

CHLORIDE

INTERIM REPORT 2006

SECURE POWER

FOR BUSINESS CONTINUITY WORLDWIDE



SERVICE



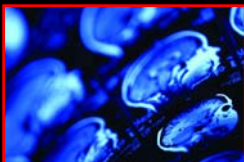
DATA CENTRES



TELECOMS



**ENERGY/
PETROCHEMICALS**



**GOVERNMENT/
HEALTHCARE**



RETAIL



**FINANCIAL
SERVICES**



TRANSPORT

SECURE POWER

CHLORIDE'S INNOVATIVE POWER PROTECTION SOLUTIONS AND SERVICES SECURE BUSINESS CONTINUITY FOR CRITICAL SYSTEMS AND PROCESSES WORLDWIDE.

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CHLORIDE

HIGHLIGHTS

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

- A period of strong organic growth – revenue up 11% to £93.3 million (2005: £84.4 million).
- Operating margin at 11% (2005: 8.9%).
- Adjusted operating profit* up 36% to £10.3 million (2005: £7.5 million).
- Order book at the start of the second half year up £9.7 million to £68.3 million.
- Adjusted earnings per share* up 44% at 2.91p (2005: 2.02p).
Basic EPS up 51% at 2.87p (2005: 1.90p).
- Interim dividend up 30% at 1.30p (2005: 1.00p) reflecting the Board's confidence in future performance.
- Acquisition in October of Cener enhances Chloride's solutions capability in the fast-growing Spanish market.

* Operating profit/earnings per share from continuing operations before amortisation of acquired intangibles (see note 5 to the financial statements).

CHAIRMAN'S STATEMENT

OVERVIEW

In the first half Chloride has achieved strong organic growth in orders and sales and delivered anticipated improvements in the operating margin, operating profit and earnings per share. We made good progress in our core European business and in key market segments including data centres for IT and financial services, manufacturing, transport and oil and gas. We entered the second half with a record order book.

After the period end, we were pleased to announce the acquisition of Coalba Energia SA ("Cener") – a leading power protection solutions company in Spain.

KEY FINANCIALS

During the period revenue from continuing operations was up 11% at £93.3 million (2005: £84.4 million). Significantly, the operating margin increased by 2.1 points, to 11% – the first time we have achieved an operating margin in double digits.

Adjusted operating profit was up 36% to £10.3 million (2005: £7.5 million). Profit before tax increased by 43% to £9.4 million (2005: £6.6 million), delivering an increase in adjusted earnings per share of 44% at 2.91p (2005: 2.02p), with basic EPS up 51% at 2.87p (2005: 1.90p).

Adjusted cash generated by operations (before an exceptional pension contribution of £2.5 million and restructuring payments of £0.3 million) was strong at 96% of adjusted operating profit. Gearing remained low with net debt of £15.5 million at 30 September 2006 (March 2006: £16.9 million) after the exceptional pension contribution. Interest cover was 13 times.

TRADING

Over the first half of the year we achieved an 11% increase in sales, with orders up 20% – well ahead of the market. In both our European and Asian markets

sales increased by 16%, significantly ahead of market growth in these regions. In the Americas we achieved good growth in South America, and in medium and large systems in the USA. However the US power conditioning business underperformed and we have acted quickly to make the necessary changes to improve the performance of this business.

Demand in data centre applications continues at a strong level, underpinning growth in many market sectors especially financial services, where we signed important new contracts with blue chip customers such as Bank of America and Fortis. We also won new business in telecoms and IT, including orders from France Telecom, IBM and Unisys.

The steps taken to sharpen our focus in Industrial Systems are paying off. Costs have been reduced, new products introduced and we are starting to win market share in both the power generation and oil and gas sectors. Notable successes were orders for the South Hook liquid natural gas terminal at Milford Haven UK, for a power plant in Sohar, Oman and for a new oil storage facility in Kuwait.

Service revenue continued to grow, with a 51% increase in new service contracts as many customers including Cable & Wireless in Europe, opted for the benefits of our comprehensive range of support services.

SOLUTIONS DEVELOPMENT

We are now able to undertake more complex secure power projects, including the integration of power management into customers' building management systems and IT infrastructure. To achieve this we have developed new connectivity tools, which give us competitive advantage when bidding for contracts covering diverse applications. These enhanced connectivity solutions were an important factor in securing the order for Dubai international airport in the first half.

