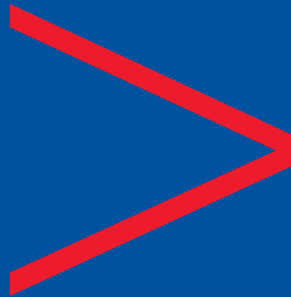


TOTAL SOLUTIONS



WIDE REACH



LEADING TECHNOLOGY



POWER PROTECTION

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CHLORIDE

THROUGH RIGOROUS FOCUS ON INNOVATION, FLEXIBILITY AND RELIABILITY, CHLORIDE IS THE SUPPLIER OF CHOICE FOR POWER PROTECTION SOLUTIONS. ITS STRENGTHS DERIVE FROM APPLYING INNOVATIVE TECHNOLOGIES AND INDUSTRY-LEADING CUSTOMER SERVICE TO THE PROTECTION OF CRITICAL APPLICATIONS WORLDWIDE.

POWER PROTECTION 

HIGHLIGHTS

- > Operating profit before goodwill amortisation and exceptional items increased by 40% to £7.1 million (2002: £5.0 million) after significant further investment in product development, on sales down 4% at £143.0 million (2002: £148.3 million)
- > Improved profitability in difficult markets from better margins, growth in the higher-margin service business and reduced product and distribution costs
- > 13% increase in service sales, with service now accounting for 26% of total revenue
- > Adjusted EPS, before goodwill amortisation and exceptional items, up 40% at 1.98p (2002: 1.41p)
- > Cash inflow from operating activities was £11.9 million (168% of operating profit before goodwill amortisation) against £1.8 million last year
- > Low gearing with net debt of £8.8 million (2002: £8.1 million)
- > Dividend maintained at 1.6p per share, reflecting the Board's confidence in the Company's prospects and in the key long-term growth drivers for the power protection market
- > Strengthened market positions in Europe and strategic acquisition in the dynamic Chinese market

TURNOVER £million	OPERATING PROFIT Before goodwill amortisation £million	EARNINGS PER SHARE Adjusted basis pence	CASH FLOW From operating activities £million																
<table border="1"> <tr> <td>2002</td> <td>148.3</td> </tr> <tr> <td>2003</td> <td>143.0</td> </tr> </table>	2002	148.3	2003	143.0	<table border="1"> <tr> <td>2002</td> <td>5.0</td> </tr> <tr> <td>2003</td> <td>7.1</td> </tr> </table>	2002	5.0	2003	7.1	<table border="1"> <tr> <td>2002</td> <td>1.41</td> </tr> <tr> <td>2003</td> <td>1.98</td> </tr> </table>	2002	1.41	2003	1.98	<table border="1"> <tr> <td>2002</td> <td>1.8</td> </tr> <tr> <td>2003</td> <td>11.9</td> </tr> </table>	2002	1.8	2003	11.9
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CHAIRMAN'S STATEMENT

"We are confident that Chloride has never been better placed to exploit opportunities from the long-term growth in the power protection market. We will continue to focus our marketing activities on the higher-growth sectors within our market and on extending our total solutions strategy to gain competitive advantage."



INTRODUCTION Chloride made good progress over the year, despite the challenging market environment which reduced demand for power protection solutions in certain market sectors. Operating profit showed a healthy increase against marginally lower sales as we improved margins through a continued focus on cost control combined with better efficiency and effectiveness throughout the business.

We maintained sales in our core European markets, grew service revenues strongly and further improved our ability to generate cash.

We gained market share through focusing our sales resources on specific growth sectors of the market and further enhancement of our total power protection solutions offering.

Investment in the future growth of the business continued to be a priority. In February 2003 we acquired a majority stake in Shanghai-based Siemens Telcom Power Supply Limited, now renamed Chloride Masterguard Power Systems Limited, giving Chloride a strategic presence in the dynamic Chinese market. We also increased our investment in new product development, building on our strong technology platforms to provide high specification products at lower cost.

FINANCIAL Operating profit before goodwill amortisation and exceptional items recovered by 40% to £7.1 million (2002: £5.0 million) on total sales of £143.0 million (2002: £148.3 million). Margins improved across all our operations as a result of the vigorous control of overhead costs and supply chain management, and a more favourable mix of higher-margin service revenues.

Profit before tax, goodwill amortisation and exceptional items was up 41% to £6.34 million (2002: £4.48 million) delivering a 40% increase in adjusted EPS to 1.98p (2002: 1.41p). This was achieved after absorbing in excess of £1 million of increased product development, pension and insurance costs.

Cash flow from operating activities was 168% of operating profit before goodwill amortisation reflecting the Group's ability to generate strong cash flow from its operations. Year-end net debt was £8.8 million (2002: £8.1 million) with gearing on shareholders' funds at 13.0% (2002: 12.1%), after the investment associated with our strategic acquisition in China.

DIVIDEND The Board is confident that the long-term outlook for the market is positive, given the underlying growth drivers for power protection solutions, and that our approach will deliver consistently improving results. Against this background, the Board is recommending the payment of a final dividend of 0.8p (2002: 0.8p). Together with the interim dividend of 0.8p (2002: 0.8p), this gives an unchanged full year dividend of 1.6p (2002: 1.6p). The Board believes this strikes the right balance between rewarding shareholders for performance during the year, reflecting future prospects and re-building dividend cover.

The final dividend will be paid on 29 July 2003 to shareholders on the register at 4 July 2003.

CHAIRMAN'S STATEMENT CONTINUED

LONG-TERM CUSTOMER RELATIONSHIPS An essential part of our strategy to increase competitive advantage remains consistent – to build long-term partnerships with blue-chip customers in our chosen markets by providing the industry-leading power protection solutions they require to ensure their business continuity. This approach has put Chloride in a good position to win market share and increase margins despite the current market downturn. We are confident that the Company has never been better placed to exploit opportunities from the long-term growth in the power protection market. We will continue to focus our marketing activities on the higher-growth sectors within our market and on extending our total solutions strategy to further competitive advantage.

PEOPLE Once again, the Board is grateful for the commitment shown by our employees in driving forward the business. In the UK, we operate a hybrid defined benefit/defined contribution pension scheme which, like many similar schemes and after several years of surplus, has been adversely impacted by the downturn in the stock market. Our defined benefit section is small, having been closed to new members in 1998. The Board has demonstrated its commitment to the Scheme by agreeing a substantial one-off Company contribution of £1.5 million and increasing the Company's regular contributions.

CORPORATE GOVERNANCE The Board supports the adoption of best practice guidelines in corporate governance and this year is able to confirm that the Company complies fully with the Combined Code in its current form. The Board has considered carefully the recommendations and guidance of the Higgs and Smith Reports on Corporate Governance and Audit Committees. We have decided to await the final, revised Combined Code on Corporate Governance and evaluate emerging best practice before implementing changes to corporate governance procedures within the Company.

OUTLOOK The immediate trading environment remains challenging and we do not expect any recovery in the short term. Nevertheless, we believe we are well positioned to improve performance as we enter the new financial year. Whilst we are cautious about the outlook for the current year, our sharpened focus, improved competitiveness and leading range of power protection solutions should enable us to make further progress.

NORMAN BROADHURST

CHIEF EXECUTIVE'S REVIEW

“Our solutions offering is supported by an international reach that encompasses our core markets in western Europe and the USA as well as our growing presence in the Middle East and Far East. In all of these markets we are building long-term partnerships with blue-chip customers.”



INTRODUCTION In the period under review, Chloride delivered a substantial improvement in operating profit and strong operating cash flow despite the anticipated difficult market conditions, which resulted in reduced sales and increased pressure on prices.

We managed the business to maximise opportunities in the challenging market environment, while remaining confident of our longer-term prospects. Accordingly, we continued to invest for the future of the business, through the development of new products, enhancement of our solutions capabilities and expansion of our geographic spread.

We are convinced that the fundamental growth drivers of the business – our customers' absolute requirement to protect mission-critical equipment and the uncertain power quality in many countries – will prove robust over the longer term.

IMPROVING PERFORMANCE Despite the economic conditions, we delivered a 40% increase in operating profit before goodwill amortisation and exceptional items, through rigorous cost control, improved product margins and a better mix of higher-margin service revenues. This substantial growth in operating profit was achieved after significantly increasing our investment in product development and without reducing our sales resources. Each of our business streams – UPS Systems, Industrial Systems, Power Conditioning and Telecom Systems – improved operating profit compared to the prior year.

Importantly, product margins were increased against the background of severe pricing pressure, by focusing on our solutions approach and concentrating our sales efforts on projects that added value for our customers. In addition, product

and distribution costs were reduced through the combined benefits of lower-cost new products, greater outsourcing to lower-cost, high-quality suppliers in the Far East and improved procurement and logistics.

Cash flow was generated at 168% of operating profit before goodwill amortisation and exceptional items, as a result of actions taken to reduce working capital. An important element of this was the establishment of a new logistics operation in Duisberg, Germany to channel our imported products through a single European hub. The main benefit of this will come through in the current financial year with reduced inventories and improved service levels to customers.

SALES Sales performance was characterised by a decline in product sales, partially offset by an increase in higher-margin service revenue.

Overall, sales were down 4% as capital investment in our major markets was deferred. We believe however that this represents an increase in market share, particularly in our major markets of the UK and mainland Europe, given the recent results of our major competitors who reported larger declines in sales.

In geographic terms, our sales were sustained at last year's level in our main markets of Europe, Middle East and Africa (EMEA). We performed less well in Asia Pacific where we suffered from changes in our distributor network, and in Latin America.

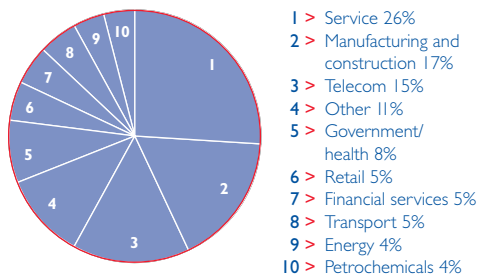
Product sales were down 8%, with significant falls in the telecom, technology and manufacturing sectors due to the lower level of investment in the telecoms infrastructure and the depressed manufacturing sector in our main European markets.

CHIEF EXECUTIVE'S REVIEW CONTINUED

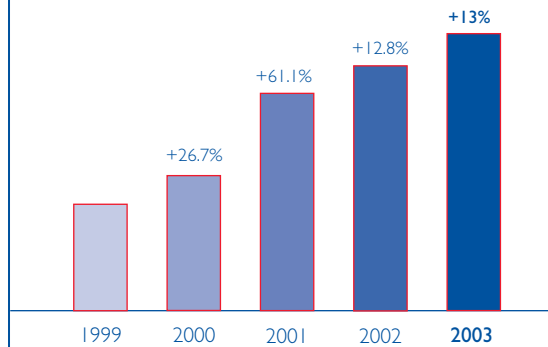
Against this background we focused sales resources on the more favourable markets. This has enabled us to make progress in the transport sector, with projects completed in several European and Far Eastern countries, such as the technically complex solution for the Bangkok Mass Rapid Transport Authority; in government-related projects, such as those for the Federal Labor Office in Germany and the Police Authorities in the UK and Turkey; and in the retail, energy and construction sectors where we achieved good sales growth over the prior year.

Service sales have consistently increased in recent years, validating our strategy of developing our total solutions offering, with lifetime service and support for the customer. We are pleased to report a 13% increase in service sales, which now account for 26% of total revenues. The professional and reliable delivery of our service solutions yields a recurring revenue stream and generates sales opportunities, as well as allowing us to predict our customers' requirements and to be well placed when equipment upgrades are contemplated.

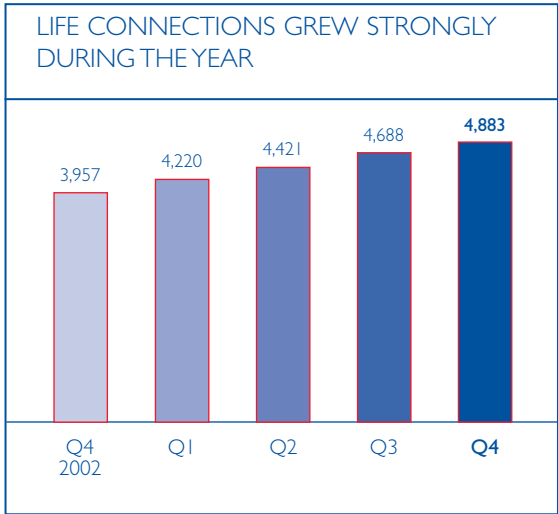
SALES IN MARKET SECTORS



INCREASE IN SERVICE REVENUE



A vital part of our service offering is our industry-leading remote diagnostic monitoring system – LIFE – which underpins our relationships with our customers, for whom 24-hour continuous power protection is an important element of risk management.



INCREASING COMPETITIVE ADVANTAGE In the year under review our strategy to improve competitive advantage successfully delivered an increase in market share and better margins, despite pricing pressure in our markets. We continue to gain competitive advantage through:

Building long-term customer relationships We focus on understanding our customers' power protection requirements, developing tailored solutions specific to their applications and training their staff to utilise the full capabilities of their equipment and software.

Our customer-facing staff are trained through our customer care programme "Achieving Service Excellence" to understand customers' expectations and perceptions and how to improve the quality of service delivery.

This approach has been successful, making Chloride the supplier of choice for important customers in sectors such as transportation where power protection is essential for critical safety systems and operational performance, and financial services where power protection is vital for business continuity.

CHIEF EXECUTIVE'S REVIEW CONTINUED

Delivering total solutions We develop and differentiate our solutions through:

- investing in product innovation to give us market-leading technology. During the year, we made a significant investment in developing a range of UPS products for the US market, as well as other projects including modular UPS products for industrial systems; a 50-amp rectifier for telecom systems; and new patented telephone line protectors for our US power conditioning business;
- developing proprietary software to provide our customers with network connectivity and to enhance our industry-leading remote monitoring and diagnostic software – LIFE. We are now bringing to market the next generation of LIFE, known as LIFE.net, which has additional benefits for the customer including greater use of Internet and email communication;
- offering a combination of different technologies – AC UPS systems, DC systems, power conditioning and industrial systems. We are increasingly focusing on combining capabilities from our operations in Bologna, Lyon and Dol de Bretagne to provide the fully integrated solutions that deliver through our sales and service businesses a real competitive advantage when tendering for significant, complex projects;

- developing our consultancy and project management capabilities;
- offering a range of service and remote monitoring options to secure the optimum performance of our systems in critical applications;
- continually updating our know-how and capabilities to extend best practice across all our operations.

Expanding geographic reach Late in the year, we announced the acquisition of a 75% interest in the Shanghai-based Siemens Telcom Power Supply Limited, now renamed Chloride Masterguard Power Systems Limited.

This is a strategic purchase, giving us excellent facilities with which to expand our business in China for telecom power systems, UPS and industrial systems. We have a major task to build on this capability and we anticipate the initial benefit of this investment will start to come through next year. China is the fastest-growing geographic market for power protection and we have a good-quality partner in Shanghai Mobile Communications Company, a subsidiary of China Mobile Communications Corporation, together with ongoing supply arrangements with Siemens.

POSITIONED FOR GROWTH Power protection is a long-term growth market underpinned by the need for businesses and government organisations to have uninterrupted quality power to support critical systems, against the background of deteriorating power quality and reliability in most economies.

We have a comprehensive total solutions offering that differentiates Chloride and enables us to access a broad range of applications from small office LAN networks to data and call centres, industrial plants, telecommunication infrastructure, energy and petrochemical and major transport infrastructure projects.

Our solutions offering is supported by an international reach that encompasses our core markets in western Europe and the USA as well as our growing presence in the Middle East and Far East. In all of these markets we are building long-term partnerships with blue-chip customers.

We have never been better placed to develop these relationships and we are confident that by following our consistent strategy we will continue to capture market share, build margins and generate cash.

KEITH HODGKINSON



RESEARCH AND DEVELOPMENT

Investment in research and development continues to be a high priority. Development projects during the year included a range of UPS products for the US market, modular UPS products for industrial systems and a 50-amp rectifier for telecom systems.



COPPER MINING IN CHILE

A Chloride solution ensures continuous power for the smelting furnace at Noranda's new copper mining plant in Chile. This critical application is protected by UPS systems incorporating Vector control technology and network monitoring software.



TELECOMS, GERMANY

Masterguard won a substantial contract to provide power protection for Vodafone Information Systems, utilising UPS systems with state-of-the-art Vector digital control technology, nationwide service cover and LIFE.net remote monitoring.

TELECOM LINE PROTECTORS

Providing uninterrupted voice and data communications is paramount in today's converging marketplace. Oneac, USA, has developed patented communication line protector technology which ensures trouble-free analogue, digital and high-speed data communications.

