

CHLORIDE INTERIM REPORT 2005

SERVICE



**MANUFACTURING
AND CONSTRUCTION**



TELECOMS



**ENERGY AND
PETROCHEMICALS**



GOVERNMENT



RETAIL



FINANCIAL SERVICES



TRANSPORT



POWER PROTECTION



CONTENTS

- 1 HIGHLIGHTS
- 2 CHAIRMAN'S STATEMENT
- 5 FINANCIAL REVIEW
- 8 INDEPENDENT REVIEW REPORT TO CHLORIDE GROUP PLC
- 9 CONSOLIDATED INCOME STATEMENT
- 10 CONSOLIDATED BALANCE SHEET
- 12 CONSOLIDATED CASH FLOW STATEMENT
- 13 CONSOLIDATED STATEMENT OF TOTAL RECOGNISED INCOME AND EXPENSE
- 14 NOTES TO THE FINANCIAL INFORMATION
- 20 RECONCILIATION OF RESULTS FOR THE PERIOD TO 30 SEPTEMBER 2004 FROM UK GAAP TO IFRS
- 21 RECONCILIATION OF BALANCE SHEET AT 30 SEPTEMBER 2004 FROM UK GAAP TO IFRS

CHLORIDE

Chloride's innovative power protection solutions and services secure business continuity for critical systems and processes worldwide.

HIGHLIGHTS

Interim results for the six months ended 30 September 2005*

- Delivery of strategic actions accelerates strong growth in revenue and profits
- Revenue in continuing operations up 18% to £84.4 million (2004: £71.6 million) – 10% growth excluding the Harath acquisition
- Profit from operations** up 57% to £7.5 million (2004: £4.8 million)
- Operating margin on continuing operations improved by 2.2 points to 8.9%
- Earnings per share on continuing operations** up 53% at 2.02p (2004: 1.32p).
Basic EPS up 94% at 1.90p (2004: 0.98p)
- Interim dividend up 18% at 1.00p per share (2004: 0.85p), reflecting the Board's continued confidence in future performance

* Under International Financial Reporting Standards (IFRS) with restated comparatives. See the announcement issued on 29 September 2005 on www.chloridegroup.com for details of the main adjustments.

** Profit/earnings per share from continuing operations before restructuring costs and intangible amortisation.

CHAIRMAN'S STATEMENT

Overview

Chloride has built on the momentum achieved in the last financial year, delivering impressive sales, profit and dividend growth for the period. Strong organic sales growth in products and services, combined with the strategic initiatives undertaken in the period, has resulted in a 57% increase in profit from continuing operations**. Excellent growth has been achieved in Europe, the Middle East, the Americas and in the data and call centre, financial services, retail, energy and medical market segments.

Key financials*

During the period revenue from continuing operations was up 18% at £84.4 million (2004: £71.6 million) – representing 10% organic growth excluding the acquisition of Harath Engineering Services Limited (“Harath”), completed in April 2005. Profit from continuing operations** was increased by 57% to £7.5 million (2004: £4.8 million). In a highly competitive environment, contribution margins were maintained and overheads were tightly controlled. The operating margin on continuing operations was increased by 2.2 points to 8.9% – a significant step in our margin improvement programme.

Profit before tax on continuing operations increased by 53% at £6.5 million (2004: £4.3 million), delivering earnings per share on continuing operations** of 2.02p (2004: 1.32p) – an increase of 53%. Basic EPS was up 94% at 1.90p (2004: 0.98p).

Cash generated by operations before restructuring payments was up at £6.1 million (2004: £4.0 million), representing 81% of profit from continuing operations**, after absorbing the short-term build up of inventory to support sales growth.

After the cost of acquiring Harath and DB Power Electronics Private Limited (“DB Power”), net debt increased to £22.3 million (31 March 2005: £16.3 million), with interest cover remaining strong at eight times.

In line with the guidance previously given, the transition to International Financial Reporting Standards (IFRS) had no material earnings impact. In view of the first-time adoption of IFRS for the interim financial statements we have asked our auditors, Deloitte, to undertake a review in accordance with bulletin 1999/4. Their report is unqualified.

Trading

Over the first half of the year, we achieved an 18% increase in sales, with double-digit growth in all territories, except Asia Pacific, where sales were flat. We also achieved good growth in the financial services, retail, energy and medical market segments. Our performance in the data and call centre sector was a key highlight. This is now the fastest growing sector for power protection and Chloride's modular high power uninterruptible power supply systems are ideally suited to this application. Our Total Solutions approach, including our industry-leading LIFE.net monitoring software and 24-hour technical support, gives us competitive edge in this important sector.

Notable contracts were signed in the UK, Italy, Germany, Turkey and the USA with blue chip customers such as Vodafone, Unisys, LogicaCMG, Deutsche Borse AG, Turkish Telecom and Philips.

