

CHLORIDE

INTERIM REPORT 2007

SECURE POWER

FOR BUSINESS CONTINUITY WORLDWIDE



Chloride is an international provider of secure power solutions for business continuity for customers worldwide. Our innovative solutions and services protect business-critical systems and processes from the damaging effects of poor quality electrical power and power interruptions.

SECURE POWER

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Highlights

	2007	2006	Change
Sales (£ million)	121.8	93.3	+31%
Adjusted operating profit* (£ million)	14.6	10.3	+43%
Adjusted profit before tax* (£ million)	13.2	9.5	+39%
Profit before tax	12.2	9.4	+30%
Operating margin**	12%	11%	+1pt
Adjusted earnings per share* (pence)	3.86	2.91	+33%
Interim dividend (pence)	1.60	1.30	+23%

* Profit/earnings per share from operations before amortisation of acquired intangibles. (See note 5 to the financial statements.)

** Operating profit before amortisation of acquired intangibles as a % of sales.

- Strong sales growth, with product sales up 34% and service revenue up 23%
- Orders well ahead of sales with significant growth in IT services and oil and gas
- Adjusted operating profit up 43% at £14.6 million (2006: £10.3 million)
- Continued improvement in the operating margin – up 1 point to 12% (2006: 11%)
- Further investment in DB Power Electronics, India increases shareholding to 32% of share capital
- Manufacturing joint venture with Phoenixtec Power Company in China
- Strong order book for products and services as we enter the second half

Chief Executive's review

The Board is pleased to announce results for the first half year significantly ahead of last year. Continuing the trend of 2006/07, sales have increased substantially, both in the core European market and in the Middle East and Asia Pacific where we are achieving excellent momentum. The rapid pace of growth was particularly evident in the IT services, oil and gas and energy market sectors, where Chloride's secure power solutions provide significant competitive advantage.

We continued to make strategic investments to further accelerate growth, extending our capabilities in chosen sectors and in geographic markets where there is strong demand for our secure power solutions.

Key financials

During the period sales were up 31% at £121.8 million (2006: £93.3 million), with product sales up 34% at £83.3 million and service revenue up 23% at £38.5 million, demonstrating the importance to our customers of lifetime support for their critical power systems.

Adjusted operating profit was up by 43% at £14.6 million (2006: £10.3 million).

Adjusted profit before tax increased by 39% to £13.2 million (2006: £9.5 million), reflecting the higher interest charge resulting from increased borrowings required to complete the acquisitions and support the increase in working capital required to support the growth in the business. Profit before tax increased by 30% to £12.2 million (2006: £9.4 million).

Adjusted earnings per share was up 33% at 3.86p (2006: 2.91p), with basic EPS up 22% at 3.51p (2006: 2.87p), following an increase in the effective tax rate on adjusted profit before tax to 28% (2006: 26%).

Cash generated by operations was circa 60% of adjusted operating profit, reflecting the increase in working capital needed to support the strong growth in orders and sales.

Gearing remained low with net debt at 30 September 2007 of £31.3 million (March 2007: £21.3 million). The net debt reflected, in addition to the growth in working capital, the acquisition of AST Electronique Services SARL (ASTE) and Ascor Power Systems Pte Limited, (Ascor); the increase in our investment in DB Power Electronics Pvt Limited (DB Power) to 20% of the share capital; and the purchase of £1.5 million of own shares by the Employee Benefit Trust. Interest cover was ten times.

The operating margin was increased by 1 point to 12% (2006: 11%), as the Company continued its focus on improving efficiencies throughout the business.

At the period end we held a record order book for both products and services, which provides a strong platform for further growth as we enter the second half.

Markets

The world market for UPS products is expected to continue its consistent growth trend. The latest forecast from independent market researchers Frost & Sullivan is for the world UPS market to grow to \$10 billion by 2011 – an increase of close to \$3 billion in the period from 2007, giving a compound annual growth rate of 8.6%.