During the first half year we launched the Chloride Academy which will transform training and education across the Group, and ensure that we maintain our reputation for world-class capability in the fast-changing secure power environment. The Chloride Academy has dedicated resources to deliver industry-leading training and education programmes for our staff and customers, to match our corporate strategy for solutions development.

In October, we were pleased to announce the acquisition of Coalba Energia SA ("Cener"), a power protection solutions company in Spain. Cener, which fits well with our existing sales and service business in Spain, has an excellent reputation in mid to large UPS systems, a complementary customer base and an extensive service network that will enable us to drive product and service sales. This acquisition together with our existing business establishes Chloride as one of the market leaders in the fast-growing Spanish market.

Our new sales and service business in Poland is now fully operational. It has had a good start for both product and service revenues in a market where economic expansion is outstripping the development of the electrical power network.

DIVIDEND

Given our encouraging first-half performance and confidence in the prospects for the business, the Board is pleased to announce a 30% increase in the interim dividend to 1.30p per share (2005: 1.00p). Payment will be made on 5 December 2006 to all shareholders on the register on 10 November 2006.

SENIOR INDEPENDENT DIRECTOR

Following the retirement of Angus Fraser, I am pleased to report that Eric Tracey has been appointed Senior Independent Director. Eric joined the Board in September 2005 and has made an excellent

contribution, taking over the chairmanship of the Audit Committee in January 2006.

OUTLOOK

The importance of secure power is now receiving recognition by governments worldwide, but in most countries, improvements in the electrical power infrastructure lag behind increasing demand. Independent market research, which forecasts consistent market growth through to 2012, confirms that secure power is a vital part of business continuity planning and risk management. We believe that this requirement will continue to drive growth in our markets and growth in demand for Chloride's secure power solutions.

We enter the second half with a strong order book and confidence that we can continue to deliver quality earnings through robust organic growth. The proven success of our strategy provides us with real competitive edge and we are well placed to continue to take advantage of favourable market conditions.

NORMAN BROADHURST

30 October 2006

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 market anticipated the strong results now reported and its 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. Adjusted cash generated by operations (before an exceptional pension contribution of £2.5 million and restructuring payments of £0.3 million) was 96% of adjusted operating profit. The seasonal nature of certain payments will have the impact of helping to improve the conversion ratio in the second half year.

CAPITAL EXPENDITURE

Capital expenditure on tangible fixed assets and software in the half year was £1.6 million. This largely reflects facility improvements and the IT infrastructure and IS systems upgrades for the integration of the UK service business with that of the Harath business acquired last year.

INTEREST/NET DEBT

During the half year the Company incurred £0.8 million of interest cost. Underlying operating cash generation has been strong, resulting in a reduction in net debt to £15.5 million at 30 September 2006 (March 2006: £16.9 million), despite the exceptional pension contribution of £2.5 million in April 2006. Interest cover was 13 times.

CURRENCY IMPACT

The Company operates a central treasury function, and net exchange exposures continue to be hedged at a 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 "cash flow" hedges, generally with regard to forward purchases of components and finished goods.

Receivables 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.

Apart from optimising expenses and interest on currency 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:

	30 September 2006 Period end	31 March 2006 Year end	% Change	HI 2006 Average	HI 2005 Average	% Change
US \$	1.87	1.73	+8%	1.85	1.82	+2%
Euro	1.48	1.43	+3%	1.47	1.47	+0%

There was no material translation gain or loss in the profit for the period as the profit and loss account is stated using average exchange rates. However euro and dollar denominated net assets saw a reduction of £4.5 million which is reflected in the foreign exchange reserve held in equity.

TAXATION

The tax charge for 2006/07 is estimated at a rate of 26% (2005/06: 27%), which is below the standard corporation tax rates for most of the countries in which we operate.

PENSIONS/POST-EMPLOYMENT BENEFITS

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 (SORIE).

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 Company operates post-employment benefit schemes in the UK, Germany, Italy and France. The largest scheme is in the UK, where a total of £3.5 million was contributed to the scheme in March and April 2006 to reduce the deficit to £0.6 million. A below expected performance in asset returns of £0.7 million (shown in the SORIE) in the first half has increased the UK deficit to some £1.3 million at end September and increased the Group net pension liability to £7.3 million.

The pre-tax charge to the income statement of post employment benefits for all schemes has remained unchanged at £0.4 million.

SHARE-BASED PAYMENTS

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.