Dividend

Given our strong first-half performance and confidence in the prospects for the business, the Board is pleased to announce an 18% increase in the interim dividend to 1.00p per share (2004: 0.85p). Payment will be made on 22 December 2005 to all shareholders on the register on 25 November 2005.

Update on strategic developments

We have a well defined strategy for future growth and profits. During the period we have completed a number of strategic initiatives that were put in place in the previous financial year. These have contributed to the accelerated pace of growth in sales and profit.

Chloride's exit from the non-core Telecom Power Systems ("TPS") business has sharpened our focus in our core market of critical power protection services. During the first half year we completed the closure of our TPS operations in China, while retaining an appropriate presence in China to address the power protection solutions market, and successfully sold TPS France.

To increase operating efficiencies we also completed the closure of our assembly plant in Germany to time and budget. Consequential margin benefits are now materialising.

A key strategic objective was to develop our presence in sectors of the power protection market where our Total Solutions approach has competitive advantage. In April 2005, we acquired Harath, a UK service business specialising in the maintenance of standby generators, UPS and other critical power protection equipment. During the first half Harath met our expectations, and this acquisition has significantly enhanced the scope of our service offering, consolidating our position as the UK's

number one provider of critical power protection services. Integration plans are well underway, with the objective of providing our customers with a comprehensive range of services meeting their critical power protection needs.

To develop our presence in the high-growth Indian market, in the first half year we completed the investment in a leading independent power protection company, DB Power. There has been close co-operation between the management of Chloride and DB Power, and we have already achieved sales to multi-national companies in the region, including a frame agreement with IBM India. We now have a strong embedded platform for further growth in this dynamic market.

People

I would like to take this opportunity of welcoming Gary Bullard and Eric Tracey who joined the Board as non-executive directors in August 2005. Gary has a strong background in the telecoms and IT industries and exceptional sales and marketing skills, while Eric's distinguished career in finance and accounting, coupled with his recent experience as Finance Director of Amey plc and Wembley plc will be a great asset in the governance of the Company.

On a wider note, our ongoing success is due to the excellent people we have at Chloride. Their efforts continue to be greatly appreciated.

CHAIRMAN'S STATEMENT CONTINUED

Power protection in the spotlight

The well-publicised issue of degrading power quality and the potential for power cuts this winter due to insufficient capacity in the electricity industry has put power protection firmly in the spotlight. On 26 September, in response to Met Office warnings that the UK could experience its coldest winter in a decade, the Government admitted that there could be significant power cuts in the winter months. This admission sparked a national debate, again highlighting the importance of power protection to businesses and public service organisations which require ever-improving quality of power to support their mission-critical applications.

Business continuity is an absolute requirement for businesses and essential services worldwide, and Chloride's critical power protection solutions will continue to play a pivotal role in our customers' risk management strategies.

Outlook

We continue to make excellent progress and we are seeing improving trends in many of our core market segments. The second half has started with trading in line with our expectations, and our order book is well ahead of March 2005. In accordance with our strategy we see opportunities to develop the business and strengthen our position as a leading provider of total critical power protection solutions in key markets worldwide.

NORMAN BROADHURST

17 November 2005

FINANCIAL REVIEW

Total shareholder return

Total shareholder return has continued to grow ahead of the Small Cap Index over the last six months reflecting the growth in the share price and dividends as the markets anticipated the strong results now reported and increased expectations for the full year.

Cash generated by operations

Management remains committed to turning profits into cash to enable reinvestment in the Group's businesses. Cash generated by operations** was 81% of profit from operations**. Working capital reductions are targeted in the second half year to improve this conversion ratio.

Capital expenditure

Capital expenditure on tangible fixed assets and software in the half year was circa £1.5 million. This is considerably reduced from the levels of last year which included necessary IT infrastructure upgrades and the upgrade of the Industrial Systems site in Lyon.

Acquisitions/disposal

In April 2005, Chloride acquired 100% of the shares of Harath Engineering Services Limited ("Harath") for a cash consideration of £9.9 million. During the half year Harath contributed £5.7 million in revenue and £0.5 million in profit from operations**. Further benefits are expected to accrue from integration with the Chloride service organisation in the UK.

In May 2005 the Company purchased 12% of the share capital of DB Power Electronics Private Limited ("DB Power") a leading independent power protection company in India for a consideration of circa £0.6 million. In the period post acquisition this has generated circa £0.5 million of revenue in the high-growth Indian market.

In July 2005 we completed the exit from Telecom Power Systems with the sale of the Chloride Telecom Systems business (including related debt) in France ("CTS") for £6.1 million.