We believe that increasing demand for secure electrical power in an environment of degrading power quality, where development of the power infrastructure fails to keep pace with economic expansion, will continue to drive growth in our markets. Chloride's strategic positioning as a secure power solutions provider is directly focused on the needs of growing markets, particularly IT services, with tailored solutions for data centres and other IT services applications which enable us to exploit the positive momentum of the digital economy. We also enjoy strong positions in fast-growing market segments such as oil and gas, energy, government, transport and retail.

Worldwide focus on secure power solutions

Western Europe Western Europe remains our largest geographic market, accounting for 62% of sales. Sales were up 28%, with particularly good progress in the UK, Spain and Germany. We continued to invest in our capabilities and facilities in Europe:

- In the UK, Masterpower Electronics, acquired in March 2007, performed in line with expectations and is an excellent platform for Chloride to build its business in offshore and onshore projects in the UK. Chloride Harath moved into a custom-built facility, improving operational efficiency and providing leading edge training facilities for our employees and customers.
- In Spain, the integration of Cener and Chloride Espana was completed, forming a single business with a reduced cost base and a consistent, highly-focused approach to the market.
- In France, we acquired ASTE to enhance our sales and service capabilities.

Eastern Europe Sales in Eastern Europe increased by 32%, with especially good performances in Turkey and neighbouring Central Asian territories, which have fast-growing energy and oil and gas industries. Our recently-established business in Kazakhstan has exceeded expectations. The enhanced technical and logistics support for the region has resulted in rapid market acceptance of Chloride's solutions. Our recently-formed subsidiary in Poland also performed well achieving strong growth in products and services.

Middle East As anticipated, Chloride achieved outstanding growth in the Middle East with sales up 81%. This was due to success in major airport projects in Dubai and Qatar and particularly good progress in important oil and gas and energy projects in the UAE and Saudi Arabia.

Asia Pacific Excellent performances were achieved in India, Australia, and China, with sales in the Asia Pacific region up 58% overall. Our partnership with DB Power continues to generate accelerated growth for large systems in the dynamic Indian market, where we are securing major projects from companies such as Dell, IBM and Microsoft. We were therefore pleased to increase our stake in DB Power to 20% of the share capital in July 2007, followed by a further increase to 32% in October.

In Singapore, the strategic acquisition in May 2007 of Ascor will provide a platform to grow our sales in the buoyant Singapore and SE Asia markets. This development has been welcomed by our customers there and we are immediately investing in new facilities to improve customer service and testing facilities in this important region.

In October 2007, a joint venture agreement was signed with Phoenixtec Power Company to set up a jointly-owned manufacturing facility in China, to produce large systems to Chloride's specification. Production will commence in the fourth quarter 2007/2008 and will give us access to a high-quality, low-cost manufacturing facility in China.

The Americas In North America modest sales growth (6% in US dollar terms) was achieved in the first half. This was a substantial improvement over the second half of last year. The new management has focused on new sales strategies which are now delivering improved orders, sales and profits. New large systems have been well received by the market and we anticipate further improved performance in the second half.

Our small business in Latin America performed well with good sales growth in Brazil, Peru and Mexico.

Chief Executive's review continued

Investment in solutions and people development

We continued to invest in improving our technology and skills base, to support our strategy for growth.

Technology We introduced new static transfer switches to improve our capabilities in tier 4 data centre projects, a new 90-net 750 kva UPS system, to extend the range for the US market and a range of Power Lan models with increased energy efficiency.

Enhancements were also made to our industry-leading remote diagnostic system – LIFE.net, enabling internet communications, and extending the range of equipment served by LIFE.net.

Demonstrating our commitment to the Indian market, we took the decision to set up a new R&D centre in Pune, India, with additional resources and state-of-the-art equipment. Chloride will in due course have access to over 100 technology and software development engineers in the Pune facility.

Chloride Academy The Chloride Academy, established last year to improve professional and technical skills across the Group, completed its first training programmes, focusing on pre-sales activities and technical support. The courses received enthusiastic support from the participants who appreciate the benefits of continuing education, both to their business performance and to their personal development. The number of people attending courses will increase in the second half, speeding up the availability of training across the Group.

Dividend

Based on its continuing confidence in the Company's prospects, the Board is pleased to announce a 23% increase in the interim dividend to 1.60p per share (2006: 1.30p).