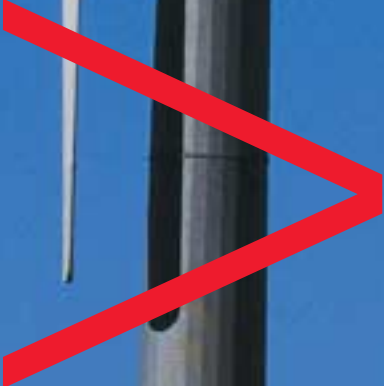
During the year, Oneac launched its new Convergent Series rackmount base and modular communication line protectors. The Convergent Series features Oneac's patented switched filter technology, to shield equipment from the damaging effects of lightning induced transients. Telecommunications network operators using Oneac's patented technology achieve a significant improvement in system reliability and savings in service costs.



PROTECTING RENEWABLE ENERGY SOURCES

The wind power generation industry has benefited from the increasing pressure on governments to encourage clean, sustainable energy production. Danish wind turbine companies have played a leading role in the industry for over 20 years and construct windfarms all over the world. Our customers use Chloride power protection solutions to protect the in-built computers controlling their wind turbines, and to support the emergency lighting systems, in Denmark and various other countries.

In the Danish wind turbine industry, our customers include VESTAS, NEG Micon and BONUS.



LEADING TECHNOLOGY >

SECURE POWER FOR THE CUSTOMER



CONTACT



ASSESSMENT



SOLUTION



LIFETIME SERVICE SUPPORT



LIFE.net



PROJECT MANAGEMENT

CHLORIDE

Chloride's total solution approach to delivering and maintaining optimum power protection requires the highest standards throughout, from design and implementation to life-long support. Chloride:

- designs the best solution to meet the customer's operational needs and budget;
- project manages the installation and commissioning;
- provides life-long service and technical support, with advanced LIFE.net remote monitoring and diagnostics.

BANGKOK MASS RAPID TRANSPORT SYSTEM

Bangkok's new underground metro system, with 18 stations on the network, is due for official opening in April 2004. Chloride has been chosen as the sole supplier of power protection solutions for the signalling systems, revenue collection equipment and a number of operations buildings.

Chloride had clear competitive advantage with its breadth of product portfolio, covering the requirement for both standard UPS systems and DC systems, its innovative solution for rail and underground applications, and its unrivalled service capability.



IMOLA MOTOR RACING CIRCUIT

Motor racing at the Imola track is dependent on reliable technology. Chloride's power protection solutions provide secure power to the starting light system, the first aid building and the monitoring centre which controls essential timing and data recording equipment. The Chloride solution, tailored to the customer's requirements, includes 24-hour technical support during key events such as the San Marino Formula 1 Grand Prix, Motor Cycling World Championship events and Formula 3000 races.

TOTAL SOLUTIONS >





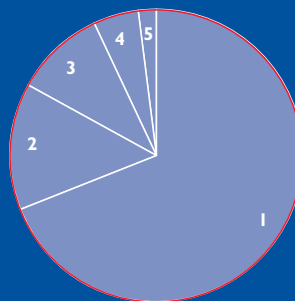
AGRICULTURE BANK OF CHINA

One of the four biggest state-owned banks in China has selected Chloride power protection solutions to protect the IT infrastructure in 700 branches across China.



MICROSOFT BRAZIL

Chloride Brazil supplied power protection for the Microsoft Solution Center in Sao Paulo, Brazil, which provides training and testing facilities for Brazil's technological community.



INTERNATIONAL MARKETS

- 1 > Europe 69%
- 2 > USA 14%
- 3 > Asia Pacific 10%
- 4 > Middle East/Africa 5%
- 5 > Latin America 2%

AZERBAIJAN PIPELINE PROJECT

The energy sector is an important international market sector for Chloride Industrial Systems. CIS won the contract to supply equipment, including UPS systems and battery chargers to support the Azerbaijan, Georgia, Turkey oil pipeline project, which will carry 80 million tons of oil a year from 2005. CIS equipment will be installed along the pipeline to protect computer systems, telecommunication systems, telemonitoring systems and security valves.





DEVELOPING MARKETS, CHINA

China now attracts the most foreign direct investments in Asia, with an increasing number of multinational companies starting up manufacturing facilities, a growing IT and Internet sector and the world's largest mobile and second largest fixed-line telecom markets. This expansion will drive the demand for power protection solutions and Chloride's Shanghai-based acquisition, Chloride Masterguard Power Systems, is well placed to exploit the market potential.

WIDE REACH 



FINANCIAL REVIEW

“The stock market fall of the last two years has eroded the gains to shareholder value of the previous three years. The Company believes it is well positioned now to grow total shareholder return (TSR) as markets recover.”



- > The drivers for growth – degrading power supplies and increasing critical application needs – remain strong
- > Chloride’s solutions approach reduces risk and improves business profitability
- > High quality of earnings as service revenues and associated cash returns grow
- > Strengthened market positions in Europe and further investment in developing markets such as China
- > Cost base reduced and supply chain improvements made
- > Adjusted EPS, before goodwill amortisation and exceptional items, 40% up on prior year
- > Dividend held at 1.6p, providing a yield of c. 5%
- > Strong operating cash flow of £11.9 million, being 168% of operating profit
- > Low gearing with net debt of £8.8 million

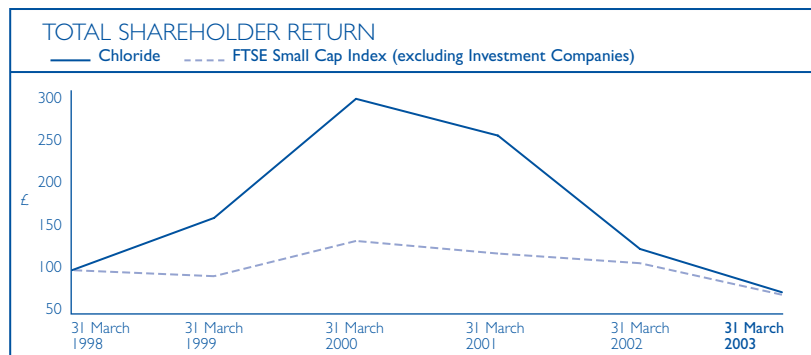
TOTAL SHAREHOLDER RETURNS We continue to monitor regularly our performance in terms of TSR as determined by the growth in both the share price and the dividend. During 2003 world stock markets continued to move downwards. Chloride has not been immune to these movements and, despite the strong fundamental drivers for growth, has seen its share price fall from a peak of 50p to 29p at the end of the year:

Management continues to believe that a return to increases in value in the longer term will be driven by the increasingly poor quality of electricity supply around the world and the growing need for power protection solutions in critical applications. This confidence is again reflected in the dividend, which the Board recommends be maintained at 1.6p (a c. 5% yield at the balance sheet date).

CASH FLOW/EBITDA Cash management is crucial to performance. Turning profits into cash enables healthy reinvestment in the businesses. Cash flow from continuing operating activities was grown as a result of strong credit control and collections, growth in service revenues and streamlining the supply chain to reduce inventory. The business model should continue to provide strong cash returns.

CAPITAL EXPENDITURE AND INVESTMENTS Tangible fixed asset capital expenditure in the year was constrained to £2.6 million of essential replacement needs. In the coming year there will be substantial reinvestment in upgrading customer care and witness testing facilities and also in further upgrading systems to support the speed and efficiency of customer interfaces.

The Employee Benefit Trust now holds 11.2 million shares to satisfy the potential exercise of certain incentive share options. The net acquisition cost of £10.5 million is shown in the balance sheet under fixed assets, investments, and compares with £3.3 million at the market price of 29p at 31 March 2003. Given the long-term



This graph shows the value, by the end of March 2003, of £100 invested in Chloride on 31 March 1998 compared with the value of £100 invested in the FTSE Small Cap Index (excluding Investment Companies). The other points plotted are the values at intervening financial year-ends. Source: Datastream

nature of the share option schemes, there is not believed to be any permanent diminution in value.

Under current draft UITF proposals these shares held by the Employee Benefit Trust would be reclassified as a reduction in shareholders' funds next year.

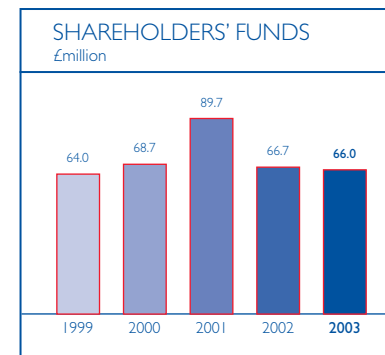
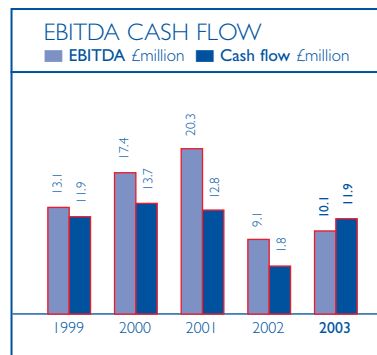
ACQUISITION In February 2003, Chloride acquired from Siemens China Ltd 51% of the shares of Siemens Telcom Power Supply Limited (STPSS). In addition, Chloride is committed to a further investment in STPSS, taking its shareholding to 75%. The joint venture partner, Shanghai Communications Service Company, a subsidiary of China Mobile Communication Corporation in Shanghai, continues to hold the remaining shares.

In the year to 30 September 2002, STPSS had sales of RMB 42.2 million (£3.1 million) and net assets of RMB 9.3 million (£0.75 million). Since acquisition, turnover has been £130,000 and STPSS has made a small loss.

Consideration plus costs total £0.8 million and Chloride's share of net liabilities totals £0.3 million. Goodwill upon acquisition is £1.1 million. Further capital contributions totalling c. £1.0 million will be made this year to fund the development of the strategically important Chinese market.

SHAREHOLDERS' FUNDS Despite the growth in profits, the maintenance of the dividend has led to a marginal reduction in shareholders' funds.

ACCOUNTING POLICIES AND PRESENTATION During the year, there have been no new accounting standards, although several exposure drafts and guidance on the Operating and Financial Review have been produced. The thrust remains towards the introduction of International Accounting Standards (IAS) in 2005.



PENSIONS Once again the disclosures required under FRS 17 re pensions are included in note 13. Full implementation has been delayed by the Accounting Standards Board until the IAS on this topic is introduced. Although the valuation at 31 March 2002 indicated the UK pension scheme was well funded, the sharp decline in UK equity valuations since then has resulted in a UK pension deficit of c. £8 million under FRS 17 at the balance sheet date. As a result the Company has agreed to increase the funding level for the scheme in the coming year with a one-time contribution of £1.5 million and by increasing contributions to 18.5% of pensionable earnings of defined benefit members. During the year the charge to income under SSAP 24 principles has risen by c. £200,000 following the reduction in the variation credit as part of the service charge.

RISK MANAGEMENT AND COMPLIANCE WITH GUIDELINES FOR CORPORATE GOVERNANCE The Turnbull guidelines seek to align business objectives with risk management such that the business can ensure that there is an ongoing embedded process for managing and reporting on key risks. Directors are responsible for maintaining a sound system of internal control that provides reasonable but not absolute assurance that a company will not be hindered in achieving its business objectives by circumstances that are not foreseen. Ongoing reporting against these identified risks enables the Board to make the statement on page 32. In a difficult year with uncertain macro economic conditions, the Company's risk control procedures have enabled the business to remain on a sound footing.

FINANCIAL REVIEW CONTINUED

TREASURY OBJECTIVES AND POLICIES

Management of financial risk The major financial risks faced by the Group are liquidity risk, currency risk and interest rate risk. The Board of Chloride Group PLC regularly reviews these risks and approves written policies covering the use of financial instruments to manage risk, and overall risk limits.

The Company continues to operate a central treasury management service in accordance with the policies and procedures approved by the Board. This function operates to reduce cost and risk and no transactions are undertaken on a speculative basis. The trading of financial instruments within the Company is confined to central treasury.

Core facilities and net liquid funds The Company's management policy regarding liquidity risk is to ensure that it always has sufficient committed facilities available to meet its foreseeable needs. At 31 March 2003 the Company had committed term facilities of £43.2 million of which £23.5 million remain undrawn. Since the balance sheet date, the Group has agreed in principle to renew for a further three years £11.2 million of expiring facilities and commit over the same period a further £3.8 million, raising total committed facilities to £47 million. Upon final commitment, £30 million of the loan agreements will expire in a period of greater than one year.

At 31 March 2003, the Company also had net debt of £8.8 million representing on-demand borrowings of £4.5 million most of which relates to the hedging of our overseas operations, finance lease obligations of £0.6 million, discounted trade bills of £0.6 million and committed borrowings of £19.7 million less cash and short-term deposits of £16.6 million.

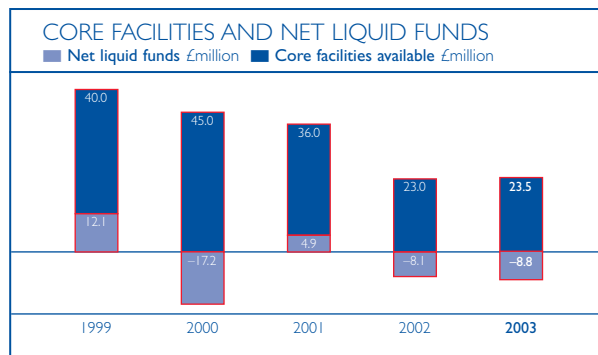
In its principal overseas companies the Company has on-demand overdraft and bill discounting facilities to provide local funding for operating and working capital requirements. Drawings under these facilities provide a partial hedge against assets held in local currencies.

The Company also has adequate foreign exchange contract and engagement facilities for its day-to-day commercial and exposure-matching needs.

£0.8 million of the £4.5 million of on-demand borrowings at 31 March 2003 is guaranteed by Chloride Group PLC. The committed term facilities are guaranteed by Chloride Group PLC and contain common financial covenants regarding interest cover, a ceiling on net debt and minimum consolidated shareholders' funds. It is Group policy to manage the consolidated balance sheet so as to operate at all times well within covenanted restrictions.

Currency risk The Company's management policy re foreign currency exposure requires subsidiaries to hedge transactional currency exposures against the currency in which their results are measured. Net exchange exposures continue to be hedged at transactional level using the forward foreign exchange market.

Apart from optimising expenses and interest on local borrowings, the Group does not believe, as an internationally based business, that it is appropriate to hedge other aspects of its profit and loss account translation exposure. There was no material exchange impact during the year.



Net assets are held in a number of currencies and translated at year-end rates. This is explained more fully in the accounting policy. The resulting exposures are managed where practicable by matching local currency assets with local currency borrowings.

Non-sterling currencies of primary importance to the Group moved as follows in the year:

	2003 Average	2002 Average	% Change
US \$	1.55	1.43	+8
Euro	1.56	1.62	-4

Interest rate risk For funds on deposit, it is Company policy to utilise banks with at least an AA rating to minimise counterparty risk.

The funding structures of our UK and overseas operations are regularly reviewed with the objective of achieving the optimal post-tax financing cost.

At 31 March 2003, the Company had a ratio of fixed rate debt to total outstanding debt of approximately 70%. As of 31 March 2003 the Company had fixed £17.7 million of euro-denominated borrowings at an average fixed rate of 4.7%. The remainder of borrowings are at floating rate and predominantly EURIBOR based. The weighted average remaining period as at 31 March 2003 for which the above debt was fixed was 12 months.

Credit risk The Company controls credit risk by entering into financial instruments only with highly credit rated authorised counterparties. Counterparty positions are monitored on a regular basis to ensure that internally set limits are not broken.

Use and fair value of financial instruments At 31 March 2003, outstanding forward contracts existed with a gross book value totalling £11.0 million in respect of its actual transaction exposures. There is no significant difference between the book and fair value of these forward foreign exchange contracts or of the above mentioned interest rate swaps at 31 March 2003. In addition to these forward contracts the Group is exposed to foreign exchange movements on its overseas borrowings. At 31 March 2003 there were £24.5 million of foreign currency borrowings (providing a partial hedge against assets held in local currencies).

At 31 March 2003, outstanding interest swaps existed with a gross book value of £16.8 million. There was no significant difference between the book and fair market values of these interest swaps at 31 March 2003.

Tax rate The tax charge in 2003 represents an effective rate of 27.0% (2002: 25%). As tax losses are used up, we anticipate that this low rate will rise.