In accordance with IFRS 2 the pre-tax charge to the income statement of employee share schemes in the period is £0.4 million (2005: £0.3 million) reflecting the impact of the annual grant made in June 2006.

NEIL WARNER

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006 PREPARED IN ACCORDANCE WITH IFRS

	Notes	Six months ended 30 September 2006 £000 (Unaudited)	Six months ended 30 September 2005 £000 (Unaudited)	Year ended 31 March 2006 £000 (Audited)
Continuing operations				
Revenue	2	93,327	84,394	179,242
Operating profit before amortisation of acquired intangibles	2	10,262	7,520	17,482
Amortisation of acquired intangibles		(98)	(31)	(91)
Operating profit		10,164	7,489	17,391
Finance costs	4	(1,769)	(1,733)	(3,581)
Investment income	4	989	793	1,728
Profit before taxation		9,384	6,549	15,538
Taxation	6	(2,463)	(1,768)	(4,223)
Profit for the year from continuing operations		6,921	4,781	11,315
Loss for the year from discontinued operations	3	–	(256)	(256)
Total profit for the period attributable to equity shareholders		6,921	4,525	11,059
Earnings per share	5			
Continuing operations				
Earnings per share Basic		2.87p	2.01p	4.73p
Diluted		2.81p	1.99p	4.68p
Total Group				
Earnings per share Basic		2.87p	1.90p	4.63p
Diluted		2.81p	1.88p	4.58p

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006 PREPARED IN ACCORDANCE WITH IFRS

	Six months ended 30 September 2006 £000 (Unaudited)	Six months ended 30 September 2005 £000 (Unaudited)	Year ended 31 March 2006 £000 (Audited)
Exchange differences recognised in equity	(4,548)	(937)	1,028
(Losses)/gains on cash flow hedges	(254)	545	856
Actuarial (losses)/gains on post-employment employee benefits	(473)	(551)	336
Tax on items recognised in equity	109	249	558
Net expenses recognised directly in equity	(5,166)	(694)	2,778
IAS 39 transfers to income and expense	(78)	(19)	(516)
Profit for the period attributable to the shareholders	6,921	4,525	11,059
Total recognised income and expense for the period	1,677	3,812	13,321

CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2006 PREPARED IN ACCORDANCE WITH IFRS

	Notes	At 30 September 2006 £000 (Unaudited)	At 30 September 2005 £000 (Unaudited)	At 31 March 2006 £000 (Audited)
Assets				
Non-current assets				
Goodwill		40,936	42,045	43,225
Other intangible assets		3,077	2,203	3,057
Property, plant and equipment	8	16,608	17,014	17,415
Investments		634	634	638
Deferred tax assets		5,923	5,298	5,700
		67,178	67,194	70,035
Current assets				
Inventories		26,330	29,151	26,349
Trade and other receivables		59,628	53,757	65,107
Derivative financial instruments		–	452	321
Cash and cash equivalents	9	23,786	20,720	22,065
		109,744	104,080	113,842
Total assets		176,922	171,274	183,877
Liabilities				
Current liabilities				
Bank overdrafts and other loans	9	9,664	18,880	13,291
Obligations under finance leases		22	16	35
Trade and other payables		51,530	50,047	60,394
Derivative financial instruments		128	97	–
Tax payable		12,623	9,190	10,796
Provisions		4,045	4,288	4,276
		78,012	82,518	88,792
Non-current liabilities				
Bank and other loans	9	29,560	24,088	25,627
Obligations under finance leases		36	–	37
Other payables		–	–	42
Post-employment benefits		7,340	11,156	6,961
Deferred tax liabilities		1,457	1,301	1,937
Tax payable		374	429	321
Provisions		2,114	1,801	2,188
		40,881	38,775	37,113
Total liabilities		118,893	121,293	125,905
Net assets		58,029	49,981	57,972

CONSOLIDATED BALANCE SHEET CONTINUED

AT 30 SEPTEMBER 2006 PREPARED IN ACCORDANCE WITH IFRS

		At 30 September 2006 £000 (Unaudited)	At 30 September 2005 £000 (Unaudited)	At 31 March 2006 £000 (Audited)
Equity				
Issued capital	10	62,251	62,183	62,248
Share premium		3,015	2,987	3,014
Own shares		(8,198)	(9,630)	(9,150)
Retained earnings		4,050	(5,571)	69
Foreign exchange reserve		(2,956)	(373)	1,592
Hedge reserve account		(133)	385	199
Equity attributable to equity holders of the parent	11	58,029	49,981	57,972

CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006 PREPARED IN ACCORDANCE WITH IFRS

	Six months ended 30 September 2006 £000 (Unaudited)	Six months ended 30 September 2005 £000 (Unaudited)	Year ended 31 March 2006 £000 (Audited)
Operating activities			
Operating profit – continuing businesses	10,164	7,489	17,391
Operating loss – discontinued business	–	(292)	(292)
	10,164	7,197	17,099
Intangible asset amortisation	265	280	442
Depreciation of property, plant and equipment	1,352	1,575	2,659
Book gain on sale of property, plant and equipment	3	(4)	(16)
Non-cash charge for employee share schemes	438	259	568
Post-employment benefits	(2,391)	(660)	(731)
Restructuring	(286)	(1,934)	(2,700)
Increase/(decrease) in other provisions	(33)	643	874
Operating cash flow before working capital movements	9,512	7,356	18,195
(Increase)/decrease in inventories	(1,261)	(3,507)	(141)
Decrease/(increase) in trade and other receivables	3,352	1,628	(7,634)
(Decrease)/increase in trade and other payables	(4,524)	(1,305)	6,024
Cash generated by operations	7,079	4,172	16,444
Income taxes paid	(327)	(1,563)	(3,607)
Finance costs paid	(1,018)	(974)	(2,030)
Investment income	120	87	304
Net cash from operating activities	5,854	1,722	11,111
Investing activities			
Purchase of property, plant and equipment	(1,080)	(855)	(2,302)
Purchase of software	(475)	(615)	(252)
Sale of property, plant and equipment	17	31	247
Sale of business	–	4,699	4,991
Purchase of businesses	–	(9,932)	(10,571)
Purchase of investment	–	(638)	(638)
Net cash used in investing activities	(1,538)	(7,310)	(8,525)

CONSOLIDATED CASH FLOW STATEMENT CONTINUED

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006 PREPARED IN ACCORDANCE WITH IFRS

	Six months ended 30 September 2006 £000 (Unaudited)	Six months ended 30 September 2005 £000 (Unaudited)	Year ended 31 March 2006 £000 (Audited)
Financing activities			
Share capital issued	4	–	99
Proceeds from sale of own shares	952	746	1,245
Capital element of finance lease repayments	(14)	(389)	33
(Decrease)/increase in short-term borrowings	(3,787)	549	(5,058)
Increase/(decrease) in long-term borrowings	3,958	11,433	11,487
Decrease in discounted bills	–	(271)	66
Equity dividend paid	(3,014)	(2,378)	(4,777)
Net cash from financing activities	(1,901)	9,690	3,095
Net increase in cash and cash equivalents	2,415	4,102	5,681
Cash and cash equivalents at beginning of year	21,969	16,375	16,375
Net foreign exchange differences	(848)	(37)	(87)
Cash and cash equivalents at end of year	23,536	20,440	21,969

NOTES TO THE FINANCIAL INFORMATION

I BASIS OF PREPARATION

The consolidated financial statements of Chloride Group PLC for the six-month period ended 30 September 2006 were authorised in accordance with a resolution of the directors of Chloride Group PLC on 27 October 2006.

The financial information for the year ended 31 March 2006 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 March 2006 have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain statements under Section 237 of the Companies Act 1985. The results for the six months ended 30 September 2006 are neither audited nor reviewed by the Company's auditors.

The financial information included within the interim financial report has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) as endorsed by the European Union, which are the same as those set out in the Group's published accounts for the period ended 31 March 2006.

Details of the Group's significant accounting policies are available from the registered office and in the Group's annual report which is available at www.chloridegroup.com.

2 SEGMENTAL INFORMATION

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

	Segment revenue			Segment profit and loss		
	Six months to 30 September 2006 £000	Six months to 30 September 2005 £000	Year ended 31 March 2006 £000	Six months to 30 September 2006 £000	Six months to 30 September 2005 £000	Year ended 31 March 2006 £000
Continuing operations						
Europe	74,649	65,942	140,270	10,553	7,480	17,352
Americas	12,167	12,970	26,547	881	1,506	2,638
Asia and Australasia	6,511	5,482	12,425	545	205	767
Total	93,327	84,394	179,242	11,979	9,191	20,757
Corporate and other				(1,815)	(1,702)	(3,366)
Operating profit				10,164	7,489	17,391
Finance costs				(1,769)	(1,733)	(3,581)
Investment income				989	793	1,728
Profit before tax				9,384	6,549	15,538