Payment will be made on 5 December 2007 to all shareholders on the register on 9 November 2007.

Non-executive director

In September 2007, we announced the appointment of Paul Lester, Chief Executive of VT Group plc, as a non-executive director. Paul brings to the Board wide-ranging experience of managing international businesses, particularly in the field of facilities management and service delivery. We are delighted that he has joined the Company.

Outlook

Secure power is a vital part of business continuity planning and risk management for international businesses, whose mission-critical systems rely on the quality of the electrical power supply. We believe this will continue to drive the growth of our markets, in an environment where the electrical power infrastructure fails to keep pace with the increase in demand for clean, reliable power. Chloride's strategic positioning as a secure power solutions provider is directly focused on the needs of these growing markets, and we are well placed to benefit from the increasing demand.

We enter the second half with a record order book, visibility of significant opportunities in the second half and confidence in the positive outlook for our markets. We are therefore well positioned for further progress in the second half of the year.

Keith Hodgkinson

Chief Executive

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 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. After a controlled increase in inventory to support strong sales growth, adjusted cash generated by operations was circa 60% 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 £2.1 million. This largely reflects facility improvements and further investment in the IT infrastructure and information systems and upgrades to witness testing capacity.

Interest/net debt

The net interest charge for the six months ended 30 September 2007 was £1.5 million. Net debt rose to £31.3 million (March 2007: £21.3 million), reflecting the acquisitions of ASTE and Ascor, the increased investment in DB Power to 20% of the share capital, the purchase of £1.5 million of own shares by the Employee Benefit Trust and the inventory build up discussed above. Interest cover was ten 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 2007 Period end	31 March 2007 Year end	HI 2007 Change	HI 2006 Average	Average	Change
US\$	2.02	1.96	-3%	2.00	1.87	-7%
Euro	1.43	1.47	+3%	1.47	1.46	-1%

Taxation

The tax charge for 2007/08 is estimated at a rate on adjusted profit before tax of 28% (2006/07: 26%), which is below the standard corporation tax rates for most of the countries in which we operate, largely driven by the utilisation/recognition of tax losses.

Pensions/post-employment benefits

The cost of defined benefit plans is recognised over the average remaining service lives of the participating employees, but the amount recognised in each period is dependent on the change during the period in the

Financial review continued

recognised defined benefit liability or asset, with actuarial gains/losses on the assets and liabilities (net of tax) 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, which has a surplus of £0.4 million (March 2007: £0.3 million deficit). Changes in the valuation assumptions at the half year (primarily the use of a higher discount rate as determined by the increase in market bond yields) which have reduced the liability by £0.9 million were offset by a lower than expected performance in asset returns of £0.2 million. This net adjustment is shown in the SORIE.

The Group net pension liability has decreased to £5.9 million (March 2007: £7.3 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 £0.6 million (2005: £0.4 million) reflecting the impact of the annual grant made in June 2007.

Risks and uncertainties

The principal risks and uncertainties affecting the business activities of the Group remain those detailed on page 12 of the annual report and accounts for the year ended 31 March 2007, a copy of which is available on the Company's website at www.chloridegroup.com. Those risks and uncertainties are expected to continue to apply during the remaining six months of the financial year, and the Chief Executive's Review sets out the primary issues affecting the Group's businesses.

Neil Warner

Group Finance Director

Certain statements in this interim management report are forward looking. Although the Company believes that the expectations contained in such statements are reasonable, it can give no assurance that these expectations will prove to be correct. Actual results may differ materially to those expressed or implied in by these forward-looking statements.

Consolidated income statement

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

	Notes	Six months ended 30 September 2007 £000 (Unaudited)	Six months ended 30 September 2006 £000 (Unaudited)	Year ended 31 March 2007 £000 (Audited)
Sales	2	121,847	93,327	204,438
Cost of sales		68,270	52,050	115,439
Gross profit		53,577	41,277	88,999
Distribution costs		18,340	14,176	32,004
Administrative costs		20,602	16,839	33,510
Operating profit before amortisation of acquired intangibles		14,635	10,262	23,485
Other operating costs:				
Amortisation of acquired intangibles		(934)	(98)	(700)
Operating profit	2	13,701	10,164	22,785
Finance costs	4	(2,816)	(1,769)	(4,196)
Investment income	4	1,336	989	2,410
Profit before tax		12,221	9,384	20,999
Income tax expense	6	(3,618)	(2,463)	(5,546)
Profit for the period attributable to equity shareholders		8,603	6,921	15,453
Earnings per share	5			
Basic		3.51p	2.87p	6.38p
Diluted		3.45p	2.81p	6.29p