NEIL WARNER

DIRECTORS AND ADVISERS



Norman Broadhurst



Keith Hodgkinson

DIRECTORS

Norman Broadhurst, age 61, non-executive Chairman
Keith Hodgkinson, age 59, Chief Executive
Angus Fraser, age 58, non-executive
Robin Southwell, age 43, non-executive
Neil Warner, age 50, Finance Director
John Wheeler, age 52, non-executive

COMPANY SECRETARY

Susan Williams

REGISTERED OFFICE

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Registered in England number 35389
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Facsimile +44 (0)20 7630 0563
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Website www.chloridegroup.com

AUDIT COMMITTEE

A S J Fraser, Chairman
N N Broadhurst
R S Southwell
J A C Wheeler
Keeps under review all matters relating to audit, internal control and corporate governance; makes recommendations to the Board on the appointment of the Company's auditors and sets the policy on the use of auditors for non-audit work.

NOMINATION COMMITTEE

N N Broadhurst, Chairman
A S J Fraser
K H Hodgkinson
Makes recommendations to the Board of proposed new appointments of executive and non-executive directors.

REMUNERATION COMMITTEE

N N Broadhurst, Chairman
A S J Fraser
R S Southwell
J A C Wheeler
Considers all aspects of executive directors' emoluments, service agreements, pensions and related matters. Exercises all powers and discretions of the directors in connection with the Company's savings-related and executive share option schemes. Has responsibility for compliance with the Combined Code regarding directors' remuneration.

ADVISERS

Auditors

Deloitte & Touche

Banks

Fortis Bank
Bank of Scotland
Fleet Bank
Royal Bank of Scotland

Registrar

Lloyds TSB Registrars
The Causeway, Worthing
West Sussex BN99 6DA
Telephone 0870 600 3970 (from UK)
+44 121 415 7047
(from outside UK)

Stockbroker and financial adviser

UBS Limited



Angus Fraser



Robin Southwell



Neil Warner



John Wheeler

DIRECTORS' BIOGRAPHIES

Norman Broadhurst FCA FCT joined the Board in March 1998 and became Chairman in August 2001. He is also Chairman of Freightliner Limited, Deputy Chairman of Taylor Woodrow PLC and a non-executive director of Cattles plc, United Utilities Plc, Old Mutual plc and Tomkins plc. He was Finance Director of Railtrack plc from 1994 until his retirement in 2000.

Keith Hodgkinson FCMA joined the Board in December 1991 and was confirmed as Chief Executive in March 1992. His previous career was with GEC plc where he held a number of senior appointments. He is a non-executive director of De La Rue plc.

Angus Fraser MA MBA is Chairman of Alpha Plus Holdings Limited, non-executive Deputy Chairman of Bertam Holdings PLC and a non-executive director of Shepherd Building Group Limited and Technology Enterprise Kent Limited. He worked for Chloride from 1976 to 1988 and was appointed to the Board in 1984. He is the Senior Independent Director.

Robin Southwell BA OBE FRAeS joined the Board in January 2002. He is a senior executive of EADS, European Aeronautic Defence and Space Company, Chairman of Ourjet Limited and Chief Executive of Airtanker Limited. He was formerly Chief Executive of W S Atkins PLC and his previous career included a number of senior appointments with BAe Systems plc, which he joined on leaving university in 1981.

Neil Warner BA FCA MCT joined Chloride and was appointed to the Board as Finance Director in 1997. He was with Ocean Group PLC (now Exel plc) for six years from 1990, following appointments in his earlier career with BICC Group PLC (now Balfour Beatty plc), ALCOA and PricewaterhouseCoopers. He is a non-executive director of Dechra Pharmaceuticals PLC.

John Wheeler BA joined the Board in May 1999. He is a director of S130 Limited, a maritime leisure company. He was formerly Chief Executive Officer of neosnetworks, and his previous career included a senior appointment with Madge Networks NV.

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES The principal activities during the year under review were the manufacture and sale of power protection solutions.

ACQUISITIONS AND DIVESTMENTS Details of the acquisition made during the year are set out in the financial review on page 17.

RESULTS AND DIVIDENDS The results for the year and the financial position at 31 March 2003 are shown in the consolidated profit and loss account on page 35 and the balance sheets on page 36. The Chief Executive's review, starting on page 5, comments on operating performance and the future development of the business, whilst the financial review on pages 16 to 19, covers the consolidated results, financial position and policies.

Profit on ordinary activities after taxation for the financial year was £2.0 million (2002: £19.0 million loss). After dividends of £3.8 million (2002: £3.8 million) the retained loss for the year was £1.7 million (2002: £22.8 million).

DIRECTORS Biographical details of the directors are set out on page 21.

Messrs Warner and Wheeler retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Of the directors proposed for re-election, Mr Warner has a contract of service requiring him to give six months' notice and entitling him to receive notice which is decreasing on a monthly basis from 24 months at 1 April 2003 to 12 months at 1 April 2004. The outstanding notice period at the date of this report is 23 months. Mr Wheeler does not have a contract of service.

The interests of the directors in the ordinary shares of the Company were as shown in note 10 of the notes to the accounts on page 44 and in the remuneration report on page 30.

DIRECTORS' INTERESTS IN CONTRACTS No director had, during the year, a material interest in any contract or arrangement with the Company or any of its subsidiaries such as would fall to be disclosed pursuant to statutory or other requirements.

POLICY ON PAYMENT OF CREDITORS Appropriate terms and conditions are agreed for transactions with suppliers and payment is generally made on these terms subject to compliance by suppliers.

The aggregate amount owed by the Company to trade creditors due within one year at the financial year end represented approximately 29 days (2002: 30 days) of the aggregate amount invoiced by suppliers during the year. The respective figure on a consolidated basis was approximately 79 days (2002: 68 days), reflecting different payment practices in the various countries in which Chloride operates.

CHARITABLE AND POLITICAL DONATIONS During the year donations of £2,145 (2002: £4,774) were made to charitable organisations which are associated with employees or closely linked with the communities in which the Company operates.

No political donations were made (2002: £nil).

INTERESTS IN VOTING SHARES At 22 May 2003, the Company had been notified of the following interests of 3% or more in the Company's ordinary shares:

Name of holder	Number of shares	% of issued shares
Deutsche Bank	34,851,000	14.0
Prudential plc	* 29,793,000	12.0
Legal & General	9,842,000	3.9
TRW Investment Management	9,153,000	3.7
Royal Bank of Scotland plc	** 8,154,000	3.3
Second Advance Value Realisation Company Limited	7,812,000	3.1
Newton Exempt Fund	7,736,000	3.1

* Includes 5,422,000 shares which are also included in the notifiable interests of Deutsche Bank as third party managers relating to the interest of Prudential Staff Pensions Limited.

** Includes an interest as Trustee in certain shares of the Newton Exempt Fund.

EMPLOYEE BENEFIT TRUST In June 1997, the Company established the Chloride Group Employee Benefit Trust (the Trust) to acquire ordinary shares in the Company to satisfy rights to shares arising on the exercise of executive share options.

During the year, the Trust made the following transfers out of the Company's ordinary shares:

	Number of shares	Price per share
Balance at 1 April 2002	11,612,920	n/a
Transferred out	(370,000)	n/a
Balance at 31 March 2003	11,242,920	

No shares were purchased by the Trust during the year.

The Trust is funded by interest-free loans from the Company. The cost of the shares held by the Trust was £10.5 million and the market value was £3.3 million at 31 March 2003. Mourant & Co Trustees Limited, as trustee of the Trust, has waived all past and future dividends on ordinary shares held by the Trust except to the extent of 0.0001% of each dividend payable per share.

QUEST In March 2001, the Company established a qualifying employee share ownership trust (Quest) to meet certain future obligations of the Company relating to share options awarded under the Chloride savings-related share option schemes.

Shares held by the Quest were as follows:

	Number of shares	Subscription price per share
Balance at 1 April 2002 and 31 March 2003	26,232	n/a

The Quest is funded by interest-free loans and contributions from the Company, which are used to subscribe for new shares in the Company. The cost of the shares held by the Trust was £7,607 at 31 March 2003.

The Quest trustee company has waived all future dividends on ordinary shares held by the Quest, except to the extent of an aggregate dividend of 1p payable in respect of all the shares held by the Quest.

RESEARCH AND DEVELOPMENT Investment in research and development is considered to be key to further improvement of the Company's competitive position. Market-driven programmes to improve existing products and to develop new products and applications receive high priority. Development engineers work closely with applications and software engineers and sales and marketing staff in the operations to ensure that development is focused on the Company's key markets. The Company has research and development departments specialising in the development of power protection solutions at Oneac, USA (power conditioners and software); Bologna, Italy and Erlangen, Germany (AC power protection products); Lyon, France (industrial systems) and Dol de Bretagne, France (DC power protection products).

SOCIAL, ETHICAL AND ENVIRONMENTAL RESPONSIBILITIES

Business policies Chloride has adopted a statement of business policies and responsibilities which recognises the importance of social, ethical and environmental responsibility in all aspects of its operations.

The system of internal control outlined in the corporate governance report encompasses the identification and management of all risks, including risks to the short and long-term value of the business arising from social, ethical and environmental matters. Compliance with the statement of business policies and responsibilities is reviewed annually as part of risk identification within the system of internal control.

Environmental policy Chloride acknowledges the importance of good environmental practice. It is the Company's policy to comply with environmental legislation in all countries in which it operates and to adopt responsible environmental practices. Local management is responsible for complying with this policy, with the aid of external expertise, if necessary. The Company's external risk control consultants audit compliance with environmental standards at the Company's production sites on a regular basis. The reports of the risk control consultants are reviewed by local and Group management and appropriate action is taken in accordance with their recommendations.

DIRECTORS' REPORT CONTINUED

The Company has six principal sites where production activities are carried out: Bologna, Italy; Erlangen, Germany; Dol de Bretagne and Lyon, France; Chicago, USA; and Shanghai, China. Such activities mainly involve the assembly and testing of electronic products. It is the Company's policy that where appropriate these production sites should have environmental management systems which comply with ISO 14001. Certification has been obtained at Masterguard, Germany and Chloride Masterguard Power Systems, China. The process is ongoing in the Chloride Industrial Systems facility in Lyon where certification is expected in 2004 following completion of an investment in extending and improving site facilities. Preparations have been started at Dol de Bretagne. The Bologna site is also expected to be certified as complying with ISO 14001 in 2003/04.

Initiatives which benefit the environment and result in cost savings to the Company are encouraged. These include waste recycling and reduction of energy and materials consumption. As an international Group with 20 principal sites in 14 countries, our requirement for air travel has been considerably reduced by the introduction of videoconferencing facilities at 12 sites. The opening of a centralised logistics operation for Chloride UPS Systems in Duisberg, Germany, will also rationalise product transportation.

Health and safety The Company recognises the primary importance of ensuring the health and safety of its employees. Its policy is to manage its activities so that employees are not exposed to unnecessary or unacceptable risks to their health and safety, and to comply with the relevant legal and regulatory standards in each of the territories in which it operates. In each of the principal production centres, there is a designated senior manager responsible for health and safety. Policies and procedures are documented and in each such location there is either a Works Council or Health and Safety Committee, which meets regularly to consider health and safety issues. Health and safety training is provided where necessary, particularly in relation to battery handling and working with electricity. The Group risk control consultants carry out site audits to ensure compliance with appropriate regulations and standards.

During the year, 362 working days (approximately 0.1% of the total) were lost due to work-related accidents. There were no claims against the Company's Employer's Liability policy arising out of the current Group businesses.

Employees Chloride's policy is to provide equal recruitment and other opportunities for all employees, regardless of sex, religion, race or disability. We endeavour to provide all possible help to retain employees who have become disabled while working for the Group. It is the practice to encourage lines of employee communications at local level through appropriate means, such as works councils, briefing groups, workshops and newsletters.

The Company is committed to developing its people and, in the UK, participates in the Investors in People scheme. There is a programme to help employees acquire professional and technical qualifications that are relevant to their jobs.

The Company has an ongoing employee training programme – "Achieving Service Excellence" – to promote the customer care ethos throughout the organisation, as well as training programmes to support and promote the Company's solutions offerings.

MARKET VALUE OF LAND AND BUILDINGS The Company's interests in freehold and long leasehold land and buildings were professionally valued as at 31 March 2000 on an existing use basis. Having regard to this valuation, the directors are of the opinion that the values at which the Company's interest in land and buildings are included in the balance sheet are fairly stated.

The directors are of the opinion that the Company's interests in short-term leaseholds are fairly stated in the balance sheet.

AUTHORITY TO ALLOT SHARES Section 80 of the Companies Act 1985 provides that the directors may not allot securities unless authorised to do so either by the shareholders in general meeting or by the articles of association. The authority granted in July 1998, applying to shares having an aggregate nominal value of up to £21,571,000 expires on 21 July 2003. The notice of meeting on page 66 includes as special business item 6, which renews the authority of the directors to allot securities for a further five years. It is proposed to change the present level of the Section 80 authority to apply to shares having an aggregate nominal value of up to £20,389,000. This is approximately the current amount of authorised but unissued share capital; it represents 32.9% of the total issued share

capital as at today's date. After providing for the allotment of ordinary shares with a nominal value of £354,070 in satisfaction of those options under the Company's savings-related share option schemes which are not capable of being satisfied by transferring shares from the Chloride Group Employee Benefit Trust, the balance amounts to £20,034,930 (equivalent to 32.3% of the existing issued share capital).

Other than in connection with obligations which may arise on the exercise of share options, the directors have no present intention of allotting shares pursuant to the authority conferred by the passing of resolution number 6 and recommend shareholders to vote in its favour.

The notice of meeting on page 66 includes as item 7 a special resolution to renew for five years the power of the directors to allot shares for cash in certain limited circumstances, without first offering such shares to existing shareholders pro rata to their holdings. Such power could be used by the directors in connection with a rights issue or otherwise, but only in relation to allotments having an aggregate nominal value not exceeding £3,102,000 (representing almost 5% of the nominal value of ordinary shares in issue as at today's date). The directors recommend the shareholders to vote in favour of resolution number 7 in the notice of meeting.

PURCHASE OF OWN SHARES No shares were purchased by the Company during the period under review pursuant to the proposal approved by shareholders at the 2002 Annual General Meeting for the Company generally to be authorised to purchase its own ordinary shares. Nevertheless, the Board believes it is appropriate to seek renewal at the forthcoming Annual General Meeting of such an authority for a further year, although it has no present intention of utilising such authority. Accordingly a resolution to this effect is included as item 8 in the notice of meeting on page 66. If the resolution is passed, the Board undertakes that such authority will be exercised only if it results in an increase in earnings per share and is in the best interests of the shareholders generally.

AUDITORS A resolution to re-appoint the auditors, Deloitte & Touche, will be proposed at the Annual General Meeting.

By order of the Board

S WILLIAMS
Secretary
29 May 2003

REMUNERATION REPORT

This report is presented in accordance with the relevant provisions of the Combined Code on Corporate Governance (the Combined Code) and the Directors' Remuneration Report Regulations 2002 (the Regulations). The Regulations require the auditors to report on the "auditable part" of the remuneration report. The audited information has therefore been separately highlighted.

The Board is responsible for executive remuneration policy and setting non-executive fees. Responsibility for determining the remuneration packages of executive directors and other senior executives has been delegated to the Remuneration Committee.

The members of the Remuneration Committee, who are all non-executive directors and considered by the Board to be independent of management, are: N N Broadhurst (Chairman), A S J Fraser, R S Southwell and J A C Wheeler.

During the year, the Remuneration Committee received advice on executive directors' remuneration and senior executives' remuneration from the Chief Executive and the Director of Personnel, neither of whom take part in the determination of their own remuneration. Advice was also received from the Company Secretary in relation to executive service contracts and the Company's share option plans. Advice was obtained from two external consultants, who were appointed by the Remuneration Committee – New Bridge Street Consultants and Hewitt Bacon & Woodrow Limited. Hewitt Bacon & Woodrow Limited also provided actuarial services and investment advice to the Chloride 1996 Pension Scheme.

NON-EXECUTIVE DIRECTORS

Policy on remuneration The fees of non-executive directors are determined by the Board within limits authorised by the shareholders and in accordance with the articles of association of the Company. The policy is to set fees for the non-executive Chairman and directors at the median level relative to companies with a comparable market capitalisation. Fees do not contain any performance-related element and the non-executive directors do not participate in the Chloride Pension Scheme or in the share option schemes. Non-executive directors have no entitlement to compensation for early termination of their term of appointment.

Details of fees paid to non-executive directors are included in the table headed "Summary of remuneration" on page 29.