3 DISCONTINUED OPERATIONS

The Company sold its remaining Telecom 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:

	Year ended 31 March 2006 £000	Six months to 30 September 2005 £000
Revenue	2,296	2,296
Operating loss	(292)	(292)
Profit on sale of operation	52	52
Finance costs	(16)	(16)
Loss before tax for the period	(256)	(256)
Tax	–	–
Loss from discontinued operations	(256)	(256)

4 FINANCE INCOME AND EXPENSE

	Six months to 30 September 2006 £000	Six months to 30 September 2005 £000	Year ended 31 March 2006 £000
On continuing operations			
Investment income			
Interest on short-term deposits	120	88	304
Expected return on post-employment plan assets	869	705	1,424
	989	793	1,728
Finance costs			
Interest on loans and other borrowing	1,018	964	2,027
Interest on post employment plan liabilities	751	769	1,554
	1,769	1,733	3,581

NOTES TO THE FINANCIAL INFORMATION CONTINUED

5 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	EPS
	Six months ended 30 September 2006 £000	Six months ended 30 September 2005 £000	Six months ended 30 September 2006 pence	Six months ended 30 September 2005 pence	Year ended 31 March 2006 £000	Year ended 31 March 2006 £000
Basic	6,921	4,781	2.87	2.01	11,315	4.73
Amortisation of acquired intangibles	98	31			91	
Adjusted	7,019	4,812	2.91	2.02	11,406	4.77

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 2006 pence	Six months ended 30 September 2005 pence	Year ended 31 March 2006 pence
Diluted	2.81	1.99	4.68
Diluted adjusted	2.85	2.00	4.71

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

	Six months ended 30 September 2006 million	Six months ended 30 September 2005 million	Year ended 31 March 2006 million
Average shares used in basic EPS calculation	241.3	238.3	239.3
Dilutive share options outstanding	4.7	2.0	2.6
Shares used in diluted EPS calculation	246.0	240.3	241.9

5 EARNINGS PER SHARE CONTINUED

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	EPS
	Six months ended 30 September 2006 £000	Six months ended 30 September 2005 £000	Six months ended 30 September 2006 pence	Six months ended 30 September 2005 pence	Year ended 31 March 2006 £000	Year ended 31 March 2006 pence
Basic	6,921	4,525	2.87	1.90	11,059	4.63
Amortisation of acquired intangibles	98	31			91	
Adjusted	7,019	4,556	2.91	1.91	11,150	4.67

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 2006 pence	Six months ended 30 September 2005 pence	Year ended 31 March 2006 pence
Diluted	2.81	1.88	4.58
Diluted adjusted	2.85	1.90	4.62

A reconciliation between the shares used in calculating basic and diluted EPS is set out under note 5 b) above.

NOTES TO THE FINANCIAL INFORMATION CONTINUED

6 TAXATION

	Six months ended 30 September 2006 £000	Six months ended 30 September 2005 £000	Year ended 31 March 2006 £000
Current tax			
UK Corporation tax	95	461	720
Foreign tax	2,556	1,182	2,719
	2,651	1,643	3,439
Deferred tax	(188)	125	784
Tax on profit on ordinary activities	2,463	1,768	4,223

Corporation tax for the interim period is charged at 26% (2005: 27%) representing the best estimate of the weighted average annual corporation tax rate expected for the financial year.

7 DIVIDENDS

	Six months ended 30 September 2006 £000	Six months ended 30 September 2005 £000	Year ended 31 March 2006 £000
Final 2006 – 1.25p per share paid 1 August 2006	3,014	–	–
Interim 2006 – 1.00p per share paid 22 December 2005	–	–	2,399
Final 2005 – 1.00p per share paid 26 July 2005	–	2,378	2,378
	3,014	2,378	4,777

The interim dividend of £3,150,000 representing 1.30p per share will be paid on 5 December 2006 to shareholders on the register on 10 November 2006.

The trustees to the Chloride Group Employee Benefit Trust have substantially waived their rights to receive dividends. Accordingly the amounts shown above are net of any dividends which might otherwise have accrued to the Trust.

8 PROPERTY, PLANT AND EQUIPMENT AND SOFTWARE

During the period the Company spent £1,080,000 on property, plant and equipment mainly in relation to expenditure on facilities and IT infrastructure, and a further £475,000 on software.

