

INTERIM REPORT 2008



DELIVERING

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.

DELIVERING



FOCUSING



DEVELOPING



INVESTING



EXPANDING



SUCCEEDING

Interim report 2008: Contents

- 1 Highlights
- 2 Chief Executive's review
- 4 Financial review
- 6 Condensed consolidated income statement
- 7 Condensed consolidated statement of recognised income and expense
- 8 Condensed consolidated balance sheet
- 10 Condensed consolidated cash flow statement
- 12 Notes to the accounts
- 20 Responsibility statement
- 21 Shareholder information, Secretary and advisers

HIGHLIGHTS

SALES
£MILLION

+25%

2007: 121.8
2008: 152.3

**ADJUSTED
OPERATING
PROFIT***
£MILLION

+41%

2007: 14.6
2008: 20.6

**ADJUSTED
PROFIT
BEFORE TAX***
£MILLION

+46%

2007: 13.2
2008: 19.2

**PROFIT
BEFORE TAX**
£MILLION

+44%

2007: 12.2
2008: 17.6

**OPERATING
MARGIN****
%

+1.5pts

2007: 12
2008: 13.5

**ADJUSTED
EARNINGS
PER SHARE***
PENCE

+32%

2007: 3.9
2008: 5.1

**INTERIM
DIVIDEND**
PENCE

+16%

2007: 1.60
2008: 1.85

- Strong sales growth, with product sales **up 21%** and service revenue **up 34%**
- Adjusted operating profit **up 41%** at **£20.6 million** (2007: £14.6 million)
- Continued improvement in the operating margin – **up 1.5 points** to **13.5%** (2007: 12%)
- Cash generation strong at **91%** of adjusted operating profit (2007: 59%)
- Low gearing and **£80.0 million** of undrawn facilities available
- Consolidated half-year results of DB Power, India, contribute **£1.1 million** of operating profit and **£0.5 million** in attributable earnings
- Manufacturing **joint venture** in Shenzhen China commences production
- Record order book for products and services **up 21%** at **£124 million**, underpinning the outlook in a changing economic environment.

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

** Profit from operations before amortisation of acquired intangibles as a percentage of sales.

The Board is once again pleased to announce results for the first half year significantly ahead of last year and in line with its expectations. Continuing the growth trend of 2007/2008, sales have increased substantially, both in the core European market and in the emerging economies, including Russia, South East Asia and Central Asia where we are benefiting from our strategic investments for growth.

KEY FINANCIALS

During the period sales were up 25% at £152.3 million (2007: £121.8 million), with product sales up 21% at £100.6 million and service revenue up 34% at £51.7 million, demonstrating the continuing importance to our customers of lifetime support for their business-critical systems. In the second quarter, DB Power Electronics PVT Limited, India ("DB Power"), was consolidated into the Group results for the first time, and contributed sales of £5.1 million.

Adjusted operating profit increased by 41% to £20.6 million (2007: £14.6 million), including an exchange benefit of £2.8 million and £1.1 million of operating profit from DB Power. DB Power had £0.5 million of attributable earnings in the first half year.

Adjusted profit before tax increased by 46% to £19.2 million (2007: £13.2 million), after the higher interest charge resulting primarily from increased borrowings required to complete the acquisition of a further 17% of DB Power. Profit before tax increased by 44% to £17.6 million (2007: £12.2 million).

Adjusted earnings per share increased by 32% to 5.1p (2007: 3.9p) after a rise in the effective tax rate to 32% (2007: 28%). Basic EPS was 4.7p (2007: 3.5p).

Cash generated by operations was 91% of adjusted operating profit (2007: 59%), reflecting the tight control of working capital during a period of strong growth in sales.

Gearing remained low at 18% (2007: 19%). At 30 September 2008 net debt was £23.5 million (March 2008: £21.8 million) after the investment of £4.7 million to increase our shareholding in DB Power to 49%, and the net investment of £2.0 million in the purchase of shares by the Employee Benefit Trust. Interest cover was 14 times (2007: 10 times).