Consolidated statement of recognised income and expense

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

	Six months ended 30 September 2007 £000 (Unaudited)	Six months ended 30 September 2006 £000 (Unaudited)	Year ended 31 March 2007 £000 (Audited)
Exchange differences arising on translation of foreign operations	2,147	(4,548)	(5,042)
Profits/(losses) on cash flow hedges	152	(254)	(594)
Actuarial gains/(losses) on post-employment employee benefits	886	(473)	741
Tax on items recognised in equity	(354)	109	54
Income and expense for the period recognised in equity	2,831	(5,166)	(4,841)
Transfers	(662)	(78)	362
Profit for the period	8,603	6,921	15,453
Total recognised income and expense for the period	10,772	1,677	10,974

Consolidated balance sheet

AT 30 SEPTEMBER 2007

	Notes	At 30 September 2007 £000 (Unaudited)	At 30 September 2006 £000 (Unaudited)	At 31 March 2007 £000 (Audited)
Assets				
Non-current assets				
Goodwill		55,248	40,936	52,859
Other intangible assets		9,854	3,077	9,554
Property, plant and equipment	9	16,914	16,608	16,561
Interest in associate	10	2,148	–	–
Investments		–	634	638
Deferred tax assets		5,680	5,923	6,105
		89,844	67,178	85,717
Current assets				
Inventories		34,503	26,330	28,560
Trade and other receivables		74,433	59,628	73,829
Derivative financial instruments		484	–	266
Cash and cash equivalents	12	15,565	23,786	20,470
		124,985	109,744	123,125
Total assets		214,829	176,922	208,842
Liabilities				
Current liabilities				
Bank overdrafts and other loans	12	2,386	9,664	5,338
Obligations under finance leases		25	22	27
Trade and other payables		69,616	51,530	72,013
Derivative financial instruments		660	128	238
Tax payable		10,358	12,623	14,847
Provisions		4,843	4,045	4,160
		87,888	78,012	96,623

Consolidated balance sheet continued

AT 30 SEPTEMBER 2007

	Notes	At 30 September 2007 £000 (Unaudited)	At 30 September 2006 £000 (Unaudited)	At 31 March 2007 £000 (Audited)
Non-current liabilities				
Bank and other loans	12	44,399	29,560	36,360
Obligations under finance leases		27	36	19
Other payables		—	—	31
Post-employment benefits		5,943	7,340	6,369
Deferred tax liabilities		2,060	1,457	2,247
Tax payable		1,016	374	879
Provisions		2,145	2,114	2,212
		55,590	40,881	48,117
Total liabilities		143,478	118,893	144,740
Net assets				
		71,351	58,029	64,102
Equity				
Issued capital	11	63,542	62,251	63,090
Share premium		4,380	3,015	3,882
Own shares		(11,328)	(8,198)	(10,408)
Retained earnings		16,011	4,050	11,021
Foreign exchange reserve		(1,303)	(2,956)	(3,450)
Hedge reserve account		49	(133)	(33)
Equity attributable to equity holders of the parent	13	71,351	58,029	64,102