Term of appointment The non-executive directors are appointed for specified terms of approximately three years. Their letters of appointment have no contractual notice period, but the appointment of each non-executive director is subject to re-election by shareholders on retirement by rotation, which occurs every two years, or every year in the case of a director aged 65 or over. Details of the commencement date and duration of the current letters of appointment for non-executives are as follows:

Non-executive director	Date of the current letter of appointment	Unexpired term of appointment
N N Broadhurst	30 August 2001	14 months
A S J Fraser	23 May 2001	14 months
R S Southwell	21 January 2002	20 months
J A C Wheeler	25 May 2003	36 months

EXECUTIVE DIRECTORS

Policy on remuneration The policy is to provide a combination of salary, short and long-term incentives and benefits, which form a competitive and appropriate total remuneration package. Performance-related remuneration in the form of annual bonus and share options comprises a significant proportion of the total remuneration opportunity but is only receivable if stretching performance targets, which require substantial improvement in financial performance, are achieved.

COMPONENTS OF THE REMUNERATION PACKAGE

Basic salary The basic salary of each executive director is determined taking into account the responsibilities and performance of the individual together with independently-furnished information on rates for similar jobs in comparable industry sectors. In particular, basic salaries are set in comparison with salary levels in a group of comparably-sized companies in the electronics sector and other similar sectors. Details of salaries, bonuses and benefits paid to executive directors are included in the table headed "Summary of remuneration" on page 29.

Annual bonus Chloride operates annual incentive plans for certain employees, including executive directors. Eligibility for inclusion in such schemes and the measures of performance to be used are decided annually, taking account of key business issues. The measure applicable to the incentive plans for executive directors for the year under review and for 2003/04 is actual adjusted earnings per share

compared with the previous year. For the executive directors, the maximum award under the annual incentive plan is 75% of salary. Bonus amounts earned up to 50% of salary are paid in cash and any bonuses earned above this level are deferred into shares which are released two years after the award, subject to the executive remaining in the Company's employment. As bonuses earned under this plan to date, have not exceeded 50% of salary, neither of the executive directors is currently entitled to shares in the Company under this plan. Bonuses earned by the executive directors under annual incentive plans are not pensionable.

Benefits in kind The taxable benefits provided to executive directors are use of a fully-expensed car or car allowance, life insurance and medical cover.

Pensions The executive directors are eligible to be considered for augmented entitlements under the final salary section of the Chloride 1996 Pension Scheme. The 1996 Pension Scheme is a funded, contributory, Inland Revenue approved, occupational pension scheme, which is contracted into the State Earnings Related Pension Scheme. It provides a pension of up to two-thirds of final pensionable earnings, depending on service. The 1996 Pension Scheme also provides for dependants' pensions and lump sums on death in service.

The table headed "Pension entitlements" on page 29 shows the retirement benefits, excluding voluntary contributions, which accrued under the defined benefit section of the Chloride 1996 Pension Scheme to Messrs Hodgkinson and Warner during the period under review, together with the total accrued annual pension to which each director would be entitled under defined benefit arrangements on leaving service.

The amounts of total accrued annual pension are those which would be payable at normal retirement age of 62.

Funded unapproved retirement benefit arrangements also apply in respect of executive directors whose pension benefits are capped under legislation. During the year under review, Messrs Hodgkinson and Warner participated in such an arrangement. The contributions made by the Company to money purchase pension arrangements for Messrs Hodgkinson and Warner are shown in the table on page 29 headed "Summary of remuneration". These arrangements ceased during the year and both Messrs Hodgkinson and Warner now receive amounts equivalent to these contributions as salary supplements.

Share options The Board believes that the potential for increased share ownership which is provided by share option schemes is an important element in promoting a closer alignment of the interests of shareholders and executive directors. The policy is to make annual grants of share options under the Chloride Group 2001 Executive Share Option Scheme. Options are normally exercisable between the third and tenth anniversary of the date of grant, on the condition that the Company's adjusted earnings per share growth over a period of at least three consecutive financial years from the date of grant exceeds the growth in the UK Retail Prices Index by:

- 3% a year compound for options over shares worth up to 100% of annual remuneration;
- 4% a year compound for options over shares worth over 100% but not more than 150% of annual remuneration;
- 7% a year compound for options over shares worth over 150% of annual remuneration.

If these targets are not satisfied by the fifth anniversary of grant, the share options will lapse. Adjusted earnings per share as disclosed in the report and accounts was chosen as the performance condition as it requires substantial improvements in the Company's underlying financial performance before options may be exercised.

Prior to the Chloride Group 2001 Executive Share Option Scheme, the Company had previously operated the Chloride Group 1994 Share Option Scheme and the 1996 Share Option Scheme, under which Inland Revenue approved options and, in the case of the 1996 Scheme, unapproved options, were granted to executive directors as well as senior executives and are still exercisable. No further options will be granted under the 1994 or 1996 Schemes. The outstanding entitlements of the executive directors under all schemes are set out in the table on page 30 headed "Shares under option". Options are normally exercisable between the third and tenth anniversaries of the date of grant, subject to meeting the performance measures stated in the notes to the table headed "Shares under option" on page 30.

REMUNERATION REPORT CONTINUED

Savings-related share option schemes The Company has two outstanding savings-related schemes, the 1987 Scheme, under which options were last granted in August 1997, and the 1997 Scheme. Under the 1997 Scheme, options – which are available to eligible UK employees who contract to save a specified monthly amount – are not normally exercisable until the expiry of three or, depending on an individual's initial election, five or seven years from the contract start date. The entitlements of the executive directors under these Schemes are set out in the table on page 30 headed "Shares under option".

CONTRACTS OF SERVICE It is the Company's policy to limit notice periods under service contracts of executive directors to a maximum of one year, in accordance with current market practice. Accordingly this policy applies to the appointment of any new executive director. At 1 April 2003, the applicable notice period required to be given by the Company under the service contracts of Messrs Hodgkinson and Warner was two years. In order to comply with the Company's policy, these notice periods are now reducing on a monthly basis to one year by 1 April 2004. No compensation payments will be made to executive directors relating to the reduction of their contractual notice periods.

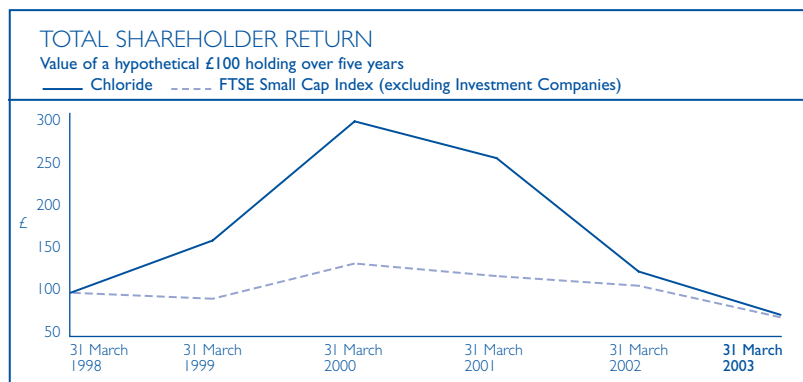
Mr Hodgkinson and Mr Warner last signed a contract of employment on 1 December 1991 and 23 April 1997 respectively. In the event of termination, each of the executive directors would be entitled to salary, pension benefits, payments in lieu of FURBS and benefits in kind for the period of notice applicable at the time of termination (23 months at the date of this report, decreasing to 12 months by 1 April 2004). In an appropriate case the directors would have regard to the departing director's duty to mitigate loss, except in the event of dismissal following a change of control of the Company. On termination by the Company in those circumstances, the executive directors would be entitled to receive a prescribed payment made up of salary and benefits for the period of notice including a bonus payment of 20% of basic salary, which is the level of bonus payable under the executives' annual incentive plan for on-target performance.

No compensation payments were made to executive or non-executive directors during the year:

POLICY ON EXTERNAL APPOINTMENTS OF EXECUTIVE DIRECTORS

The current policy is that executive directors should not take on more than one major outside appointment and then only with the prior approval of the Board. Fees associated with any such appointment will normally be retained by the individual.

TOTAL SHAREHOLDER RETURN The graph set out below shows the performance of the Company over the past five financial years in terms of total shareholder return (TSR), relative to the FTSE Small Cap Index excluding Investment Companies. The Company has selected this as the comparator because the Company is a constituent of this index and has used it as a performance benchmark for a number of years. The graph demonstrates the comparative TSR in terms of annual movements.



AUDITED INFORMATION

Summary of remuneration

	Fees/ basic salary £000	Performance related bonus £000	2003 Money purchase pension contributions £000	Other benefits £000	Total £000	2002 Total £000
Chairman						
N N Broadhurst (appointed Chairman 31 August 2001)	68.0	—	—	—	68.0	49.8
C W Foreman (retired 31 August 2001)	—	—	—	—	—	28.3
Chief Executive						
K H Hodgkinson	300.0	60.0	152.1	36.0	488.0	439.1
Executive director						
N W Warner	201.0	40.2	51.9	10.1	263.0	252.2
Non-executive directors						
A S J Fraser	24.3	—	—	—	24.3	22.8
R S Southwell (appointed 21 January 2002)	21.8	—	—	—	21.8	4.4
J A C Wheeler	21.8	—	—	—	21.8	21.8
Aggregate remuneration	636.9	100.2	204.0	46.1	886.9	818.4

During the year, FURBS contributions for Mr Hodgkinson and Mr Warner ceased and were replaced by an equivalent salary supplement. Payments listed in the column entitled "Money purchase pension contributions" represent the total payments under these two methods.

Performance related bonuses are earned in respect of the year under which they are shown but are not paid until the following year.

Pension entitlements

	Years and months of pensionable service at 31 March 2003	Annual pension accruing in 2002/03 excluding inflation £ pa	Increase in accrued pension during the year £	Total accrued pension at 31 March 2003 £	Transfer value at 31 March 2002 £	Transfer value at 31 March 2003 £	Directors' contributions in 2002/03 £	Transfer value (less directors' contributions) represented by the annual pension accruing in 2002/03 £	Increase in transfer value (less directors' contributions) £
K H Hodgkinson	11 years 4 months	1,503	1,930	18,363	293,534	344,795	4,860	22,672	46,402
N W Warner	5 years 11 months	2,503	2,828	15,338	136,833	184,099	4,860	25,184	42,406

The transfer values shown in the above table are a liability of the Chloride 1996 Pension Scheme. The above table combines the disclosures required by the Listing Rules of the Financial Services Authority and the Directors' Remuneration Regulations 2002.

REMUNERATION REPORT CONTINUED

Shares under option The directors' interests in share options are as follows:

	Date of grant	Option price	Number of ordinary shares under option			Note	At 31 March 2003	Normal exercise period	
			At 1 April 2002	(Exercised) /granted 2002/2003				From	To
Directors' entitlements under executive share option schemes									
K H Hodgkinson	26.06.1998	48.75p	400,000	–	1,2	400,000	26.06.2001	25.06.2008	
	26.07.1999	78.5p	200,000	–	2	200,000	26.07.2002	25.07.2009	
	30.05.2000	135.5p	616,000	–	2	616,000	30.05.2003	29.05.2010	
	13.08.2001	70p	415,000	–	3	415,000	13.08.2004	12.08.2011	
	06.06.2002	44.5p	–	550,000	3	550,000	06.06.2005	05.06.2012	
			1,631,000	550,000		2,181,000			
N W Warner	26.07.1999	78.5p	559,000	–	2	559,000	26.07.2002	25.07.2009	
	30.05.2000	135.5p	80,000	–	2	80,000	30.05.2003	29.05.2010	
	13.08.2001	70p	280,000	–	3	280,000	13.08.2004	12.08.2011	
	06.06.2002	44.5p	–	375,000	3	375,000	06.06.2005	05.06.2012	
			919,000	375,000		1,294,000			
Total			2,550,000	925,000		3,475,000			
Directors' entitlements under savings-related share option schemes									
K H Hodgkinson	25.06.1999	59.75p	28,242	(28,242)	4	–	01.10.2004	31.03.2005	
	03.07.2002	37.5p	–	44,133		44,133	01.10.2007	31.03.2008	
			28,242	15,891		44,133			
N W Warner	01.08.1997	25p	69,000	(69,000)	5	–	01.10.2002	31.03.2003	
	03.07.2002	37.5p	–	44,133		44,133	01.10.2007	31.03.2008	
			69,000	(24,867)		44,133			
Total			97,242	(8,976)		88,266			

All options were granted for nil consideration.

1 Performance condition met.

2 Performance condition requires the Company's share price to outperform the FTSE Small Cap ex Inv Co Index in six out of any nine consecutive months from the 28th month following the date of grant and for growth in the Company's adjusted earnings per share to exceed that of the UK Retail Prices Index over a period of at least three years.

3 Performance condition is the 2001 Scheme condition outlined above at the start of this section.

4 Lapsed on 30 May 2002.

5 Exercised on 30 October 2002, at the option price set out in the table above. The mid-market quotation on that date was 33.5p per share. This would have given a gain of £5,865, but the shares were retained by the executive. This was the only share option exercised by the executive directors during the year. The mid-market price of an ordinary share as at 31 March 2003 was 29p (2002: 50.5p). The mid-market price ranged during the year from a low of 23.5p (2002: 45.5p) to a high of 51.5p (2002: 115.5p).

This report was approved by the Board on 29 May 2003 and signed on its behalf by

NORMAN BROADHURST

CORPORATE GOVERNANCE

APPLICATION OF THE PRINCIPLES OF THE COMBINED CODE This report explains how the Company has applied the principles of the Combined Code on corporate governance to its activities.

Directors The Company currently operates with a Board of six directors comprising the Chairman, three other non-executive directors and two executive directors. It is the view of the Board that its size and shape are appropriate to the Company's size and scope of activities and provide for effective operation.

The Board considers that all the non-executive directors are independent of management and free of any business or other relationship which could materially interfere with the exercise of their independent judgement. The non-executive directors are appointed for fixed terms and the unexpired terms of appointment are set out in the remuneration report on page 26. Each non-executive director has been appointed for a term or successive terms totalling less than nine years, with the exception of Mr Fraser who joined the Board in 1984. The Board considers that his length of service does not affect his independence of management or the independence of his judgement and the Board values the experience and knowledge of the Company that Mr Fraser contributes to the Board.

The Board met six times during the year and has three standing committees – the Audit, Remuneration and Nomination committees – the composition and summarised terms of reference of which are shown on page 20.

The Board has reserved to itself powers relating to matters which it considers significant to the Group's business, operational and financial risks. These include the approval of corporate policies, plans and budgets; acquisitions and disposals of companies or businesses; major investment and financial decisions; appointments to the Board; and major management or organisational changes.

The Audit Committee meets three times a year for the purpose of reviewing the interim and annual results, and considering all matters relating to internal control and financial corporate governance. Each year, the Audit Committee has a meeting specifically for the purpose of considering risk management and internal control matters.

It has been the Company's practice for several years to split the responsibilities of Chairman and Chief Executive.

All the directors have access to the advice and services of the Company Secretary and senior managers generally, and may take independent professional advice at the Company's expense if they consider it necessary to do so in the furtherance of their duties.

Since the year end, the Board has commenced a review of its procedures and effectiveness, led by the Chairman and the Senior Independent Director.

Under the Company's articles of association all directors below the age of 65 are required to submit themselves for re-election every other year. Directors aged 65 or over must submit themselves for re-election each year.

Directors' remuneration The remuneration report on pages 26 to 30 demonstrates how Chloride applies the principles of the Combined Code relating to the level and make-up of remuneration and to disclosure.

Relations with shareholders Relations with shareholders receive the highest priority. The Company promotes dialogue with institutional shareholders and analysts through regular meetings following the announcement of interim and final results and responds positively to invitations to enter into dialogue whenever it considers it to be in the best interests of shareholders generally to do so. Trading statements are issued when deemed necessary. At the Annual General Meeting there is an opportunity, following the formal business, for informal communication between investors and directors. In addition, information, including the presentations made to institutional shareholders and analysts, is readily available to shareholders on the Company's website – www.chloridegroup.com.

Accountability and audit The Audit Committee and the Board review the annual and interim reports in detail to ensure that they present a balanced assessment of the Company's position and prospects which is understandable to shareholders and potential investors.

The system of internal control established to safeguard shareholders' investments and the Company's assets is described on page 32. The Audit Committee considers, in conjunction with the external auditors, the accounting policies adopted by the Company and reviews the effectiveness of internal controls.

CORPORATE GOVERNANCE CONTINUED

External auditors are engaged to express an opinion on the Company's annual report and accounts. They independently and objectively review management's reporting of the operational results and financial position. They also review and test the systems of internal control and the data contained in the annual report and accounts to the extent necessary for expressing their audit opinion.

COMPLIANCE WITH THE COMBINED CODE The Board considers that the Company has complied with the recommendations of the Combined Code in all respects.