The operating margin increased by 1.5 points to 13.5% (2007: 12%), due in part to the success of our service business, which generated 34% of total revenue (2007: 32%).

Our order book for both products and services stood at a record level at the period end, underpinning management's expectations for the second half.

MARKETS

In both the developed and the emerging economies, expansion of the electrical power infrastructure fails to keep pace with the demand for clean, secure power. Despite the recent uncertainty in financial markets and the global economy, we are confident that the requirement of businesses and the public sector to ensure continuity of their mission-critical systems and processes in an environment of degrading power quality will continue to sustain growth in our markets over the longer term.

This view is supported by independent market forecasts from market researchers Frost & Sullivan, who predict that the global UPS market will grow to over \$10 billion by 2012.

Chloride's strategic positioning as a secure power solutions provider is focused on the needs of higher-growth markets, with tailored solutions for critical applications which enable us to exploit the momentum of the digital economy. We hold strong positions in a broad range of geographies and market sectors including in oil & gas, energy, government, manufacturing, and IT services.

Our strength in the European market for secure power solutions is increasingly balanced by investments in emerging economies in Asia Pacific, Eastern Europe, Central Asia and South America, which now account for 34% of sales (2007: 30%), and where there are many opportunities to further develop relationships with our global blue-chip customers.

INTERNATIONAL SALES

Our industry-leading range of products and services is at the centre of our secure power solutions, and we continue to improve our international scope and our capabilities for servicing multi-vendor UPS and other elements of the secure power infrastructure.

The Chloride Academy plays a vital part in expanding our knowledge base and ensuring that our staff are trained to deliver consistently high standards of customer service across our international operations. This focus on services and on the large systems which generate service revenues has resulted in the sustained growth of high-margin service revenues and provides good visibility of future earnings.

WESTERN EUROPE

Western Europe remains our largest geographic market, now accounting for 59% of total sales (2007: 62%). Sales were up 20%, with particularly good progress in Spain, Italy and Germany. Across the region sales of large systems generally grew well, and we benefited from our service-focused business model with strong growth in the higher-margin service sales. In the UK where the market for large systems was more difficult, service sales more than compensated.

In October we extended our solutions capability in Ireland, with the acquisition of Power & Electronic Services Ltd, which serves the financial and IT services market in Dublin, for a consideration of £0.8 million.

ASIA PACIFIC

Good performances were achieved in Australia, Singapore and China, with sales in the Asia Pacific region (excluding DB Power) up 30% overall – 65% including the consolidated DB Power results. DB Power continues to generate strong growth in the dynamic Indian market, where we are securing major projects from companies such as Dell, IBM, Microsoft and Reliance. We were therefore delighted to increase our stake in DB Power to a 49% interest in July 2008 and we will acquire a further 41% by July 2009.

We have established new customer service facilities in Vietnam and the Philippines, where there are good prospects for growth in the telecommunications and manufacturing sectors. The first sales from these operations are expected to come through in the second half.

China has seen continued growth in IT services and we were pleased to support the communications data centre for the Beijing Olympics.

Our joint venture based in Shenzhen, China, which was set up to manufacture large systems to Chloride's specification has now commenced production, giving us access to a source of high-quality, lower-cost products. The facility will build up to full capacity over the second half year.

EASTERN EUROPE AND CENTRAL ASIA

Sales in this region increased by 31%, with especially good performances in Turkey and neighbouring Central Asian territories, with their fast-growing energy and oil & gas industries. The joint venture with our partners in Russia, Chloride Rus, is now progressing well and is delivering good growth in orders and sales.

MIDDLE EAST

Major airport projects in Dubai and Qatar won in the prior year have now been completed and growth in this region has returned to more normalised levels of circa 23%. The region is particularly important for oil & gas and energy projects in the UAE and Saudi Arabia.

THE AMERICAS

In North America sales were flat with lower than expected sales in the low power Oneac business offset by double digit growth in our high power business. We took early action to streamline costs, and orders in the second quarter are now showing a more positive trend.