Consolidated cash flow statement

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

	Six months ended 30 September 2007 £000 (Unaudited)	Six months ended 30 September 2006 £000 (Unaudited)	Year ended 31 March 2007 £000 (Audited)
Operating activities			
Operating profit	13,701	10,164	22,785
Intangible asset amortisation	1,212	265	1,233
Depreciation of property, plant and equipment	1,403	1,352	2,657
Book (gain)/loss on sale of property, plant and equipment	(64)	3	(8)
Non-cash charge for employee share schemes	613	438	885
Post-employment benefits	333	(2,391)	(1,957)
Restructuring	–	(286)	(508)
(Decrease)/increase in other provisions	504	(33)	7
Operating cash flow before working capital movements	17,702	9,512	25,094
Increase in inventories	(4,853)	(1,261)	(2,396)
Decrease/(increase) in trade and other receivables	450	3,352	(9,075)
(Decrease)/increase in trade and other payables	(4,626)	(4,524)	10,709
Operating cash flow	8,673	7,079	24,332
Income taxes paid	(6,764)	(327)	(2,228)
Finance costs paid	(1,816)	(1,018)	(2,677)
Investment income	390	120	654
Net cash from operating activities	483	5,854	20,081
Investing activities			
Purchase of property, plant and equipment	(1,447)	(1,080)	(2,448)
Purchase of software	(605)	(475)	(704)
Sale of property, plant and equipment	86	17	65
Purchase of businesses	(2,596)	–	(15,093)
Purchase of investment	(1,511)	–	–
Net cash used in investing activities	(6,073)	(1,538)	(18,180)

Consolidated cash flow statement continued

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

	Six months ended 30 September 2007 £000 (Unaudited)	Six months ended 30 September 2006 £000 (Unaudited)	Year ended 31 March 2007 £000 (Audited)
Financing activities			
Share capital issued	950	4	1,704
(Purchase)/sale of own shares	(1,511)	952	(1,258)
Capital element of finance lease repayments	—	(14)	(27)
Decrease in short-term borrowings	(2,926)	(3,787)	(7,958)
Increase in long-term borrowings	8,016	3,958	10,754
Equity dividends paid	(4,166)	(3,014)	(6,181)
Net cash from/(used in) financing activities	363	(1,901)	(2,966)
Net (decrease)/ increase in cash and cash equivalents	(5,227)	2,415	(1,065)
Cash and cash equivalents at beginning of period	19,985	21,969	21,969
Net foreign exchange differences	636	(848)	(919)
Cash and cash equivalents at period end	15,394	23,536	19,985

Notes to the financial information

I Basis of accounting

The consolidated financial statements of Chloride Group PLC for the six-month period ended 30 September 2007 were authorised in accordance with a resolution of the directors of Chloride Group PLC on 29 October 2007.

The financial information for the period ended 30 September 2007 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 March 2007 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 2007 are neither audited nor reviewed by the Company's auditors.

The financial information included within the interim financial report has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 (Interim financial reporting) as adopted by the European Union, 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 2007.

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. In the current financial year, the Group will adopt IFRS 7 (Financial Instruments: Disclosures) and the amendment to IAS 1 (Presentation of Financial Statements) for the first time. As these are disclosure standards, there is no impact on the interim financial statements.

2 Segmental information

The Company derives its revenue and profits from a single class of business – secure power solutions.

	Segment revenue			Segment profit and loss		
	Six months to 30 September 2007 £000	Six months to 30 September 2006 £000	Year ended 31 March 2007 £000	Six months to 30 September 2007 £000	Six months to 30 September 2006 £000	Year ended 31 March 2007 £000
Europe	100,757	74,649	167,398	13,648	10,553	24,177
Americas	12,083	12,167	23,563	1,146	881	1,768
Asia and Australasia	9,007	6,511	13,477	930	545	988
Total	121,847	93,327	204,438	15,724	11,979	26,933
Corporate and other				(2,023)	(1,815)	(4,148)
Operating profit				13,701	10,164	22,785
Finance costs				(2,816)	(1,769)	(4,196)
Investment income				1,336	989	2,410
Profit before tax				12,221	9,384	20,999

Notes to the financial information continued**3 Seasonality of results**

Our major markets are subject to some seasonality in demand and are particularly impacted by the slowdown associated with the summer season in Europe. Consequently our results are normally more heavily weighted to the second half.