GOING CONCERN In compliance with the recommendation of the Combined Code to report that the business is a going concern, the directors confirm that they expect that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

INTERNAL CONTROLS The directors are responsible for the Company's system of internal control which aims to safeguard the Company's assets, to ensure that proper accounting records are maintained, to ensure compliance with statutory and regulatory requirements and the effectiveness and efficiency of operations, including the assessment and management of risk. A system of internal control is designed to manage rather than eliminate risk of failure to achieve business objectives and can provide only reasonable not absolute assurance particularly against misstatement or loss.

Chloride has a well established and embedded framework of internal financial and operational control for identifying, evaluating and managing the risks faced by the Company. This framework has been in place for the year under review, and up to the date of approval of the annual report. The key elements of this review process, which included a specific assessment by the Board for the purpose of this annual report and accounts, and complies with the guidance, "Internal Control Guidance for Directors on the Combined Code" published in September 1999, are as follows:

Directors have responsibility for reviewing the strategy and monitoring the conduct of the Company. The directors and the executive management of the Company are accountable for their conduct and performance within the agreed strategies. A management structure exists with clearly defined lines of responsibility and the appropriate levels of delegation.

Acquisitions made during the year were reviewed by the Board and with external advisers prior to and after completion as appropriate. Detailed due diligence is performed by senior management and advisers prior to acquisitions and post acquisition integration procedures undertaken after completion. Tax and structural planning is also undertaken. Additionally risks are mitigated through appropriate use or receipt of warranties.

The Company and its operations are subject to a detailed annual budget process and ongoing formal capital investment appraisal process. Actual performance during the year is monitored monthly against budget, forecast and previous year, and full year forecasts are updated at regular intervals during the year, based on trended historical data and realistic macroeconomic forecasts. These forecasts and results are presented to the Board regularly. The Chief Executive and Finance Director each prepare Board reports monitoring performance and actions to achieve objectives.

The Company and its subsidiaries operate control procedures designed to ensure complete and accurate accounting of financial transactions, and to limit the risk of loss of assets or fraud. Measures taken include physical controls, segregation of duty in key areas and internal reviews and checks. The identification, mitigation and monitoring of material risks are primarily the responsibility of operating company management. During the budget and reporting cycle general managers and financial controllers are required to identify risks the business is exposed to, assess any potential impact and to put in place actions to reduce them. These are also reviewed on a Company-wide basis with significant risks reported to the Audit Committee which are then monitored throughout the year.

Key functions such as tax, treasury, insurance, legal, personnel and systems are controlled centrally.

RISK MANAGER A Risk Manager has been appointed for the Company. The reviews of operations are scoped and managed by the Risk Manager and undertaken by both the Risk Manager and other central staff. The Risk Manager provides reports to management and the Audit Committee which also has access to the Risk Manager's detailed reports and working papers. The Board has reviewed the need for an internal audit function and considers that the Risk Manager fulfils this function.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period.

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CHLORIDE GROUP PLC We have audited the financial statements of Chloride Group PLC for the year ended 31 March 2003 which comprise the profit and loss account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds and the related notes numbered 1 to 33. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the directors' remuneration report. Our responsibility is to audit the financial statements and the part of the directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if

it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section, including the unaudited part of the directors' remuneration report, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

BASIS OF AUDIT OPINION We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the directors' remuneration report described as having been audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the directors' remuneration report described as having been audited.

OPINION In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2003 and of the Group's profit for the year then ended; and
- the financial statements and part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

DELOITTE & TOUCHE
Chartered Accountants and Registered Auditors
London
29 May 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 March

	Notes	2003			2002		
		Before goodwill and exceptional items £000	Goodwill and exceptional items £000	Total £000	Before goodwill and exceptional items £000	Goodwill and exceptional items £000	Total £000
Turnover							
Continuing operations		142,837	–	142,837	148,327	–	148,327
Acquisitions		130	–	130	–	–	–
	4	142,967	–	142,967	148,327	–	148,327
Cost of sales							
Continuing operations		(85,870)	–	(85,870)	(92,700)	(4,552)	(97,252)
Acquisitions		(91)	–	(91)	–	–	–
		(85,961)	–	(85,961)	(92,700)	(4,552)	(97,252)
Gross profit							
Continuing operations		56,967	–	56,967	55,627	(4,552)	51,075
Acquisitions		39	–	39	–	–	–
		57,006	–	57,006	55,627	(4,552)	51,075
Operating expenses							
Continuing operations		(49,818)	(2,582)	(52,400)	(50,587)	(18,104)	(68,691)
Acquisitions		(126)	(5)	(131)	–	–	–
	3	(49,944)	(2,587)	(52,531)	(50,587)	(18,104)	(68,691)
Operating profit/(loss)							
Continuing operations		7,149	(2,582)	4,567	5,040	(22,656)	(17,616)
Acquisitions		(87)	(5)	(92)	–	–	–
		7,062	(2,587)	4,475	5,040	(22,656)	(17,616)
Net interest payable	6	(725)	–	(725)	(559)	–	(559)
		6,337	(2,587)	3,750	4,481	(22,656)	(18,175)
Profit/(loss) on ordinary activities before taxation							
Tax on profit/(loss) on ordinary activities	4, 5 8	(1,712)	–	(1,712)	(1,118)	256	(862)
Profit/(loss) on ordinary activities after taxation							
Minority interests	2 27	4,625 48	(2,587) –	2,038 48	3,363 (33)	(22,400) –	(19,037) (33)
Profit/(loss) for the financial year							
Dividends	11	4,673	(2,587)	2,086 (3,777)	3,330	(22,400)	(19,070) (3,772)
Loss retained							
	26			(1,691)			(22,842)
Earnings per 25p ordinary share							
Adjusted	12	1.98p			1.41p		
Basic				0.88p			(8.05p)
Diluted				0.88p			(8.05p)

There are no material differences between reported and historical cost profits and losses.
The information on pages 35 to 64 inclusive forms part of these accounts.

BALANCE SHEETS

at 31 March

	Notes	Group		Company	
		2003 £000	2002 £000	2003 £000	2002 £000
Fixed assets					
Goodwill	15	41,069	41,926	–	–
Tangible assets	17	14,158	13,925	423	426
Investments	19	10,519	10,624	87,983	73,900
		65,746	66,475	88,406	74,326
Current assets					
Stocks	20	29,040	29,761	–	–
Debtors	21	49,948	48,899	55,416	51,176
Cash at bank and in hand	29d	16,662	23,929	2,378	14,495
		95,650	102,589	57,794	65,671
Creditors: amounts falling due within one year					
Borrowings	24	22,398	15,836	–	–
Other	22	57,028	57,195	26,841	18,450
Net current assets		16,224	29,558	30,953	47,221
Total assets less current liabilities		81,970	96,033	119,359	121,547
Creditors: amounts falling due after more than one year					
Borrowings	24	1,888	15,250	–	–
Other	22	708	1,134	–	–
Provisions for liabilities and charges	23	13,625	12,950	1,719	1,871
Net assets		65,749	66,699	117,640	119,676
Capital and reserves					
Called-up share capital	25	62,048	61,936	62,048	61,936
Share premium account	26	2,942	2,942	2,942	2,942
Revaluation reserve	26	921	1,034	15	15
Other reserves	26	(29,573)	(32,881)	–	–
Profit and loss account	26	29,624	33,620	52,635	54,783
Equity shareholders' funds		65,962	66,651	117,640	119,676
Minority interests	27	(213)	48	–	–
Total capital employed		65,749	66,699	117,640	119,676

Approved by the Board on 29 May 2003

K H HODGKINSON
Director

N W WARNER
Director

The information on pages 35 to 64 inclusive forms part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March

	2003		2002	
	£000	£000	£000	£000
Cash flow from operating activities		11,852		1,779
Returns on investments and servicing of finance				
Interest received	1,227		1,635	
Interest paid	(1,903)		(2,155)	
Interest element of finance lease rentals	(49)		(96)	
Net cash outflow from returns on investments and servicing of finance		(725)		(616)
Taxation		(2,298)		(2,692)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(2,546)		(2,270)	
Disposal of tangible fixed assets	554		164	
Net sale/(purchase) of own shares	106		(696)	
Net cash outflow from capital expenditure and financial investments		(1,886)		(2,802)
Acquisitions and disposals				
Purchase of businesses	(482)		(2,733)	
Deferred consideration	(76)		(2,259)	
Net cash outflow from acquisitions and disposals		(558)		(4,992)
Equity dividends paid		(3,786)		(3,779)
Cash inflow/(outflow) before use of liquid resources and financing		2,599		(13,102)
Management of liquid resources				
Net decrease in short-term deposits		3,413		21,522
Financing				
Issue of ordinary share capital	112		79	
Increase in bank advances due within one year	7,715		9,636	
Decrease in other loans due beyond one year	(14,136)		(8,990)	
Net increase/(decrease) in discounted trade bills	304		(218)	
Capital element of finance lease rental payments	(157)		(100)	
Net cash (outflow)/inflow from financing		(6,162)		407
(Decrease)/increase in cash in the period		(150)		8,827

Reconciliations of operating profit to net cash flow from operating activities and of net cash flow to movement in net debt, together with an analysis of net debt and other supporting information to the consolidated cash flow statement, are given in note 29 to the accounts on pages 60 and 61.

The information on pages 35 to 64 inclusive forms part of these accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 March

	2003 £000	2002 £000
Profit/(loss) for the financial year	2,086	(19,070)
Currency translation differences on foreign currency net investments	890	(291)
Total gains/(losses) recognised for the year	2,976	(19,361)
Prior year adjustment on implementation of FRS 19 (Deferred Tax)	–	804
Total recognised gains/(losses) since last annual report	2,976	(18,557)

RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

for the year ended 31 March

	2003 £000	2002 £000
Profit/(loss) for the financial year	2,086	(19,070)
Dividends	(3,777)	(3,772)
Exchange adjustments	890	(291)
New share capital issued	112	61
Share premium thereon	–	18
Net decrease in equity shareholders' funds	(689)	(23,054)
Opening equity shareholders' funds	66,651	89,705
Closing equity shareholders' funds	65,962	66,651

The information on pages 35 to 64 inclusive forms part of these accounts.

NOTES TO THE ACCOUNTS

for the year ended 31 March

I ACCOUNTING POLICIES

Basis of accounting The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain land and buildings, and have been prepared in accordance with applicable accounting standards and the Companies Act 1985.

Basis of consolidation The consolidated accounts include the accounts of the parent company and all its subsidiary undertakings for the year ended 31 March 2003. In the case of subsidiary undertakings acquired or sold during the year the results are dealt with from the effective date of their acquisition or to the effective date of their sale. Acquisitions are dealt with under the acquisition method.

Goodwill represents the excess of fair value of the consideration given over the fair value of the separable net assets acquired. Goodwill in respect of acquisitions made prior to 1 April 1998 was either written off directly against reserves or, alternatively, was capitalised and amortised over an appropriate period. Goodwill in respect of acquisitions made since 1 April 1998 is shown as an asset (in accordance with FRS 10 (Goodwill and Intangible Assets)) and each acquisition is assessed to determine the useful economic life of the business and goodwill. As required by FRS 10, the directors have reviewed the useful economic life of goodwill and have concluded that all goodwill on the balance sheet should be written off over 20 years from acquisition.

Goodwill is subject to review at the end of the year of acquisition and at any other time when the directors believe that impairment may have occurred. Any impairment is charged to the profit and loss account in the period in which it arises.

Foreign currencies For the purposes of consolidation, the results and cash flows of non-UK undertakings are translated into sterling at average exchange rates. The balance sheets of non-UK undertakings are translated into sterling at the exchange rates ruling at the balance sheet date. Differences arising on the retranslation of opening balance sheets at the closing exchange rates are taken to reserves.

On consolidation and in the accounts of Group undertakings, certain foreign currency loans, and forward foreign exchange contracts and options are matched with overseas investments and the translation differences arising on these are offset in reserves. The translation differences on unmatched foreign currency loans are taken to the profit and loss account together with exchange differences arising on transactions denominated in foreign currencies.

Turnover represents the amounts, excluding VAT and similar sales-related taxes, receivable by the Group for goods and services supplied to customers in the ordinary course of business.

Stocks are valued at the lower of cost and net realisable value. Cost is generally determined on a first in, first out basis, and, in the case of products manufactured by the Group, consists of direct material and labour costs together with related factory overheads.

Long-term contracts Where the outcome of a long-term contract can be assessed with reasonable certainty, turnover and profit are recognised for that portion of the contract which is attributable to the work that has been done, on a cost to completion basis. Provision is made as appropriate for any anticipated future losses on such a contract.

Taxation The charge for taxation is based on the results for the year. Credit is taken for advance corporation tax charged in previous years to the extent that it is determined recoverable against short-term corporation tax liabilities.

Deferred tax is recognised on timing differences that have originated but not reversed at the balance sheet date except in the circumstances set out below. This deferred tax is measured at the average tax rates that are expected to apply at the time in which differences are expected to reverse.

Deferred tax assets are only recognised to the extent that it is considered more likely than not that there will be suitable taxable profits from which the reversal of the underlying timing differences can be deducted.

No deferred tax is recognised in respect of the potential unaccrued distribution of the retained earnings of overseas subsidiaries nor in respect of the gain arising from revalued fixed assets.

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 31 March

1 ACCOUNTING POLICIES CONTINUED

Depreciation is charged on the straight line basis over the expected useful lives of the assets. The rates generally in use are as follows:

Freehold land	Nil
Freehold buildings	2% to 5%
Leasehold buildings	2% to 5% (or over remaining life of lease if shorter)
Plant, machinery and other equipment	5% to 33%
Vehicles	10% to 40%

Depreciation is calculated on the cost of the asset or, in the case of assets which have been revalued, the amount of the revaluation, together with subsequent additions at cost.

Revaluation of properties Prior to 31 March 1999, freehold and leasehold properties were revalued on a regular basis. Any material overall surplus over book value was credited to the revaluation reserve and any material overall deficit below book value was charged to the profit and loss account in the year of revaluation.

Following the adoption of FRS 15 (Tangible Fixed Assets) in the year to 31 March 2000, no further revaluation will take place and values have been frozen at the valuation as set out in note 17.

Fixed asset investments are shown at cost less provision for impairment where appropriate.

Research and development expenditure is written off in the year in which it is incurred.

Profit/loss on disposal of fixed assets Profits and losses on the disposal of fixed assets represent the difference between sales proceeds and the net carrying amount, being historical cost or valuation as applicable (less subsequent depreciation or any provisions made). Any surplus previously taken to revaluation reserve is released through reserves at the time of disposal.

Leased assets Assets held under finance leases are recorded at the fair value of the asset, with an equivalent liability categorised, as appropriate, under creditors due within or after one year. The asset is depreciated over the shorter of the lease term and its useful economic life. Finance charges are allocated to accounting periods over the period of the lease. All payments under operating leases are charged to the profit and loss account as rentals fall due.

Pensions Most Group undertakings have pension or retirement benefit arrangements. These vary but are appropriate to the legal requirements and local practices of the countries concerned. In the United Kingdom these arrangements are funded externally, in accordance with defined benefit plans. In other cases suitable provisions are made on a similar basis.

Pension costs for defined benefit schemes are accounted for in accordance with Statement of Standard Accounting Practice number 24, with additional disclosures as required by the transitional arrangements of FRS 17 (Retirement Benefits).

In all countries the levels of funding or provisions are regularly reviewed to ensure that they are adequate and appropriate in relation to local requirements.

2 PROFIT FOR THE FINANCIAL YEAR

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the Company is not presented as part of these accounts. Of the Group consolidated profit for the financial year, a profit of £1,628,000 (2002: £2,740,000) is dealt with in the accounts of the Company.

3 OPERATING EXPENSES

	2003			2002		
	Before goodwill £000	Goodwill £000	Total £000	Before goodwill and exceptional items £000	Goodwill and exceptional items £000	Total £000
Distribution expenses	(25,073)	–	(25,073)	(27,044)	(275)	(27,319)
Administrative expenses:						
Goodwill impairment	–	–	–	–	(12,827)	(12,827)
Goodwill amortisation	–	(2,587)	(2,587)	–	(3,029)	(3,029)
Other	(24,871)	–	(24,871)	(23,543)	(1,973)	(25,516)
Total operating expenses	(49,944)	(2,587)	(52,531)	(50,587)	(18,104)	(68,691)

The figures for 2003 include the following amounts relating to acquisitions: distribution costs £12,000, administrative expenses – other £114,000, administrative expenses – goodwill amortisation £5,000.