Interest/net debt

During the half year the Company incurred circa £0.9 million of interest cost. This has risen from £0.5 million last year due primarily to the increase in net debt arising from the expenditure on Harath and DB Power. Additionally a further £1.9 million has been spent on the reorganisation announced in March 2005, mainly in completing the closures in Germany and China. Outflow was reduced by the proceeds of sale of CTS. Interest cover remains strong at eight times, and net debt was £22.3 million at the end of September 2005.

International Financial Reporting Standards (IFRS) adoption

On 29 September 2005 the Company announced the restatement of its 2005 figures under IFRS. Crucially there was no impact on the economics of the business nor on its cash generation. The key areas of income statement impact were employee share grant and option incentive schemes, pensions, deferred tax and the elimination of goodwill amortisation. On 1 April 2005 the Company adopted IAS 32 and 39 re foreign exchange and interest rate hedging. As explained below, there has been no material impact of this adoption in the period.

Currency impact

The Company operates a central treasury function, and net exchange exposures continue to be hedged at transactional level using the forward foreign exchange market. The majority of transactions relate to "fair value" hedges of foreign currency receivables and payables with short-term maturity. Additionally, the Company uses "cashflow" hedges, generally with regard to forward purchases of components and finished goods.

FINANCIAL REVIEW CONTINUED

Derivatives designated as fair value and cash flow hedges are revalued at the period end date and recorded in the balance sheet as assets or liabilities. The resultant gain or loss on fair value derivatives is recorded in the income statement along with the gain or loss arising from the revaluation of the underlying receivable or payable. The gain or loss on cash flow derivatives is recorded as a movement in equity to the degree that the hedge is deemed effective. Our underlying documentation complies with IAS 39 and these cashflow hedges have been reviewed as effective. We would expect this to be materially the case on an ongoing basis with no major impact on earnings.

Apart from optimising expenses and interest on local borrowings, the Company does not believe, as an internationally-based business, that it is appropriate to hedge other aspects of its profit and loss account translation exposure.

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

	HI 2005 period end	HI 2004 period end	% change	HI 2005 average	HI 2004 average	% change
US\$	1.77	1.81	+2%	1.82	1.81	-1%
Euro	1.47	1.46	-1%	1.47	1.46	-1%

There was therefore no material translation gain or loss in the profit for the period.

Taxation

The tax charge for 2005/06 is estimated to maintain a rate of 27% (2004: 27%), which is below the standard corporation tax rates for most of the countries in which we operate. This arises because, as our businesses improve in critical mass and profitability, the Group is able to use previously inaccessible tax losses.

Pensions/post-employment benefits

Under UK GAAP the Company accounted for post-employment benefits under SSAP 24 "Accounting for Pension Costs", whereby the cost of providing defined benefit pensions and post-retirement healthcare benefits was charged against operating profit on a systematic basis with surpluses and deficits arising being recognised over the expected average remaining service lives of participating employees. Disclosure of the deficit and service cost under FRS 17 has been made since 2002.

The fair value balance sheet approach under IAS 19 is similar to that of FRS 17 and hence under IFRS, the cost of defined benefit plans is recognised over the average remaining service lives of the participating employees, but the cost recognised in each period is dependent on the change during the period in the recognised defined benefit liability or asset. The net of tax movement of actuarial gains/losses on the assets and liabilities is taken to reserves through the statement of total recognised income and expense. Generally, therefore, the cost recognised under IFRS will tend to be more volatile than it would have been under UK GAAP.

The defined benefit liability or asset comprises the net total of the present value of the defined benefit obligation at the balance sheet date, less any past service cost not recognised, less the fair value of the plan assets, if any, at the balance sheet date. The corresponding adjustment to net assets of £5.4 million was initially recognised in the restated balance sheet at 31 March 2005.

As a result of these changes, the pre-tax cost of post-employment benefits has risen from UK GAAP by £0.2 million (2004: £0.3 million).

Share-based payments

Under UK GAAP, the cost of share grants made under the Group's employee share schemes was based on the intrinsic value of the awards. For executive share option and SAYE schemes no cost was recognised.

Under IFRS, the cost of employee share schemes, including option schemes, is based on the fair value of the awards that must be assessed using an option-pricing model such as Black-Scholes. Generally, the fair value of the award is expensed on a straight-line basis over the vesting period. Adjustments are made to reflect expected and actual forfeitures during the vesting period due to failure to satisfy either service conditions or non-market performance conditions, such as EPS growth targets.

As permitted by the transitional exemption available under IFRS 1, the requirements of IFRS 2 will not be applied to equity instruments granted before 7 November 2002 and those vesting before 1 January 2005.

As a result of these changes, the pre-tax cost of employee share schemes recognised in the period is £0.3 million (2004: £0.1 million).

Notes to the Chairman's Statement and Financial Review:

* All figures have been reported under International Financial Reporting Standards (IFRS), with restated comparatives. For details of the main adjustments please refer to the announcement issued on 29 September 2005 which can be found at www.chloridegroup.com.