4 Finance income and expense

	Six months ended 30 September 2007 £000	Six months ended 30 September Sept 2006 £000	Year ended 31 March 2007 £000
Investment income			
Interest on short-term deposits	390	120	654
Expected return on post-employment plan assets	946	869	1,756
	1,336	989	2,410
Finance costs			
Interest on loans and other borrowing	1,982	1,018	2,676
Interest on post-employment plan liabilities	834	751	1,520
	2,816	1,769	4,196

5 Earnings per share

a) Basic and adjusted EPS

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 2007 £000	EPS Year ended 31 March 2007 pence
	Six months ended 30 September 2007 £000	Six months ended 30 September 2006 £000	Six months ended 30 September 2007 pence	Six months ended 30 September 2006 pence		
Basic	8,603	6,921	3.51	2.87	15,453	6.38
Amortisation of acquired intangibles	934	98	—	—	700	—
Related tax	(65)	—	—	—	(86)	—
Adjusted	9,472	7,019	3.86	2.91	16,067	6.63

b) Diluted EPS

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 2007 pence	Six months ended 30 September 2006 pence	Year ended 31 March 2007 pence
Diluted	3.45	2.81	6.29
Diluted adjusted	3.80	2.85	6.54

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

	Six months ended 30 September 2007 million	Six months ended 30 September 2006 million	Year ended 31 March 2007 million
Average shares used in basic EPS calculation	245.3	241.3	242.3
Dilutive share options outstanding	4.1	4.7	3.4
Shares used in diluted EPS calculation	249.4	246.0	245.7

Notes to the financial information continued

6 Taxation

	Six months ended 30 September 2007 £000	Six months ended 30 September 2006 £000	Year ended 31 March 2007 £000
Current tax:			
UK Corporation tax at statutory rate	413	95	2
Foreign tax	3,525	2,556	7,141
Adjustment in respect of prior years	(47)	–	(102)
	3,891	2,651	7,041
Deferred taxation	(273)	(188)	(1,495)
Total tax expense	3,618	2,463	5,546

Corporation tax for the interim period is charged at 28% (2006: 26%) representing the best estimate of the weighted average annual corporation tax rate to adjusted profit before tax expected for the financial year.

7 Dividends

	Six months ended 30 September 2007 £000	Six months ended 30 September 2006 £000	Year ended 31 March 2007 £000
Final 2007 – 1.70p per share paid 30 July 2007	4,166	–	–
Interim 2007 – 1.30p per share paid 5 December 2006	–	–	3,167
Final 2006 – 1.25p per share paid 1 August 2006	–	3,014	3,014
	4,166	3,014	6,181

An interim dividend of £3,939,000 representing 1.60p per share will be paid on 5 December 2007 to shareholders on the register on 9 November 2007.

The trustees of the Chloride Group Employee Benefit Trust have 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 Acquisition of subsidiaries

a) On 25 April 2007 the Company acquired the entire share capital of AST Electronique Services SARL (ASTE), a company specialising in third-party maintenance focusing on the uninterruptible power supply (UPS) service market in France, for a cash consideration of £1.9 million. The purchase has given rise to acquisition goodwill of £0.8 million and other intangibles (customer lists) of £0.4 million.

	Book value £000	Fair value adjustments £000	Fair value £000
Net assets acquired			
Property plant and equipment	14	–	14
Other intangible assets – customer lists	–	410	410
Other investments	8	(8)	–
Inventories	106	(9)	97
Trade and other receivables	430	(12)	418
Cash and cash equivalents	640	–	640
Trade creditors and other payables	(295)	–	(295)
Current taxation	(22)	–	(22)
Deferred tax liability	–	(123)	(123)
Provisions	–	(41)	(41)
	881	217	1,098
Goodwill			828
Total consideration			1,926
Satisfied by:			
Cash			1,868
Directly attributable costs			58
			1,926
Less: cash acquired			(640)
Cash flow on acquisition			1,286

Goodwill substantially represents the expertise and technical knowledge of the company's staff together with synergistic benefits.

ASTE contributed £0.7 million of revenue and £0.1 million to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

Notes to the financial information continued

8 Acquisition of subsidiaries continued

b) On 23 May 2007 the Company acquired the entire share capital of Ascor Power Systems PTE Limited (Ascor), supplier of critical power protection services in Singapore for a cash consideration of £1.2 million. The purchase has given rise to acquisition goodwill of £0.9 million and other intangibles (customer lists) of £0.3 million.