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

	Six months ended 30 September 2006 £000	Six months ended 30 September 2005 £000	Year ended 31 March 2006 £000
Increase in cash and cash equivalents	2,415	4,102	5,681
(Increase) in debt and lease financing	(157)	(9,973)	(5,806)
Decrease/(increase) in net debt resulting from cash flows	2,258	(5,871)	(125)
Foreign currency translation differences	(829)	(98)	(505)
Decrease/(increase) in net debt during the period	1,429	(5,969)	(630)
Net debt at the beginning of the period	(16,925)	(16,295)	(16,295)
Net debt at the end of the period	(15,496)	(22,264)	(16,925)
	30 September 2006 £000	30 September 2005 £000	31 March 2006 £000
Net debt comprises:			
Cash and cash equivalents	23,786	20,720	22,065
Bank overdrafts	(250)	(280)	(96)
Bank and other loans	(38,974)	(42,688)	(38,822)
Obligations under finance leases	(58)	(16)	(72)
	(15,496)	(22,264)	(16,925)

During the period the Company had core bank facilities of £80.0 million. These facilities are for fixed terms of three years and the unexpired element of them varies between two and 33 months. Agreement in principle has been reached to renew and extend the facility which falls due within two months and finalisation of this issue will further increase core facilities by £5.0 million.

NOTES TO THE FINANCIAL INFORMATION CONTINUED

10 SHARE CAPITAL

The £2,691 increase in the issued share capital of the Company is due to the exercise of savings-related share options over a total of 10,673 shares.

11 RECONCILIATION OF SHAREHOLDERS' FUNDS

	Share capital £000	Share premium £000	Own shares £000	Hedging reserve £000	Exchange reserve £000	Retained earnings £000	Total £000
At 31 March 2005	62,183	2,987	(10,395)	–	564	(7,675)	47,664
Transitional IAS 39 adjustment	–	–	–	(141)	–	–	(141)
At 1 April 2005	62,183	2,987	(10,395)	(141)	564	(7,675)	47,523
Exchange rate adjustments	–	–	–	545	(937)	–	(392)
Profit for the period	–	–	–	(19)	–	4,525	4,506
Dividends paid	–	–	–	–	–	(2,378)	(2,378)
Shares issued	–	–	–	–	–	–	–
Movements in respect of own shares	–	–	765	–	–	–	765
Share-based payments	–	–	–	–	–	259	259
Actuarial loss	–	–	–	–	–	(551)	(551)
Tax on items recognised in equity	–	–	–	–	–	249	249
At 30 September 2005	62,183	2,987	(9,630)	385	(373)	(5,571)	49,981
At 1 April 2006	62,248	3,014	(9,150)	199	1,592	69	57,972
Exchange rate adjustments	–	–	–	(254)	(4,548)	–	(4,802)
Profit for the year	–	–	–	(78)	–	6,921	6,843
Dividends paid	–	–	–	–	–	(3,014)	(3,014)
Shares issued	3	1	–	–	–	–	4
Movements in respect of own shares	–	–	952	–	–	–	952
Share-based payments	–	–	–	–	–	438	438
Actuarial loss	–	–	–	–	–	(473)	(473)
Tax on items recognised in equity	–	–	–	–	–	109	109
At 30 September 2006	62,251	3,015	(8,198)	(133)	(2,956)	4,050	58,029

12 POST BALANCE SHEET EVENT

On 18 October 2006 the Company acquired Coalba Energia SA (“Cener”), a leading critical power protection company in Spain, for a cash consideration of £6.0 million of which £0.7 million is deferred for 12 months.

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, enquiries regarding dividend payments or amalgamation of shareholdings should be addressed, quoting reference 489, to Lloyds TSB Registrars, whose contact details are set out below. 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 Company's secretarial department at the address set out below. Completed transfer forms should be returned to the Registrar, quoting reference 489.

If you have a small number of shares and would like to donate them to charity through ShareGift, please ask the Company's secretarial department for a ShareGift transfer form. Completed ShareGift transfer forms should be returned direct to ShareGift, The Orr Mackintosh Foundation, 46 Grosvenor Street, London W1K 3HN.

UK CAPITAL GAINS TAX

Section 35 of the Taxation of Chargeable Gains Act 1992 provides for the rebasing 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 may be obtained by telephoning Stocktrade on 0845 601 0995 and quoting reference LOW C0124.

SECRETARY AND ADVISERS

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