**Profit from/earnings per share on/cash generated by operations before restructuring costs and intangible amortisation.

INDEPENDENT REVIEW REPORT TO CHLORIDE GROUP PLC

Introduction

We have been instructed by the Company to review the financial information for the 26 weeks ended 30 September 2005 which comprises the income statement, the balance sheets, the cash flow statement, and related notes 1 to 10. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

International Financial Reporting Standards

As disclosed in note 1, the next annual financial statements of the Company will be prepared in accordance with International Financial Reporting Standards as adopted for use in the EU. Accordingly, the interim report has been prepared in accordance with the recognition and measurement criteria of IFRS and the disclosure requirements of the Listing Rules.

Review work performed

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

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the 26 weeks ended 30 September 2005.

DELOITTE & TOUCHE LLP

Chartered Accountants, London
17 November 2005

Notes: A review does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005 PREPARED IN ACCORDANCE WITH IFRS

	Notes	Six months ended 30 September 2005 (unaudited) £000	Six months ended 30 September 2004 (unaudited) £000	Year ended 31 March 2005 £000
Revenue	2	84,394	71,648	151,718
Profit from operations before restructuring costs and intangible amortisation		7,520	4,797	11,253
Restructuring costs		–	–	(3,195)
Amortisation of customer lists		(31)	–	–
Profit from operations	2	7,489	4,797	8,058
Finance costs		(1,733)	(1,200)	(1,833)
Investment income		793	696	666
Profit before taxation		6,549	4,293	6,891
Taxation	5	(1,768)	(1,148)	(2,111)
Profit for the year from continuing operations		4,781	3,145	4,780
Loss for the year from discontinued operations	3	(256)	(805)	(1,555)
Total profit for the period attributable to shareholders		4,525	2,340	3,225
Earnings per share				
Continuing operations				
Earnings per share – basic	4a	2.01p	1.32p	2.01p
Earnings per share – diluted	4b	1.99p	1.32p	2.01p
Total Group				
Earnings per share – basic	4c	1.90p	0.98p	1.36p
Earnings per share – diluted	4d	1.88p	0.98p	1.35p

CHLORIDE POWER PROTECTION

CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2005 PREPARED IN ACCORDANCE WITH IFRS

	Notes	At 30 September 2005 (unaudited) £000	At 30 September 2004 (unaudited) £000	At 31 March 2005 £000
Assets				
Non-current assets				
Goodwill		42,045	32,568	31,635
Other intangible assets		2,203	510	2,198
Property, plant and equipment		17,014	17,544	17,396
Investments		634	–	–
Deferred tax assets		5,298	4,288	4,932
		67,194	54,910	56,161
Current assets				
Inventories		29,151	27,336	24,807
Trade and other receivables		54,209	47,086	52,974
Cash and cash equivalents		20,440	4,908	17,086
		103,800	79,330	94,867
Assets held for sale		–	9,137	9,975
Total assets		170,994	143,377	161,003

CONSOLIDATED BALANCE SHEET CONTINUED

AT 30 SEPTEMBER 2005 PREPARED IN ACCORDANCE WITH IFRS

	Notes	At 30 September 2005 (unaudited) £000	At 30 September 2004 (unaudited) £000	At 31 March 2005 £000
Liabilities				
Current liabilities				
Bank overdrafts and other loans		18,600	1,099	18,034
Obligations under finance leases		16	7	7
Trade and other payables		50,144	42,505	48,900
Tax payable		9,190	7,839	8,647
Provisions		1,427	110	2,418
		79,377	51,560	78,006
Non-current liabilities				
Bank and other loans		24,088	19,678	14,134
Obligations under finance leases		–	15	12
Other payables		–	–	37
Post-employment benefits		11,156	11,302	10,497
Deferred tax liabilities		1,301	762	943
Tax payable		429	7	429
Provisions		4,662	6,469	4,086
		41,636	38,233	30,138
Liabilities held for sale		–	5,951	5,195
Total liabilities		121,013	95,744	113,339
Net assets		49,981	47,633	47,664
Equity				
Issued capital		62,183	62,175	62,183
Share premium		2,987	2,987	2,987
Own shares		(9,630)	(10,500)	(10,395)
Retained earnings		(5,519)	(7,343)	(7,675)
Foreign exchange reserve		(425)	314	564
Hedge reserve account		385	–	–
Equity attributable to equity holders of the parent	9	49,981	47,633	47,664

CHLORIDE POWER PROTECTION

CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005 PREPARED IN ACCORDANCE WITH IFRS