In Latin America, Brazil, our largest business, grew sales by 43% and orders by 56%.

DIVIDEND

The Board remains confident of the Company's prospects and is pleased to announce a 16% increase in the interim dividend to 1.85p per share (2007: 1.60p). Payment will be made on 3 December 2008 to shareholders on the register on 14 November 2008.

OUTLOOK

Chloride operates in markets with sustainable long-term growth prospects, driven by the need of businesses and public sector organisations to protect their mission-critical applications from the damaging effects of degrading power quality. We are confident in the fundamental growth drivers of our markets.

We have a flexible, cash-generative business model, with low levels of debt and ample loan facilities. We will maintain our strategic focus on higher-growth markets and continue to invest in improving the breadth and quality of our secure power solutions.

Whilst not wholly immune, Chloride is well equipped to adjust to changing economic circumstances, and we continue to monitor our end user markets to ensure that we respond appropriately to any new developments and opportunities as they arise.

Chloride made good progress in the first half year and we enter the second half with confidence and a record order book. Trading in the year to date has been in line with our expectations and we have good visibility of further opportunities in the rest of the year.

Tim Cobbold
Chief Executive

TOTAL SHAREHOLDER RETURN

Despite the recent turmoil in financial markets, Total Shareholder Return (TSR) grew relative to the FTSE 250 Index over the first six months of the year, reflecting the market's confidence in the long-term growth qualities of Chloride's markets.

CASH GENERATED BY OPERATIONS

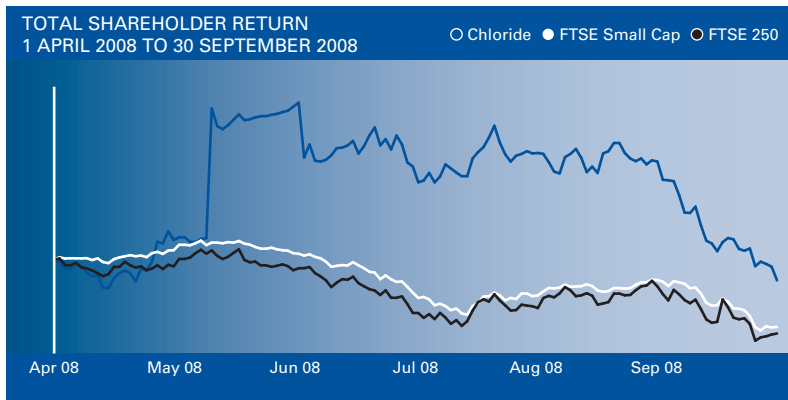
Management remains committed to turning profits into cash to enable reinvestment in the Group's businesses. After a controlled increase in inventory to support strong sales growth last year, adjusted cash generated by operations was circa 91% of adjusted operating profit in the first half of this year.

CAPITAL EXPENDITURE

Capital expenditure on tangible fixed assets and software in the half year was £2.2 million. This largely reflects facility improvements and further investment in the IT infrastructure and information systems and upgrades to witness testing capacity and expansion of the R&D capability in India.

INTEREST/NET DEBT

The net interest charge for the six months ended 30 September 2008 was £1.4 million (2007: £1.5 million). Net debt was £23.5 million (March 2008: £21.8 million), after reflecting the cost of acquiring a further 17% investment in DB Power India, and the net investment of £2.0 million in own shares by the Employee Benefit Trust. Interest cover was 14 times. Cash is held on deposit with key relationship banks which are routinely monitored. Additional facilities totalling circa £80 million are available to the Company, over half of which have maturity dates of greater than one year. Hence the Company has good funding capacity as it seeks further acquisitions.