4 SEGMENTAL INFORMATION

Segmental profits/(losses) are shown at the level of profit on ordinary activities before interest. Central costs have been fully allocated. Unallocated net assets/(liabilities) include trade investments, other non-operating assets and liabilities and provisions, dividend creditors, finance lease obligations and cash balances and borrowings.

The Company derives its revenue and profits from a single class of business, power protection.

Turnover, net assets and profit by source

	2003				2002			
	Turnover		Net assets/(liabilities)	Profit/(loss)	Turnover		Net assets/(liabilities)	Profit/(loss)
	Total £000	Third party £000	£000	£000	Total £000	Third party £000	£000	£000
Europe	122,985	115,142	19,654	6,966	139,729	117,627	18,088	4,775
Americas	21,870	21,085	3,237	41	22,838	21,968	4,750	320
Asia and Australasia	7,935	6,740	2,077	55	10,871	8,732	1,087	(55)
Inter-segment adjustments	(9,823)	–	–	–	(25,111)	–	–	–
Continuing operations	142,967	142,967	24,172	7,062	148,327	148,327	23,925	5,040
Goodwill and amortisation			41,069	(2,587)			41,926	(3,029)
Goodwill impairment				–				(12,827)
Restructuring costs				–				(6,800)
Unallocated net (liabilities)/assets			(287)	–			848	–
	142,967	142,967	65,749		148,327	148,327	66,699	
Profit/(loss) on ordinary activities before interest				4,475				(17,616)
Net interest payable				(725)				(559)
Profit/(loss) on ordinary activities before taxation				3,750				(18,175)

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 31 March

4 SEGMENTAL INFORMATION CONTINUED

Third party turnover by market destination

	2003		2002	
	£000	%	£000	%
Europe	98,889	69	99,605	67
Americas	22,877	16	25,355	17
Asia and Australasia	16,078	11	19,127	13
Africa	5,123	4	4,240	3
	142,967	100	148,327	100

5 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	2003 £000	2002 £000
The profit/(loss) on ordinary activities before taxation is stated after charging the following:		
Exceptional items (see note 7)	–	19,627
Depreciation (at average exchange rates during the year)	3,079	3,055
Impairment of fixed assets	–	950
Amortisation of goodwill	2,587	3,029
Audit fees, including Company £76,000 (2002: £69,000)	242	239
Operating lease rentals – plant and machinery	715	374
– other	2,173	1,217
Research and development expenditure	4,517	4,853

Deloitte & Touche were appointed auditors to the Company on 24 July 2002. Fees paid to Deloitte & Touche for non-audit but related advisory services to the Company and its subsidiary undertakings amounted to £88,000. Payments to former auditors prior to 24 July 2002 were £nil (2002: £100,000). These fees are mainly in respect of tax advisory and acquisition-related services. Fees for non-audit work are separately negotiated to ensure a cost-effective service.

6 NET INTEREST PAYABLE

	2003 £000	2002 £000
Bank loans and overdrafts	(1,846)	(1,955)
Finance leases and hire purchase contracts	(49)	(96)
Other	(57)	(143)
	(1,952)	(2,194)
Interest receivable and similar income	1,227	1,635
Net interest payable	(725)	(559)

7 GOODWILL AND EXCEPTIONAL ITEMS

	2003 £000	2002 £000
Operating exceptional items		
Restructuring costs	–	6,800
Goodwill impairment	–	12,827
Total operating exceptional items	–	19,627
Goodwill amortisation	2,587	3,029
Total goodwill and operating exceptional items	2,587	22,656

The restructuring costs of £6.8 million incurred during the prior year relate primarily to the closure of the Company's smaller end manufacturing facilities. The goodwill write-down of £12.8 million in the prior year related primarily to the write-offs in companies mainly associated with the telecoms industry.

8 TAXATION

a) Analysis of charge based on profit/(loss) for the year

	2003 £000	2002 £000
Current tax		
United Kingdom:		
UK corporation tax on profits at 30% (2002: 30%)	1,527	1,592
Double tax relief	(1,053)	(60)
Advance corporation tax displaced/(written back)	492	(122)
	966	1,410
Foreign tax	821	821
Adjustments in respect of prior years – UK tax	(225)	(210)
– foreign tax	(96)	(439)
Total current tax	1,466	1,582
Deferred tax		
Origination and reversal of timing differences – trading		
– current year	129	(720)
– prior year	117	–
Total deferred tax	246	(720)
Tax on profit/(loss) on ordinary activities	1,712	862

ACT written off in previous years amounting to £9,183,000 (2002: £8,530,000) is available to reduce taxation on trading profits in future years. The increase in the amount of ACT written off compared with 2002 arises from the impact of the shadow ACT rules on the offset of real ACT against the tax on UK profits in earlier years of £492,000 (2002: £nil). Consequently, there was no utilisation of ACT in the year (2002: £122,000).

The foreign tax charge includes tax withheld from remittances to the UK of £58,000 (2002: £60,000).

The Company has tax losses amounting to approximately £25 million (2002: £21 million) of which £2.2 million (2002: £2.2 million) has been taken into account in calculating deferred tax.

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 31 March

8 TAXATION CONTINUED

b) Factors affecting tax charge for the year The differences between the current tax charge and the amount calculated by applying the standard rate of UK corporation tax (30%) to the profit before tax are as follows:

	2003 £000	2002 £000
Profit/(loss) before tax	3,750	(18,175)
Tax on profit/(loss) arrived at by applying the standard rate of UK tax (30%)	1,125	(5,453)
ACT displaced/(written back)	492	(122)
Expenses not allowable for tax (including goodwill amortisation and impairment)	1,168	5,646
Foreign exchange loss on inter-company balances	(754)	–
Overseas losses not tax relieved	597	2,439
Differences arising on overseas earnings – trading	261	220
Tax overprovided in prior years	(321)	(1,022)
Other timing differences	(1,102)	(126)
	1,466	1,582

9 DIRECTORS' REMUNERATION AND PENSION ENTITLEMENTS

Information relating to the remuneration and pension entitlements of directors is contained in the remuneration report on page 29.

10 DIRECTORS' INTERESTS IN SHARES

Information relating to the directors' interests in shares under option is contained in the remuneration report on page 30.

The directors' interests in shares are as follows:

Shares	31 March 2003 Number of ordinary shares	1 April 2002 Number of ordinary shares
N N Broadhurst	10,000	4,000
A S J Fraser	30,000	30,000
K H Hodgkinson	802,361	743,867
R S Southwell	–	–
NW Warner	206,176	102,176
J A C Wheeler	–	–

In addition to the interests disclosed above, all of which are beneficial, Mr Hodgkinson and Mr Warner are each regarded as having a technical interest in the ordinary shares in the Company held by the Chloride Group Employee Benefit Trust (see page 23). Neither of them is, however, entitled to receive from the Trust more shares than may be allocated to him upon exercise of options under executive share option schemes shown above. The Trust held 11,242,920 shares on 31 March 2003 (2002: 11,612,920).

Notes There have been no changes in the holdings of the directors between 31 March and 22 May 2003 except that the shareholding of Mr Hodgkinson increased by 20 shares on 1 April 2003 because of a dividend re-investment election made in respect of certain of his shares which are held in PEP/ISA accounts.

11 DIVIDENDS

	2003 £000	2002 £000
Paid 0.80p per share on 3 December 2002 (2002: 0.80p)	1,883	1,883
Proposed 0.80p per share to be paid on 29 July 2003 (2002: 0.80p)	1,894	1,889
	3,777	3,772

The trustees of the Chloride Group Employee Benefit Trust and Chloride Quest have waived their rights to receive dividends. Accordingly the amounts shown above for 2003 are net of dividends of £180,306* (2002: £191,970).

* Assuming no change to the issued capital, the shareholding of the Chloride Group Employee Benefit Trust or the Chloride Quest between 22 May 2003 and the record date.

12 EARNINGS PER SHARE

	2003 million	2002 million
Weighted average number of 25p ordinary shares – basic and adjusted	236.6	236.9
Adjusted for shares under option	–	–
Weighted average number of 25p ordinary shares – diluted	236.6	236.9
	£000	£000
Profit/(loss) for basic and diluted earnings per share calculations	2,086	(19,070)
Exceptional restructuring costs	–	6,800
Goodwill impairment	–	12,827
Tax on exceptional items	–	(256)
Goodwill amortisation	2,587	3,029
Profit for adjusted earnings per share calculation	4,673	3,330
Earnings per share – adjusted	1.98p	1.41p
– basic	0.88p	(8.05p)
– diluted	0.88p	(8.05p)

The weighted average number of shares excludes shares held by the Chloride Group Employee Benefit Trust and the Chloride Quest.

The directors consider that the adjusted earnings per share figures more accurately reflect the underlying performance of the business.

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 31 March

13 PENSIONS

Pension costs continue to be accounted for under Statement of Standard Accounting Practice (SSAP) 24. Disclosures are provided under both SSAP 24 and FRS 17 (Retirement Benefits).

The Company has a number of pension or retirement benefit arrangements, which are established to meet local legal requirements and practices in the countries in which it operates. The total pension cost for the year was £1,419,000 (2002: £1,274,000) and the Company has a provision of £4,322,000 (2002: £3,257,000) in its balance sheet to meet the unfunded liabilities of these arrangements.

Defined benefit schemes are operated in the UK and Germany. The bases of these schemes are as follows:

UK On 1 September 1996 the Company set up a hybrid pension scheme with both defined benefit and defined contribution sections (the Chloride 1996 Scheme). At that date the pension entitlements of active members of the pre-existing Chloride UK Pension Scheme were transferred to this new scheme. The Chloride UK Pension Scheme was then wound up and, as a consequence, the current and future liabilities relating to the pensioners and deferred pensioners at that time were transferred to Legal & General Assurance (Pensions Management) Ltd. The defined benefit section of the Chloride 1996 Scheme has been closed to new members since 1 April 1998.

Germany In Germany the Company operates a defined benefit scheme, which in accordance with local practice is unfunded. Provision for future liabilities is made in the balance sheet in accordance with advice given by independent actuaries.

a) Disclosures under SSAP 24 The net charge in the UK of £502,000 comprises £536,000 (2002: £578,000) for the regular cost of meeting future benefits less a variation credit of £49,000 (2002: £475,000) relating to the spread of unallocated scheme surpluses, together with contributions in respect of the defined contribution scheme.

The actuarial valuation of the Chloride 1996 Scheme as at 1 April 2002, which showed a surplus of £1.2 million over accrued past service liabilities, was carried out using the projected unit method. It was assumed that the annual rate of return on investments would exceed the annual rate of increase in pensionable pay by three percentage points, and exceed the annual rate of growth in present and future pensions by four and a half percentage points.

On actuarial advice, payments of the employer contributions to the Chloride 1996 Scheme were partially suspended in 2003 (see note b) below).

The charge in Germany of £458,000 (2002: £121,000) represents the increase in the provision for future benefits arising in the year as advised by independent actuaries.

Pension costs relating to other schemes worldwide have been determined in accordance with local practice using appropriate accounting policies.

13 PENSIONS CONTINUED

b) **Disclosures under FRS 17** In the UK and Germany the Company operates defined benefit schemes for which actuarial valuations have been updated by independent qualified actuaries to assess the liabilities of the schemes at 31 March 2003 in accordance with FRS 17. The main assumptions used were:

	2003		2002	
	UK %	Germany %	UK %	Germany %
Rate of increase in salaries	4.5	2.5	4.7	3.0
Rate of increase in pension payments	2.5	2.5	2.7	1.5
Discount rate	5.5	5.25	6.0	6.0
Inflation	2.5	1.25	2.7	1.5

The net assets/liabilities of the UK scheme and the liabilities of the German scheme at 31 March 2003 were as follows:

	2003			2002		
	UK	Germany	Total	UK	Germany	Total
Long-term expected rate of return						
Equities	8.0%	n/a	n/a	8.0%	n/a	n/a
Gilts	4.6%	n/a	n/a	5.3%	n/a	n/a
Other	3.5%	n/a	n/a	3.5%	n/a	n/a
	£000	£000	£000	£000	£000	£000
Market value of assets						
Equities	10,600	–	10,600	15,400	–	15,400
Gilts	2,200	–	2,200	2,000	–	2,000
Other	–	–	–	500	–	500
Total market value of assets	12,800	–	12,800	17,900	–	17,900
Present value of pension liabilities	(21,000)	(2,394)	(23,394)	(18,200)	(1,674)	(19,874)
Deficit in the scheme	(8,200)	(2,394)	(10,594)	(300)	(1,674)	(1,974)
Related deferred tax assets	2,460	838	3,298	90	585	675
Net pension liabilities	(5,740)	(1,556)	(7,296)	(210)	(1,089)	(1,299)

In the UK the contribution rate for 2003 was 2.5% of pensionable earnings. The Company and its UK subsidiaries contributed £1.5 million to the UK fund on 28 May 2003 and increased its contribution to 18.5% of pensionable earnings from 1 April 2003.

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 31 March

13 PENSIONS CONTINUED

	2003 £000
Analysis of the amount charged to operating profit	
Current service cost	1,015
Past service cost	–
Total operating charge	1,015
Analysis of the amount credited to net financial income	
Expected return on pension scheme assets	1,250
Interest on pension liabilities	(1,142)
Net financing credit	108
Total profit and loss charge	907
Analysis of amount recognised in statement of total recognised gains and losses	
Actual return less expected return on pension scheme assets	(5,500)
Experience gains and losses arising on the scheme liabilities	30
Changes in assumptions underlying the present value of the liabilities	(2,312)
Actual loss recognised in the statement of total recognised gains and losses	(7,782)
Movement in deficit during the year	
Deficit in schemes at the beginning of the year	(1,974)
Current service cost	(1,015)
Contributions	69
Past service cost	–
Finance income	108
Actuarial loss	(7,782)
Deficit in schemes at end of year	(10,594)
History of experience gains and losses	
Difference between the expected and actual return on the schemes assets:	
Amount £000	(5,500)
Percentage	(43.0)
Experience gains and losses on the schemes liabilities:	
Amount £000	30
Percentage	0.1
Total amount recognised in the statement of recognised gains and losses	
Amount £000	(7,782)
Percentage	(33.3)

14 EMPLOYEE INFORMATION

At 31 March 2003 the total number of the Group's employees, including executive directors, was 1,418 (2002: 1,426). The average number of persons employed during the year is analysed below:

	2003	2002
Europe – including 180 in the UK (2002: 166)	1,040	1,110
Americas	209	236
Rest of the world	99	142
	1,348	1,488

Employment costs (including those relating to executive directors) were as follows:

	2003 £000	2002 £000
Wages and salaries	34,402	31,765
Social security costs	7,008	6,066
Other pensions costs (see note 13)	1,419	1,274
	42,829	39,105

15 GOODWILL

	2003 £000	2002 £000
Cost at 1 April	63,148	59,607
Acquisitions	1,088	3,776
Other adjustments	642	(235)
Cost at 31 March	64,878	63,148
Accumulated amortisation:		
At 1 April	21,222	5,366
Charge to profit and loss account for the year		
Amortisation	2,587	3,029
Impairment	–	12,827
At 31 March	23,809	21,222
Net book value at 31 March	41,069	41,926

Other adjustments relate primarily to exchange differences.

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 31 March

16 ACQUISITION

Siemens Telecom Power Supply Limited, Shanghai (STPSS) In February 2003 Chloride acquired 51% of the shares of STPSS (now renamed Chloride Masterguard Power Systems Limited). Chloride also committed to subscribing for a further £1.3 million of share capital. This subscription takes Chloride's holding to 75% of the company.

The net assets of the business have been included in the consolidated financial statements using the acquisition method as summarised below:

	Book value £000	— Fair value adjustments —		Fair value to the Group £000
		Accounting policy £000	Revaluations £000	
Fixed assets	365	(80)	(46)	239
Stocks	863	(24)	(109)	730
Debtors	1,141	(213)	(61)	867
Creditors	(1,532)	—	(117)	(1,649)
Borrowings (including finance leases)	(451)	—	—	(451)
Provisions	(13)	—	(235)	(248)
	373	(317)	(568)	(512)
Minority interests				213
				(299)
Consideration				482
Cash payment				307
Deferred consideration				1,088
Goodwill arising				

Post-acquisition turnover and loss were £130,000 and £87,000 respectively. During the five months prior to acquisition and its previous reporting period, STPSS made post-tax losses of £414,000 and £681,000 respectively.

Revaluation adjustments mainly relate to writing down assets to their net realisable value and setting up provisions for warranty and other similar liabilities.

The accounting policy adjustments mainly relate to the write-off of deferred taxation assets and intangibles and adjustments to depreciation.