	Six months ended 30 September 2005 (unaudited) £000	Six months ended 30 September 2004 (unaudited) £000	Year ended 31 March 2005 £000
Operating activities			
Profit from operations – continuing businesses	7,489	4,797	8,058
Loss from operations – discontinued business	(292)	(743)	(867)
	7,197	4,054	7,191
Intangible asset amortisation	280	131	414
Depreciation of property, plant and equipment	1,575	1,732	2,680
Book gain on sale of property, plant and equipment	(4)	(25)	(24)
Non-cash charge for employee share schemes	259	122	308
Post-employment benefits	(660)	(253)	(891)
Restructuring	(1,934)	–	1,457
Increase/(decrease) in other provisions	643	(623)	(1,206)
Operating cash flow before working capital movements	7,356	5,138	9,929
Increase/(decrease) in inventories	(3,507)	(2,005)	214
Decrease/(increase) in trade and other receivables	1,628	519	(5,861)
(Decrease)/increase in trade and other payables	(1,305)	334	6,598
Cash generated by operations	4,172	3,986	10,880
Income taxes paid	(1,563)	(200)	(1,162)
Finance costs paid	(974)	(534)	(1,252)
Investment income	87	39	174
Net cash from operating activities	1,722	3,291	8,640
Investing activities			
Purchase of property, plant and equipment	(855)	(2,736)	(4,210)
Purchase of software	(615)	(271)	(2,008)
Sale of property, plant and equipment	31	109	531
Sale of business	4,699	–	–
– related debt	1,348	–	–
Purchase of businesses	(10,570)	–	(493)
Net cash used in investing activities	(5,962)	(2,898)	(6,180)
Financing activities			
Share capital issued	–	53	55
Proceeds from sale of own shares	746	–	105
Capital element of finance lease repayments	(389)	(56)	(97)
Increase in short-term borrowings	549	66	16,582
Increase/(decrease) in long-term borrowings	10,085	4,297	(1,039)
Decrease in discounted bills	(271)	(857)	(601)
Equity dividend paid	(2,378)	(2,018)	(4,038)
Net cash from financing activities	8,342	1,485	10,967
Net increase in cash and cash equivalents	4,102	1,878	13,427
Cash and cash equivalents at beginning of year	16,375	3,084	3,084
Net foreign exchange differences	(37)	(231)	(136)
Cash and cash equivalents at end of year	20,440	4,731	16,375

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED INCOME AND EXPENSE

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005 PREPARED IN ACCORDANCE WITH IFRS

	Six months ended 30 September 2005 (unaudited) £000	Six months ended 30 September 2004 (unaudited) £000	Year ended 31 March 2005 £000
Exchange differences recognised in equity	(937)	314	564
Net movement on hedge reserve account	526	—	—
Actuarial (losses)/gains on post-employment employee benefits (net of tax)	(302)	150	771
Net expenses recognised directly in equity	(713)	464	1,335
Profit for the period attributable to the shareholders	4,525	2,340	3,225
Total recognised income and expense for the period	3,812	2,804	4,560

CHLORIDE POWER PROTECTION

NOTES TO THE FINANCIAL INFORMATION

PREPARED IN ACCORDANCE WITH IFRS

I BASIS OF PREPARATION

The financial statements on pages 9 to 13 have been prepared in accordance with IFRS that the directors expect to be applicable as at 31 March 2006.

IFRS are subject to amendment or interpretation by the International Accounting Standards Board and there is an ongoing process of review and endorsement by the European Commission. For these reasons, it is possible that the information for the six months ended 30 September 2005 and the restated information for the year ended 31 March 2005 may be subject to further change before its inclusion in the Group's 2006 report and accounts, which will contain the Group's first complete financial statements prepared in accordance with IFRS.

The Company adopted IFRS with a transition date of 1 April 2004. Comparative figures for 2005, which were previously reported in accordance with accounting principles generally accepted in the United Kingdom ("UK GAAP"), have been restated to comply with IFRS. An analysis of the restatement of the Group's results for the year ended 31 March 2005 and the accounting policies used under IFRS was included in an announcement published on 29 September 2005 that is available on the Company's website, www.chloridegroup.com.

The Company adopted IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement" prospectively from 1 April 2005. As a consequence of adopting IAS 32 and IAS 39, the Company recognised a loss of £141,000 in equity at that date.

These financial statements do not constitute statutory accounts as defined by Section 240 of the Companies Act 1985. A copy of the Group's statutory accounts for the year ended 31 March 2005 prepared in accordance with UK GAAP, on which the auditors gave an unqualified opinion, has been filed with the Registrar of Companies.