	Book value £000	Fair value adjustments £000	Fair value £000
Net assets acquired			
Property plant and equipment	32	–	32
Other intangible assets – customer lists	–	346	346
Inventories	53	(7)	46
Trade and other receivables	559	(39)	520
Trade creditors and other payables	(422)	–	(422)
Current taxation	(5)	–	(5)
Debt within one year	(42)	–	(42)
Deferred taxation liability	–	(85)	(85)
Provisions	–	(42)	(42)
	175	173	348
Goodwill			883
Total consideration			1,231
Satisfied by:			
Cash			1,168
Directly attributable costs			63
			1,231
Add: debt acquired			42
Cash flow on acquisition			1,273

Goodwill substantially represents the expertise and technical knowledge of the company's staff together with synergistic benefits.

Ascor contributed £0.8 million of revenue and £0.1 million to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

If the acquisitions had been made on 1 April 2007, Group revenue would have been £122.3 million and Group profit attributable to equity holders of the parent would have been £8.7 million.

9 Property, plant and equipment and software

During the period the Company spent £1.5 million on property, plant and equipment mainly in relation to expenditure on facilities and IT infrastructure, and a further £0.6 million on software.

10 Interest in associate

On 3 July 2007 the Company purchased a further 10% of the share capital of DB Power Electronics Private Ltd for £1.5 million. This purchase brings the our holding in the company to 20% and as of that date it has been accounted for as an interest in associate as required under IAS 28 (Investments in associates). The Company's share of the post-acquisition results for the half year is not material.

11 Share capital

The £452,000 increase in the issued share capital of the Company is due to the exercise of executive share options over a total of 1.8 million shares.

12 Reconciliation of net decrease in cash and cash equivalents to the movement in net debt

	Six months ended 30 September 2007 £000	Six months ended 30 September 2006 £000	Year ended 31 March 2007 £000
(Decrease)/increase in cash and cash equivalents	(5,227)	2,415	(1,065)
(Increase) in debt and lease financing	(5,090)	(157)	(2,769)
(Increase)/decrease in net debt resulting from cash flows	(10,317)	2,258	(3,834)
Foreign currency translation differences	319	(829)	(515)
(Increase)/decrease in net debt during the period	(9,998)	1,429	(4,349)
Net debt at the beginning of the period	(21,274)	(16,925)	(16,925)
Net debt at the end of the period	(31,272)	(15,496)	(21,274)
	30 September 2007 £000	30 September 2006 £000	31 March 2007 £000
Net debt comprises:			
Cash and cash equivalents	15,565	23,786	20,470
Bank overdrafts	(171)	(250)	(485)
Bank and other loans	(46,614)	(38,974)	(41,213)
Obligations under finance leases	(52)	(58)	(46)
	(31,272)	(15,496)	(21,274)

During the period the Company had core bank facilities of £85.0 million. These facilities are for fixed terms of three years and the unexpired element of them varies between two and 26 months. Agreement in principle has been reached to renew and extend the facility which falls due within two months.

Notes to the financial information continued

13 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 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
At 1 April 2007	63,090	3,882	(10,408)	(33)	(3,450)	11,021	64,102
Exchange rate adjustments	–	–	–	152	2,147	–	2,299
Profit for the year	–	–	–	(70)	–	8,603	8,533
Dividends paid	–	–	–	–	–	(4,166)	(4,166)
Shares issued	452	498	–	–	–	–	950
Movements in respect of own shares	–	–	(920)	–	–	(592)	(1,512)
Share-based payments	–	–	–	–	–	613	613
Actuarial gain	–	–	–	–	–	886	886
Tax on items recognised in equity	–	–	–	–	–	(354)	(354)
At 30 September 2007	63,542	4,380	(11,328)	49	(1,303)	16,011	71,351

14 Post balance sheet events

As set out in the Chief Executive's review, the Company increased its shareholding in DB Power Electronics Private Ltd to 32% and entered into an agreement to set up a manufacturing joint venture in China with Phoenixtec Power Company after the period end.

Responsibility statement

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union;
- The interim management report includes a fair review of the information required by:
 - a) DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
 - b) DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Keith Hodgkinson
Chief Executive

Neil Warner
Group Finance Director

29 October 2007

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