17 TANGIBLE FIXED ASSETS

	Group			Plant and machinery £000	Group total £000	Company total £000
	Freehold land and buildings £000	Leasehold land and buildings Long lease £000	Short lease £000			
Cost or valuation:						
At 1 April	5,537	1,425	2,336	16,233	25,531	1,364
Exchange rate adjustments	604	173	122	859	1,758	–
Acquisitions	–	–	97	142	239	–
Capital expenditure	86	–	79	2,356	2,521	164
Disposals and adjustments	1,380	(1,598)	–	(510)	(728)	(52)
At 31 March	7,607	–	2,634	19,080	29,321	1,476
Accumulated depreciation:						
At 1 April	523	794	793	9,496	11,606	938
Exchange rate adjustments	33	98	17	426	574	–
Charge for the year	280	–	301	2,648	3,229	162
Disposals and adjustments	830	(892)	–	(184)	(246)	(47)
At 31 March	1,666	–	1,111	12,386	15,163	1,053
Net book value:						
At 1 April 2002	5,014	631	1,543	6,737	13,925	426
At 31 March 2003	5,941	–	1,523	6,694	14,158	423

Notes

- In the above table, the net book value for the Group includes £588,000 (2002: £1,240,000) in respect of tangible fixed assets held under finance leases, and the depreciation charge for the year includes £204,000 (2002: £163,000) in respect of these assets.
- The tangible fixed assets of the Company comprise plant and machinery, including motor vehicles and office equipment.
- If land and buildings had not been revalued the Group net book values would have been:
- During the year the Group acquired the freehold interest in land and buildings which had previously been held on a finance lease. These buildings were previously shown under leasehold land and buildings, long lease, and are now shown under freehold land and buildings.

	Freehold land and buildings £000	Leasehold land and buildings Short lease £000
Historical cost	7,316	2,466
Accumulated depreciation thereon	1,751	964
	5,565	1,472

Freehold and long leasehold land and buildings were professionally valued at open market value on an existing use basis in 1993, with subsequent additions at cost as follows:

	Freehold land and buildings £000
Group	
Valuation at 1993	1,425
Cost	6,182
Cost and valuation at 31 March 2003	7,607

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 31 March

18 RELATED PARTY TRANSACTIONS

The Company makes a service charge to the UK pension scheme in respect of pensions administration, office accommodation and related service costs. The total service charge for the year was £92,950 (2002: £92,000).

At 31 March 2003 the Company had receivable and payable balances with its two non-wholly owned subsidiaries, Chloride Masterguard Power Systems Limited and Chloride Koexa SA, of £509,000 (2002: £12,000) and £nil (2002: £46,000) respectively. During the year these companies purchased goods from fellow subsidiaries to the value of £491,000 (2002: £26,000).

19 INVESTMENTS

	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
The net book value of investments is made up as follows:				
Subsidiary undertakings	–	–	87,983	73,900
Other investments	10,519	10,624	–	–
	10,519	10,624	87,983	73,900
Subsidiary undertakings				
Cost:				
At 1 April			95,532	95,532
Additions			14,083	–
At 31 March			109,615	95,532
Amounts written off:				
At 1 April			21,632	21,632
Movements in the year			–	–
At 31 March			21,632	21,632
Net book value at 31 March			87,983	73,900

The principal subsidiary undertakings at 31 March 2003 are shown on page 64.

Other investments

	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
Own shares at cost:				
At 1 April	10,624	9,928	–	–
Net (disposal)/purchase of own shares	(105)	696	–	–
At 31 March	10,519	10,624	–	–

“Own shares at cost” represents 11,242,920 (2002: 11,612,920) ordinary shares in the Company held by the Chloride Group Employee Benefit Trust as noted in the directors' report on page 23, having a market value at 31 March 2003 of £3.3 million (2002: £5.9 million). The Trust holds these shares to meet long-term commitments in relation to employee share option plans. The directors are of the opinion that the current deficit between market and balance sheet value represents a short-term correction and is not a permanent diminution in value.

20 STOCKS

	Group	
	2003 £000	2002 £000
Raw materials and components	13,134	15,301
Work in progress	4,963	2,256
Finished goods	10,943	12,204
	29,040	29,761

There is no material difference between the current replacement cost and the historical cost of stocks.

21 DEBTORS

	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
Amounts falling due within one year				
Trade debtors	39,846	40,568	–	–
Discounted trade bills	342	263	–	–
Due from subsidiary undertakings	–	–	54,276	50,158
Other debtors	4,380	2,838	174	207
Prepayments and accrued income	397	376	124	120
Tax receivable	1,006	1,080	200	–
Deferred tax	1,248	1,030	642	204
	47,219	46,155	55,416	50,689
Amounts falling due after more than one year				
Other debtors	58	57	–	–
Tax receivable	1,000	768	–	–
Deferred tax	1,671	1,919	–	487
Total debtors	49,948	48,899	55,416	51,176

The deferred tax asset relates to short-term timing differences and overseas brought forward tax losses.

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 31 March

22 CREDITORS

	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
Amounts falling due within one year				
Obligations under finance leases	110	143	—	—
Payments received on account	136	77	—	—
Trade creditors	24,140	21,642	620	355
Discounted trade bills	632	274	—	—
Amounts owing to subsidiary undertakings	—	—	21,223	13,372
UK corporation tax and corporate foreign taxes	9,000	10,147	735	812
Other taxation and social security	2,267	2,024	117	199
Other creditors	7,863	8,314	1,039	913
Accruals	10,916	12,668	1,212	893
Dividends payable	1,964	1,906	1,895	1,906
	57,028	57,195	26,841	18,450

	Group	
	2003 £000	2002 £000
Amounts falling due after more than one year		
Corporate taxes	8	315
Obligations under finance leases	479	550
Other creditors	221	269
	708	1,134

23 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred tax £000	Pensions and similar obligations £000	Deferred purchase consideration £000	Other £000	Total £000
Group:					
At 1 April	317	3,257	227	9,149	12,950
Exchange rate adjustments	27	390	—	(183)	234
Arising from acquisitions	—	—	—	248	248
Profit and loss account	(174)	837	—	1,066	1,729
Utilised in the year	—	(162)	(108)	(1,266)	(1,536)
At 31 March	170	4,322	119	9,014	13,625
Company:					
At 1 April	46	—	—	1,825	1,871
Profit and loss account	(46)	—	—	(15)	(61)
Utilised in the year	—	—	—	(91)	(91)
At 31 March	—	—	—	1,719	1,719

23 PROVISIONS FOR LIABILITIES AND CHARGES CONTINUED

Deferred taxation is provided in respect of timing differences, principally related to capital allowances in the UK and overseas tax accounting requirements. No provision is included in respect of the potential liability for tax amounting to £211,000 (2002: £244,000) before potential loss relief that would arise if properties included at valuation in the Group balance sheet were to be sold at these valuation amounts. After loss relief there is no potential net liability (2002: nil).

The provision for pensions and similar obligations relates mainly to the liability in Italy and Germany for certain unfunded employee retirement entitlements.

Other provisions mainly relate to product warranty, contractual and other obligations for continuing and disposed businesses. The timing of the utilisation of these provisions is uncertain except for product warranties which are anticipated to be utilised within the next three years.

24 BORROWINGS

	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
Borrowings are repayable as follows:				
Due on demand or under one year:				
Bank	22,398	15,836	—	—
	22,398	15,836	—	—
Other borrowings due after one year:				
Due over one and under two years	108	14,950	—	—
Due over two and under five years	1,251	183	—	—
Due over five years	529	117	—	—
	1,888	15,250	—	—

Included in the above are loans of £16.8 million (2002: £14.1 million) at a fixed rate of interest of 4.81% (2002: 5.07%) per annum for a weighted average period of nine months, and loans of £0.9 million (2002: £0.2 million) at a weighted average fixed rate of interest of 2.46% per annum for seven years.

In the Group and Company balance sheets, borrowings and cash balances have been offset where the legal right of offset exists. The Company's Articles of Association limit the external borrowings of the Company and its subsidiary undertakings to an amount equal to twice the share capital and consolidated reserves.

At 31 March 2003 the Group had £43.2 million of committed facilities (2002: £47 million), of which £23.5 million (2002: £22 million) was unutilised. Of this amount, £28.2 million expires within one year (2002: £20 million), £nil million expires within one to two years (2002: £2 million) and £15 million (2002: £nil) expires after two years.

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 31 March

25 SHARE CAPITAL

	Group	
	2003 £000	2002 £000
Authorised:		
Equity		
Ordinary shares of 25p each: 329,752,000 (2002: 329,752,000)	82,438	82,438
	82,438	82,438
Issued:		
Equity		
Ordinary shares of 25p each 248,192,546 (2002: 247,743,406)	62,048	61,936
	62,048	61,936

The increase in the issued ordinary share capital of the Company is due to the exercise during the year of executive and savings-related share options over a total of 449,140 shares.

As at 31 March 2003, there were 15,179,000 ordinary shares (2002: 13,135,000) under option under executive share option schemes and 1,416,279 (2002: 1,407,737) under option under the Company's savings-related share option schemes.

The following table shows aggregate option entitlements under the executive share option schemes outstanding at 31 March 2003. It also includes information as to whether performance measures are applicable and, if so, whether they have yet been met.

Date of grant	Option price	Number of shares		Status of performance measure(s) as at 31 March 2003
		31 March 2003	31 March 2002	
1984 Scheme				
17.09.93	25p	—	100,000	not applicable
1994 Scheme				
03.08.94	30.5p	163,000	393,000	met
21.06.95	25p	—	190,000	"
20.12.95	25p	99,000	107,000	"
30.07.97	33p	160,000	160,000	"
28.11.97	39p	34,000	34,000	"
26.06.98	48.75p	103,500	133,500	"
02.12.98	49.5p	110,000	110,000	"
26.07.99	78.5p	61,500	129,500	under measurement
29.10.99	80.25p	55,000	55,000	"
31.05.00	135.5p	122,434	132,434	"
25.07.00	184.5p	16,260	16,260	"
31.10.00	206.0p	61,047	61,047	"

25 SHARE CAPITAL CONTINUED

Date of grant	Option price	Number of shares		Status of performance measure(s) as at 31 March 2003
		31 March 2003	31 March 2002	
1996 Scheme				
29.08.96	35p	130,000	130,000	met
30.07.97	33p	194,000	194,000	"
28.11.97	39p	91,000	91,000	"
26.06.98	48.75p	1,190,500	1,240,500	"
02.12.98	49.5p	135,000	135,000	"
05.01.99	58.25p	250,000	250,000	under measurement
26.07.99	78.5p	2,281,500	2,448,500	"
29.10.99	80.25p	550,000	600,000	"
30.05.00	135.5p	2,894,566	3,102,566	"
25.07.00	184.5p	83,740	83,740	"
30.10.00	206.0p	358,953	388,953	"
16.11.00	187.5p	—	50,000	"
2001 Scheme				
13.08.01	70p	2,439,000	2,549,000	under measurement
13.08.01	70.52p	230,000	250,000	"
06.06.02	44.5p	3,090,000	—	performance measurement
03.07.02	42p	275,000	—	not yet started
		15,179,000	13,135,000	

The following table shows entitlements outstanding under the savings-related share option schemes as at 31 March 2003.

Three, five or seven year options	Date of grant	Option price	Number of shares		Normal exercise period
			31 March 2003	31 March 2002	
1987 Scheme					
Five year	01.08.97	25p	—	347,460	01.10.02 to 31.03.03
Seven year	01.08.97	25p	59,280	85,600	01.10.04 to 31.03.05
1997 Scheme					
Five year	17.07.98	39p	183,110	228,213	01.10.03 to 31.03.04
Seven year	17.07.98	39p	7,000	23,000	01.10.05 to 31.03.06
Three year	25.06.99	59.75p	—	50,162	01.10.02 to 31.03.03
Five year	25.06.99	59.75p	94,326	284,104	01.10.04 to 31.03.05
Seven year	25.06.99	59.75p	101,484	108,864	01.10.06 to 31.03.07
Three year	28.06.00	119.25p	16,404	51,974	01.10.03 to 31.03.04
Five year	28.06.00	119.25p	17,263	62,450	01.10.05 to 31.03.06
Seven year	28.06.00	119.25p	—	4,622	01.10.07 to 31.03.08
Three year	29.06.01	82.75p	13,575	73,507	01.10.04 to 31.03.05
Five year	29.06.01	82.75p	18,353	81,565	01.10.06 to 31.03.07
Seven year	29.06.01	82.75p	—	6,216	01.10.08 to 31.03.09
Three year	03.07.02	37.5p	370,057	—	01.10.05 to 31.03.06
Five year	03.07.02	37.5p	439,562	—	01.10.07 to 31.03.08
Seven year	03.07.02	37.5p	95,865	—	01.10.09 to 31.03.10
			1,416,279	1,407,737	

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 31 March

26 RESERVES

	Share premium account £000	Revaluation reserve £000	Other reserves £000	Profit and loss account £000	Total reserves £000
Group:					
At 1 April	2,942	1,034	(32,881)	33,620	4,715
Exchange rate adjustments	–	47	3,308	(2,465)	890
Realised	–	(160)	–	160	–
Retained loss for the year	–	–	–	(1,691)	(1,691)
At 31 March	2,942	921	(29,573)	29,624	3,914
Company:					
At 1 April	2,942	15	–	54,783	57,740
Retained loss for the year	–	–	–	(2,148)	(2,148)
At 31 March	2,942	15	–	52,635	55,592

The cumulative amount of goodwill resulting from acquisitions which has been written off to reserves is £6.3 million (2002: £6.3 million).

The retained profits of foreign subsidiary undertakings, if distributed as dividends, would be liable to UK and/or foreign taxes and subject to double tax relief.

27 MINORITY INTERESTS

	2003 £000	2002 £000
At 1 April	48	–
On acquisition of subsidiary	(213)	45
Exchange differences	–	(30)
Profit and loss account	(48)	33
At 31 March	(213)	48

28 FINANCIAL COMMITMENTS

	2003 £000	2002 £000
a) Net finance lease obligations repayable:		
Within one year	110	143
Over one and under two years	90	90
Over two and under five years	234	257
Over five years	154	204
	588	694

b) The Group is committed to make payments totalling £2,081,000 (2002: £1,668,000) in the following year in respect of operating leases which expire:

	— Land and buildings —		Plant and machinery and other — operating leases —	
	2003 £000	2002 £000	2003 £000	2002 £000
Within one year	403	274	162	58
Over one and under five years	326	542	307	266
After five years	883	528	—	—
	1,612	1,344	469	324

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 31 March

29 CASH FLOW STATEMENT SUPPORTING INFORMATION

a) Reconciliation of net cash flow to movements in net funds	2003 £000	2002 £000
(Decrease)/increase in cash in the period	(150)	8,827
Net cash outflow/(inflow) from increase in debt and lease financing	6,274	(328)
Cash inflow from (decrease) in liquid resources	(3,413)	(21,522)
Change in net funds resulting from cash flows	2,711	(13,023)
Debt and finance leases acquired with subsidiary	(451)	(249)
Exchange rate translation differences	(2,981)	264
Decrease in net funds in the period	(721)	(13,008)
Net (debt)/funds at 1 April	(8,124)	4,884
Net debt at 31 March	(8,845)	(8,124)
b) Reconciliation of operating profit to net cash flow	2003 £000	2002 £000
Operating profit/(loss)	4,475	(17,616)
Depreciation and closure-related impairment	3,079	4,005
Amortisation and impairment of goodwill	2,587	15,856
Book profit on sale of tangible fixed assets	12	–
Decrease in stocks	3,100	2,370
Decrease in debtors	3,555	11,881
Decrease in creditors and provisions	(4,956)	(14,717)
Cash inflow from operating activities	11,852	1,779

29 CASH FLOW STATEMENT SUPPORTING INFORMATION CONTINUED

c) Purchase of business	2003 £000	2002 £000
Net assets:		
Tangible fixed assets	239	450
Stocks	730	600
Debtors	867	1,107
Creditors and provisions	(1,897)	(2,711)
Debt including finance leases	(451)	(249)
Other current assets	–	55
Goodwill capitalised	1,088	3,776
Minority interest	213	(45)
	789	2,983
Satisfied by:		
Cash net of expenses	482	2,733
Deferred consideration	307	250
	789	2,983

The businesses acquired during the year contributed a cash inflow of £76,000 from operating activities, paid £2,000 in respect of servicing of finance, paid £nil in respect of taxation and £33,000 for capital expenditure and financial investment.

d) Analysis of net funds/(debt)

	At 1 April 2002 £000	Acquisitions £000	Cash flow £000	Exchange translation differences £000	At 31 March 2003 £000
Cash	10,032	163	(4,254)	233	6,174
Overdrafts	(6,034)	–	4,104	(590)	(2,520)
Debt due within one year	(9,802)	(614)	(7,715)	(1,747)	(19,878)
Debt due after more than one year	(15,250)	–	14,136	(774)	(1,888)
Discounted trade bills	(274)	–	(304)	(55)	(633)
Finance lease obligations	(693)	–	157	(52)	(588)
Liquid resources	13,897	–	(3,413)	4	10,488
Net (debt)/funds	(8,124)	(451)	2,711	(2,981)	(8,845)

Liquid resources comprise short-term bank and money market deposits. In the Group balance sheet, cash at bank and in hand comprises the amounts for cash and liquid resources stated in the above table.