2 SEGMENTAL INFORMATION

	Segment revenue			Segment profit and loss		
	Six months to 30 September 2005 (unaudited) £000	Six months to 30 September 2004 (unaudited) £000	Year to 31 March 2005 £000	Six months to 30 September 2005 (unaudited) £000	Six months to 30 September 2005 (unaudited) £000	Year to 31 March 2005 £000
Continuing operations						
Europe	65,942	55,576	119,724	7,592	5,797	10,012
Americas	12,970	10,989	21,875	1,529	776	1,460
Asia and Australasia	5,482	5,083	10,119	221	(90)	187
Total	84,394	71,648	151,718	9,342	6,483	11,659
Corporate and other				(1,853)	(1,686)	(3,601)
Profit from operations				7,489	4,797	8,058
Finance costs				(1,733)	(1,200)	(1,833)
Investment income				793	696	666
Profit before tax				6,549	4,293	6,891

Note: Segment results include restructuring costs of £3.2 million during the year ended 31 March 2005.

3 DISCONTINUED OPERATIONS

During the last financial year the Company decided to exit its Telecom Power Systems businesses. TPS China was closed with effect from 31 March 2005, and the Company sold its remaining Telecom Power Systems business, Chloride Telecom Systems France, in July 2005. The results of the discontinued operations, which have been included in the consolidated income statement were as follows:

	Six months to 30 September 2005 (unaudited) £000	Six months to 30 September 2004 (unaudited) £000	Year to 31 March 2005 £000
Revenue	2,296	6,050	13,287
Loss from operations before restructuring	(292)	(743)	(867)
Restructuring costs	—	—	(304)
Loss from operations	(292)	(743)	(1,171)
Profit/(loss) on sale/closure of operations	52	—	(2,267)
Release of disposal provisions no longer required	—	—	1,976
Finance costs	(16)	(62)	(126)
Loss from operations	(256)	(805)	(1,588)
Tax	—	—	33
Loss from discontinued operations	(256)	(805)	(1,555)

4 EARNINGS PER SHARE

a) Basic and adjusted EPS – continuing operations The reconciliation between basic and adjusted EPS, and between the earnings figures used in calculating them, is as follows:

	Earnings		EPS		Earnings Year ended 31 March 2005 £000	EPS Year ended 31 March 2005 p
	Six months ended 30 September 2005 £000	Six months ended 30 September 2004 £000	Six months ended 30 September 2005 p	Six months ended 30 September 2004 p		
Basic	4,781	3,145	2.01	1.32	4,780	2.01
Restructuring costs	—	—	—	—	3,195	—
Related tax	—	—	—	—	(389)	—
Amortisation of customer lists	31	—	—	—	—	—
Adjusted	4,812	3,145	2.02	1.32	7,586	3.19

b) Diluted EPS – continuing operations Diluted EPS has been calculated based on the basic and adjusted earnings amounts above. The diluted basic and adjusted earnings are set out below:

	Six months ended 30 September 2005 p	Six months ended 30 September 2004 p	Year ended 31 March 2005 p
Diluted basic	1.99	1.32	2.01
Diluted adjusted	2.00	1.32	3.19

CHLORIDE POWER PROTECTION

NOTES TO THE FINANCIAL INFORMATION CONTINUED

4 EARNINGS PER SHARE CONTINUED

A reconciliation between the shares used in calculating basic and diluted EPS is as follows:

	Six months ended 30 September 2005 millions	Six months ended 30 September 2004 millions	Year ended 31 March 2005 millions
Average shares used in basic EPS calculation	238.3	237.4	237.5
Dilutive share options outstanding	2.0	0.3	0.6
Shares used in diluted EPS calculation	240.3	237.7	238.1

c) Basic and adjusted EPS – total Group The reconciliation between basic and adjusted EPS, and between the earnings figures used in calculating them, is as follows:

	Earnings		EPS		Earnings Year ended 31 March 2005 £000	EPS Year ended 31 March 2005 p
	Six months ended 30 September 2005 £000	Six months ended 30 September 2004 £000	Six months ended 30 September 2005 p	Six months ended 30 September 2004 p		
Basic	4,525	2,340	1.90	0.98	3,225	1.36
Restructuring costs	—	—	—	—	3,195	—
Related tax	—	—	—	—	(389)	—
Amortisation of customer lists	31	—	—	—	—	—
Adjusted	4,556	2,340	1.91	0.98	6,031	2.54

d) Diluted EPS – total Group Diluted EPS has been calculated based on the basic and adjusted earnings amounts above.

The diluted basic and adjusted earnings are set out below:

	Six months ended 30 September 2005 p	Six months ended 30 September 2004 p	Year ended 31 March 2005 p
Diluted basic	1.88	0.98	1.35
Diluted adjusted	1.90	0.98	2.53

A reconciliation between the shares used in calculating basic and diluted EPS is set out under note 4(b) above.

5 TAXATION

	Six months ended 30 September 2005 (unaudited) £000	Six months ended 30 September 2004 (unaudited) £000	Year ended 31 March 2005 £000
Current tax			
UK corporation tax	461	195	151
Foreign tax	1,182	752	1,858
	1,643	947	2,009
Deferred tax	125	201	102
Tax on profit on ordinary activities	1,768	1,148	2,111

Corporation tax for the period is charged at 27% (2004: 27%) representing the best estimate of the weighted average annual corporation tax rate expected for the financial year.

6 DISPOSAL OF SUBSIDIARY

As stated in note 3 above, on 12 July 2005, the Company disposed of its interest in Chloride Telecom Systems. The results of that company for the period to the date of disposal are also disclosed in note 3. The net assets at that date were as follows:

	At 12 July 2005 £000
Property, plant and equipment	1,458
Inventories	1,703
Trade and other receivables	2,473
Post-employment benefits	(176)
Provisions	(223)
Trade and other payables	(3,079)
Bank and other loans	(977)
Obligations under finance leases	(371)
Attributable goodwill	3,404
	4,212
Foreign exchange translation gain recycled to the income statement	52
Accrual for disposal expenses	383
Gain on disposal	52
	4,699
Satisfied by cash consideration	4,802
Related deal expenses	(103)
	4,699

CHLORIDE POWER PROTECTION

NOTES TO THE FINANCIAL INFORMATION CONTINUED

7 ACQUISITION OF SUBSIDIARY

On 14 April 2005 the Company acquired the entire share capital of Harath Engineering Services Limited, a leading supplier of critical power protection services in the UK. The purchase has given rise to acquisition goodwill of £9.6 million and other intangibles (customer lists) of £0.3 million.

Net assets acquired

	Book value £000	Accounting policy changes £000	Fair value adjustments £000	Fair value £000
Property, plant and equipment	241	–	(93)	148
Other intangible assets – customer lists	–	–	311	311
Inventories	934	–	(250)	684
Trade and other receivables	2,874	–	(38)	2,836
Cash and cash equivalents	144	–	–	144
Trade creditors and other payables	(2,757)	–	(98)	(2,855)
Deferred revenue accrual	–	(411)	–	(411)
Current taxation	(452)	–	–	(452)
Provisions	–	–	(489)	(489)
	984	(411)	(657)	(84)
Goodwill				10,020
Total consideration				9,936
Satisfied by:				
Cash				9,807
Directly attributable costs				129
				9,936

8 INVESTMENT

In May 2005 the Company purchased 12% of the share capital of DB Power Electronics Private Limited, a leading independent power protection company in India for a consideration of circa £0.6 million.

9 RECONCILIATION OF EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

	Six months ended 30 September 2005 (unaudited) £000	Six months ended 30 September 2004 (unaudited) £000	Year ended 31 March 2005 £000
Total recognised income and expense for the period	3,812	2,804	4,560
Dividends	(2,378)	(2,018)	(4,036)
Share capital issued	—	53	55
Movement on own shares	765	—	105
Cost of employee share schemes	259	122	308
Net addition to shareholders' equity	2,458	961	992
Shareholders' equity at beginning of period	47,664	46,672	46,672
Adoption of IAS 32 and IAS 39	(141)	—	—
Equity attributable to equity holders of the parent at the end of the period	49,981	47,633	47,664

10 RECONCILIATION OF NET DECREASE IN CASH AND CASH EQUIVALENTS TO THE MOVEMENT IN NET DEBT

	Six months ended 30 September 2005 (unaudited) £000	Six months ended 30 September 2004 (unaudited) £000	Year ended 31 March 2005 £000
Increase in cash and cash equivalents	3,437	1,878	7,004
(Increase) in debt and lease financing	(9,308)	(3,458)	(8,422)
(Increase) in net debt resulting from cash flows	(5,871)	(1,580)	(1,418)
Foreign currency translation differences	(98)	(587)	(448)
(Increase)/decrease in net debt during the period	(5,969)	(2,167)	(1,866)
Net debt at the beginning of the period	(16,295)	(14,429)	(14,429)
Net debt at the end of the period	(22,264)	(16,596)	(16,295)

	30 September 2005 £000	30 September 2004 £000	31 March 2005 £000
Net debt comprises:			
Cash and cash equivalents	20,720	10,351	17,171
Bank overdrafts	(280)	(5,620)	(796)
Bank and other loans	(42,688)	(20,880)	(31,984)
Bills discounted	—	—	(275)
Obligations under finance leases	(16)	(447)	(411)
	(22,264)	(16,596)	(16,295)

CHLORIDE POWER PROTECTION

RECONCILIATION OF RESULTS FOR THE PERIOD TO 30 SEPTEMBER 2004 FROM UK GAAP TO IFRS – (UNAUDITED)