NOTES TO THE ACCOUNTS CONTINUED

for the year ended 31 March

30 CURRENCY AND INTEREST RATE EXPOSURE OF FINANCIAL ASSETS AND LIABILITIES

The currency and interest rate exposure of the financial assets and liabilities of the Group at 31 March was:

	2003			2002		
	Assets £000	Liabilities £000	Net £000	Assets £000	Liabilities £000	Net £000
Sterling	9,539	(328)	9,211	20,911	(89)	20,822
Euro	4,201	(23,683)	(19,482)	1,746	(31,617)	(29,871)
US dollars	1,150	–	1,150	526	–	526
Other	1,772	(863)	909	747	(75)	672
	16,662	(24,874)	(8,212)	23,930	(31,781)	(7,851)
Of which – cash	16,662	–	16,662	23,930	–	23,930
– borrowings falling due within one year	–	(22,398)	(22,398)	–	(15,836)	(15,836)
– borrowings falling due after more than one year	–	(1,888)	(1,888)	–	(15,251)	(15,251)
– obligations under finance leases	–	(588)	(588)	–	(694)	(694)
	16,662	(24,874)	(8,212)	23,930	(31,781)	(7,851)

At 31 March 2003 the Group did not have any interest-free borrowings (2002: nil). All amounts shown above are at floating interest rates based on the relevant national LIBOR equivalents, with the exception of loans of £17.7 million (2002: £14.3 million) (see note 24).

Details of the Group's treasury objectives and policies are set out on pages 17 to 19 in the financial review.

As permitted by FRS 13 short-term debtors and creditors have been excluded from the above statement.

31 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, excluding accrued interest, and is calculated by reference to market rates discounted to current value.

For borrowings not at fixed rates of interest, the carrying amount is approximately equal to the fair value.

Accordingly, the Group believes that there is no material difference between the carrying amount and the fair value of its financial instruments (cash at bank or bank borrowings).

The fair value of foreign exchange contracts entered into to provide hedging against transactional exposure represents the estimated net effect of closing out all outstanding contracts at 31 March 2003. On this basis fair value would have been £66,000 less than book value (2002: £39,000). As there were no forward contracts at either 31 March 2003 or 31 March 2002 with a value date greater than 12 months, these fair value amounts would be expected to be recognised in the following year.

The fair value of interest rate swaps entered into to provide hedging against interest rate risk on outstanding debt represents the effect of revaluing these swaps over their remaining lives at the floating rate at 31 March 2003. On this basis, fair value would have been £146,000 less than book value (2002: £84,000), which would be expected to be realised in the following year.

There are no other unrecognised gains or losses on instruments used for hedging. Forward contracts outstanding at 31 March 2003 amounted to £11.0 million (2002: £14.7 million). The book value of these forward contracts was £nil (2002: £nil). Interest rate swaps in respect of outstanding debt at 31 March 2003 amounted to £16.8 million (2002: £14.1 million).

As permitted by FRS 13, short-term debtors and creditors have been excluded from the above statement.

32 CURRENCY ANALYSIS OF NET ASSETS

	2003				2002 Total £000
	Operating assets £000	Dividends and other £000	Net cash/ (borrowing) £000	Total £000	
Sterling	2,573	8,555	9,211	20,339	29,117
Euro	17,071	–	(19,481)	(2,410)	(10,935)
US dollars	3,237	–	1,150	4,387	5,276
Other	2,077	–	908	2,985	1,759
Sub total	24,958	8,555	(8,212)	25,301	25,217
Unallocated	41,069	621	–	40,448	41,482
Total net assets	66,027	7,934	(8,212)	65,749	66,699

Net currency assets are hedged where practicable by matching local currency assets with local currency borrowings. There are no material transactional currency exposures in the Group.

33 CONTINGENT LIABILITIES

Contingent liabilities of the Group amounting to £4,414,000 (2002: £6,672,000) are mainly in respect of bank performance bonds, operating leases and other contractual commitments. Those of the Company amounting to £2,252,000 (2002: £3,723,000) are mainly in respect of guarantees of leases, borrowings, bank performance bonds and other contractual commitments of subsidiary undertakings. No losses are expected to arise.

PRINCIPAL SUBSIDIARY UNDERTAKINGS

at 31 March

Company	Country of incorporation	Principal activity
Chloride Electronics Limited	England	Sales and service, power protection solutions
Chloride España, S.A.	Spain	Sales and service, power protection solutions
Chloride France S.A.	France	Manufacture, sales and service, power protection solutions
Chloride Hytek Pty Limited	Australia	Sales and service, power protection solutions
Chloride Masterguard Power Systems Limited	China	Manufacture, sales and service, telecom power systems and power protection solutions
Chloride Portugal – Artigos Electronicos, Limitada	Portugal	Sales and service, power protection solutions
Chloride Power Protection (Thailand) Limited	Thailand	Sales and service, power protection solutions
Chloride S.p.A.	Italy	Manufacture, sales and service, power protection solutions
Continuous Power International Limited	England	Sales and service, power protection solutions
Masterfix Comercio e Servicos Limitada	Brazil	Sales and service, power protection solutions
Masterguard GmbH	Germany	Manufacture, sales and service, power protection solutions
Masterguard Güç Kaynaklari Limited Sirketi	Turkey	Sales and service, power protection solutions
Oneac Corporation	USA	Manufacture, sales and service, power conditioning solutions
SAED S.A. (Chloride Telecom Systems)	France	Manufacture, sales and service, telecom power protection solutions
UP Systems, Incorporated	USA	Sales and service, power protection solutions

Notes

- The results of each subsidiary undertaking are included in the consolidated Group results for 2002/03.
- Except in the case of Chloride Hytek Pty Limited, which has a class of preference shares in issue, shares in these principal subsidiary undertakings are ordinary shares or their local equivalent.
- Except in the case of Chloride Masterguard Power Systems Limited, where the Company has committed to acquire 75% of the ordinary share capital, the entire ordinary share capital of these principal subsidiary undertakings is held directly by the Company, or indirectly by one of the Company's subsidiaries.

FIVE YEAR SUMMARY

for the year ended 31 March

	Notes	2003 £000	As restated			1999 £000
			2002 £000	2001 £000	2000 £000	
Turnover						
Continuing operations		142,837	148,327	166,271	108,345	78,181
Discontinued operations		–	–	25,467	43,175	44,582
Total		142,837	148,327	191,738	151,520	122,763
Operating profit before goodwill amortisation and exceptional items						
Continuing operations		7,062	5,040	15,782	11,737	7,319
Discontinued operations		–	–	1,027	2,804	3,528
Total		7,062	5,040	16,809	14,541	10,847
Goodwill amortisation		(2,587)	(3,029)	(2,862)	(450)	(248)
Exceptional items		–	(19,627)	–	–	–
Operating profit/(loss)		4,475	(17,616)	13,947	14,091	10,599
Profits/(losses) on sale or termination of operations		–	–	19,054	(842)	100
Profit/(loss) on ordinary activities before interest		4,475	(17,616)	33,001	13,249	10,699
Net interest (payable)/receivable		(725)	(559)	(551)	(253)	1,399
Profit/(loss) on ordinary activities before taxation		3,750	(18,175)	32,450	12,996	12,098
Tax on profit/(loss) on ordinary activities		(1,712)	(862)	(15,791)	(4,849)	(3,737)
Attributable to minority interests		48	(33)	–	–	–
Profit/(loss) for the financial year		2,086	(19,070)	16,659	8,147	8,361
Capital expenditure		2,546	2,263	6,246	7,891	4,851
Assets employed						
Fixed assets and investments		65,746	66,475	79,564	67,236	36,473
Net current assets	1	8,848	8,348	5,257	18,634	15,583
Net assets employed	1	74,594	74,823	84,281	85,870	52,056
Source of finance						
Equity shareholders' funds		65,962	66,651	89,705	68,712	64,037
Minority interests		(213)	48	–	–	–
Net borrowings/(cash)		8,845	8,124	(4,884)	17,158	(11,981)
Source of finance	1	74,594	74,823	84,821	85,870	52,056
Debt:equity ratio	2	13.5%	12.2%	–	25.0%	–
Earnings per 25p ordinary share						
Adjusted		1.98p	1.41p	4.80p	4.00p	3.60p
Basic		0.88p	(8.05p)	7.04p	3.45p	3.54p
Diluted		0.88p	(8.05p)	7.00p	3.39p	3.51p
Net dividend per ordinary share		1.60p	1.60p	1.60p	1.40p	1.20p
Return on net assets	3	14.1%	10.4%	32.9%	26.3%	25.6%

Notes

1 For the purpose of this summary: a) net current assets comprise current assets, less cash balances and other creditors and provisions for liabilities and charges; b) net borrowings, which comprise bank overdrafts and bank loans less cash balances, have been excluded from net assets employed and treated as a source of finance.

2 Debt:equity represents net borrowings as a percentage of shareholders' funds.

3 This represents the profit on ordinary activities before interest excluding exceptional items and goodwill amortisation expressed as a percentage of the average of the net assets employed less goodwill.

NOTICE OF MEETING

Notice is hereby given that the 112th Annual General Meeting of Chloride Group PLC will be held in the Lecture Theatre, Royal Aeronautical Society, 4 Hamilton Place, London W1J 7BQ on 23 July 2003 at 11.00 am for the following purposes:

- 1 To receive and consider the audited accounts and the directors' report for the year ended 31 March 2003.
- 2 To declare a final dividend of 0.8p per ordinary share for the year ended 31 March 2003, to be paid on 29 July 2003 to shareholders on the register at the close of business on 4 July 2003 in respect of ordinary shares then in issue.
- 3 To re-elect the following directors:
Mr N W Warner
Mr J A C Wheeler
- 4 To re-appoint Deloitte & Touche as auditors of the Company and authorise the directors to determine their remuneration.

And as special business, to consider and, if thought fit, pass the following resolutions 5 and 6 as an ordinary resolutions, and resolutions 7 and 8 as special resolutions:

- 5 That the remuneration report contained within the report and accounts for the year ended 31 March 2003 be and it is hereby approved.
- 6 That the authority conferred on the directors by article 7(2) of the Company's articles of association be renewed for a period expiring on 22 July 2008 and for that period the Section 80 amount shall be £20,389,000.
- 7 That, subject to the passing of resolution number 6 above, the power conferred on the directors by article 8(2) of the Company's articles of association be renewed for a period expiring on 22 July 2008 and for that period the Section 89 amount is £3,102,000.
- 8 That the directors be generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) on the London Stock Exchange of ordinary shares of 25p each in the capital of the Company, subject to the following conditions:
 - i) the maximum number of ordinary shares authorised to be purchased shall be 24,000,000 representing 9.7% of the share capital of the Company in issue as at 22 May 2003;
 - ii) the minimum price (exclusive of expenses) that may be paid for each ordinary share is 25p;
 - iii) the maximum price (exclusive of expenses) that may be paid for each ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days before the day on which the purchase is made; and
 - iv) this authority, unless previously revoked or varied, expires at the close of the next Annual General Meeting of the Company after the date of this resolution or 31 July 2004, whichever is the earlier.

By order of the Board

S WILLIAMS
Secretary
29 May 2003

Notes

- 1 A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company. A proxy form is enclosed and, if used, must be deposited at the transfer office of the Company, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6UR, not less than 48 hours before the time appointed for holding the meeting. A member may register the appointment of a proxy electronically by logging onto the website www.sharevote.co.uk, for which you will need your reference number (the 24-digit number printed below your name on the enclosed proxy form). Full details of the procedure are given on the website. Alternatively, if you have registered for a Shareview portfolio, log onto your portfolio at www.shareview.co.uk and click on "company meetings". The proxy appointment and instructions must be received by Lloyds TSB Registrars not less than 48 hours before the time appointed for holding the meeting. The use of the Internet service for appointing a proxy is governed by Lloyds TSB Registrars' conditions of use set out on the website, www.sharevote.co.uk.
- 2 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 7RA01) not less than 48 hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- 3 The following documents will be available for inspection at the registered office of the Company from the date of the above notice until the date of the meeting during normal business hours (Saturdays and Sundays excepted) and at the place of the Annual General Meeting from 10.45 am on 23 July 2003 until the end of the meeting:
 - a) the register of directors' share interests; and
 - b) copies of directors' service contracts.
- 4 Information relevant to resolution 3 is included in the directors' report in the section headed "Directors" on page 22; biographical details of the directors are also included on page 21.
- 5 Information relevant to resolutions 6 and 7 is included in the directors' report under the section headed "Authority to allot shares" on page 24.
- 6 Information relevant to resolution 8 is given in the directors' report in the section headed "Purchase of own shares" on page 25.
- 7 The Board has provided, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, that, in order to be able to ascertain the holdings of shareholders for the purpose of voting at the 2003 Annual General Meeting, only those shareholders registered in the register of members as at 6.00 pm on 21 July 2003 shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the share register after 6.00 pm on 21 July 2003 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

SHAREHOLDER INFORMATION

SHAREHOLDERS' ENQUIRIES Matters relating to shareholdings, such as a request for a replacement share certificate, notification of a change of name or address or enquiries regarding dividend payments, should be addressed, quoting reference 489, to the Company Registrar, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA, telephone 0870 600 3970. The Registrar's website address for a range of shareholder services is www.shareview.co.uk.

GIFTING YOUR SHARES If you wish to transfer shares as a gift, perhaps to another member of your family, please apply for an appropriate transfer form to the secretarial department at the Company's registered office address on page 20. Completed transfer forms should be returned to the Company Registrar at the address in the preceding paragraph, quoting reference 489.

If you have a small number of shares and would like to donate them to charity, please ask the Company's secretarial department at the phone number or address on page 20 for a ShareGift transfer form. ShareGift is a registered charity which consolidates into marketable bundles shareholdings donated to it which might be too small to be sold economically, sells them and distributes the proceeds to other charities. Completed ShareGift transfer forms should be returned direct to ShareGift, The Orr Mackintosh Foundation, 46 Grosvenor Street, London W1K 3HN.

MULTIPLE SHAREHOLDER ACCOUNTS If any shareholder receives more than one copy of this annual report, it is probably because there is more than one account for that person on the Chloride share register. This can arise when shares have been acquired on more than one occasion but the shareholder's name or address is shown slightly differently each time. In order to amalgamate such holdings, please contact Lloyds TSB Registrars, as above, giving details of the accounts involved and instruction on how they should be amalgamated.

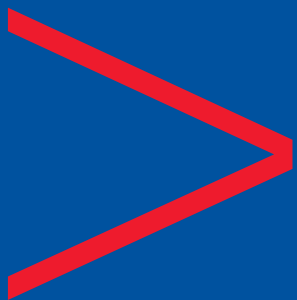
UK CAPITAL GAINS TAX Section 35 of the Taxation of Chargeable Gains Act 1992 provides for the re-basing of capital gains tax at 31 March 1982 in relation to assets held on that date and disposed of after 5 April 1988. The date of 31 March 1982 is also relevant in determining the indexation allowances. The respective market values of Chloride securities on 31 March 1982 were as follows:

Ordinary shares held at 31 March 1982	25.5p
Ordinary shares derived from the conversion of 7.5% cumulative convertible preference shares in August 1987	23.9p
Or, for shareholders who were at that time taxed under Section 34 of the Finance (No. 2) Act 1975 in respect of the capitalisation issue connected with the conversion	33.1p

LOW-COST SHARE DEALING SERVICES Low-cost share dealing services are available to private investors, in respect of purchases or sales of shares in the Company through:

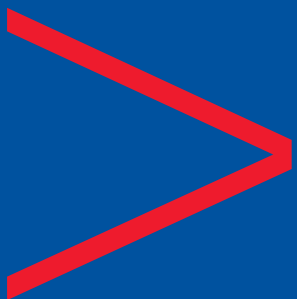
- The Share Centre Limited. Details of the service may be obtained by telephoning The Share Centre Limited on 01296 414144.
- Stocktrade, a division of Brewin Dolphin Securities Limited. Details of the service can be obtained by telephoning Stocktrade on 0845 601 0995 and quoting reference LOW C0124.

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