	UK GAAP £000	Discontinued operations £000	Post- employment benefits £000	Share-based payments £000	Goodwill and other £000	IFRS £000
Revenue	77,698	(6,050)	–	–	–	71,648
Profit from operations before goodwill amortisation	4,372	743	(298)	(42)	22	4,797
Goodwill amortisation	(1,225)	109	–	–	1,116	–
Profit from operations	3,147	852	(298)	(42)	1,138	4,797
Finance costs	(534)	62	(728)	–	–	(1,200)
Investment income	39	–	657	–	–	696
Profit/(loss) before tax	2,652	914	(369)	(42)	1,138	4,293
Taxation	(1,147)	–	110	12	(123)	(1,148)
Profit for the period from continuing operations	1,505	914	(259)	(30)	1,015	3,145
Loss for the period from discontinued operations	–	(914)	–	–	109	(805)
Minority interests	195	–	–	–	(195)	–
Profit attributable to equity holders of the parent for the period	1,700	–	(259)	(30)	929	2,340
Earnings per 25p ordinary share						
Basic – on continuing operations	n/a					1.32p
Adjusted – on continuing operations	n/a					1.32p
Basic – on total Group	0.72p					0.98p
Adjusted – on total Group	1.23p					0.98p

The Company adopted IFRS with a transition date of 1 April 2004. Comparative figures for 2005, which were previously reported in accordance with accounting principles generally accepted in the United Kingdom (“UK GAAP”), have been restated to comply with IFRS. An analysis of the restatement of the Group’s results for the year ended 31 March 2005 and the accounting policies used under IFRS was included in an announcement published on 29 September 2005 that is available on the Company’s website, www.chloridegroup.com.

RECONCILIATION OF BALANCE SHEET AT 30 SEPTEMBER 2004 FROM UK GAAP TO IFRS – (UNAUDITED)

	UK GAAP £000	Discontinued operations £000	Post- employment benefits £000	Goodwill £000	Dividends and other £000	Re-classifications £000	IFRS £000
Assets							
Non-current assets							
Goodwill	34,891	(3,463)	–	1,140	–	–	32,568
Other intangible assets	–	–	–	–	–	510	510
Property, plant and equipment	19,247	(1,193)	–	–	–	(510)	17,544
Deferred tax assets	–	–	2,212	–	27	2,049	4,288
	54,138	(4,656)	2,212	1,140	27	2,049	54,910
Current assets							
Inventories	28,619	(1,283)	–	–	–	–	27,336
Trade and other receivables	52,980	(3,094)	(1,786)	–	–	(1,014)	47,086
Cash and cash equivalents	4,908	–	–	–	–	–	4,908
	86,507	(4,377)	(1,786)	–	–	(1,014)	79,330
Assets held for sale	–	9,033	–	104	–	–	9,137
Total assets	140,645	–	426	1,244	27	1,035	143,377
Current liabilities							
Bank overdrafts and other loans	1,336	(237)	–	–	–	–	1,099
Obligations under finance leases	155	(148)	–	–	–	–	7
Trade and other payables	48,383	(4,759)	–	–	(2,147)	1,028	42,505
Tax payable	7,839	–	–	–	–	–	7,839
Provisions	–	–	–	–	–	110	110
	57,713	(5,144)	–	–	(2,147)	1,138	51,560
Non-current liabilities							
Bank and other loans	19,700	(22)	–	–	–	–	19,678
Obligations under finance leases	291	(276)	–	–	–	–	15
Post-employment benefits	–	–	6,421	–	–	4,881	11,302
Deferred tax liabilities	–	–	–	396	–	366	762
Tax payable	–	–	–	–	–	7	7
Provisions	12,425	(509)	(90)	–	–	(5,357)	6,469
	32,416	(807)	6,331	396	–	(103)	38,233
Liabilities held for sale	–	5,951	–	–	–	–	5,951
Total liabilities	90,129	–	6,331	396	(2,147)	1,035	95,744
Net assets	50,516	–	(5,905)	848	2,174	–	47,633
Equity							
Share capital and premium	65,162	–	–	–	–	–	65,162
Own shares	(10,500)	–	–	–	–	–	(10,500)
Retained earnings	(3,483)	–	(5,905)	848	1,511	(314)	(7,343)
Foreign exchange reserve	–	–	–	–	–	314	314
Equity attributable to shareholders of the parent	51,179	–	(5,905)	848	1,511	–	47,633
Minority interest	(663)	–	–	–	663	–	–
Total equity	50,516	–	(5,905)	848	2,174	–	47,633

The Company adopted IFRS with a transition date of 1 April 2004. Comparative figures for 2005, which were previously reported in accordance with accounting principles generally accepted in the United Kingdom ("UK GAAP"), have been restated to comply with IFRS. An analysis of the restatement of the Group's results for the year ended 31 March 2005 and the accounting policies used under IFRS was included in an announcement published on 29 September 2005 that is available on the Company's website, www.chloridegroup.com.

CHLORIDE GROUP PLC

Ebury Gate
23 Lower Belgrave Street
London SW1W 0NR

www.chloridegroup.com

POWER PROTECTION