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 sales orders and purchases of components and finished goods. Receivables and payables designated as fair value 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 2008 Period end	31 March 2008 Year end	Change	H1 2008 Average	H1 2007 Average	Change
US\$	1.78	1.99	+11%	1.93	2.00	+3%
Euro	1.27	1.25	-1%	1.26	1.47	+15%

The impact of these currency movements has been generally beneficial to reported results:

	Impact £million
Sales	14.3
Operating profit	2.8

TAXATION

The tax charge for 2008/2009 is estimated at a rate on adjusted profit before tax of 32% (2007/2008: 28%) following the utilisation of available 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 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 deficit of £3.5 million (March 2008: £0.7 million deficit). This deficit has arisen largely

due to the fall in fair market value of pension assets as stock markets fell during the reporting period. There have been no other material changes in the valuation assumptions at the half year. This net adjustment is shown in the SORIE.

The Group net pension liability has increased to £9.8 million (March 2008: £7.0 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 £1.3 million (2007: £0.9 million) reflecting the impact of the annual grant made in June 2008.

RISKS AND UNCERTAINTIES

The principal risks and uncertainties affecting the business activities of the Group were detailed on page 25 of the annual report and accounts for the year ended 31 March 2008, a copy of which is available on the Company's website at www.chloridegroup.com. These principal risks and uncertainties are expected to remain relevant in the second half year.

Recent events in world financial markets have been unprecedented in modern history and at the time of writing there remains a degree of uncertainty as to the likely impact on our customers and we will continue to monitor our end-user markets closely. Nonetheless, the Company has confidence that it has a robust, service-oriented, cash-generative business model with low levels of debt and substantial committed bank facilities, and that it is in a good position to build further shareholder value.

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.

CONDENSED CONSOLIDATED INCOME STATEMENT *For the six months ended 30 September 2008*

	Notes	Six months ended 30 September 2008 £000 (Unaudited)	Six months ended 30 September 2007 £000 (Unaudited)	Year ended 31 March 2008 £000
SALES	2	152,329	121,847	267,645
Cost of sales		(85,330)	(68,270)	(152,866)
GROSS PROFIT		66,999	53,577	114,779
Distribution costs		(20,917)	(18,340)	(38,012)
Administrative expenses		(25,342)	(20,602)	(41,173)
Share of (losses)/profits from associate and joint venture		(112)	–	475
OPERATING PROFIT BEFORE AMORTISATION OF ACQUIRED INTANGIBLES		20,628	14,635	36,069
Other operating costs				
Amortisation of acquired intangibles		(1,603)	(934)	(2,201)
OPERATING PROFIT	2	19,025	13,701	33,868
Finance cost	4	(2,614)	(2,816)	(5,264)
Investment income	4	1,174	1,336	2,513
PROFIT BEFORE TAX		17,585	12,221	31,117
Income tax expense	6	(5,658)	(3,618)	(9,418)
Income tax exceptional release		–	–	2,931
Total income tax expense		(5,658)	(3,618)	(6,487)
PROFIT AFTER TAX		11,927	8,603	24,630
ATTRIBUTABLE TO MINORITY INTERESTS		(177)	–	–
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		11,750	8,603	24,630
EARNINGS PER SHARE	5			
Basic		4.68p	3.51p	9.99p
Diluted		4.65p	3.45p	9.90p

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the six months ended 30 September 2008

	Six months ended 30 September 2008 £000 (Unaudited)	Six months ended 30 September 2007 £000 (Unaudited)	Year ended 31 March 2008 £000
Exchange differences arising on translation of foreign operations	3,736	2,147	10,225
(Losses)/gains on cash flow hedges	(18)	152	345
Actuarial (losses)/gains on post-employment employee benefits	(2,758)	886	48
Tax on items recognised in equity	497	(354)	2,006
Income and expense for the period recognised in equity	1,457	2,831	12,624
Transfers	(115)	(70)	(192)
Profit for the period	11,750	8,603	24,630
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD	13,092	11,364	37,062

CONDENSED CONSOLIDATED BALANCE SHEET *At 30 September 2008*

	At 30 September 2008 £000 (Unaudited)	At 30 September 2007 £000 (Unaudited)	At 31 March 2008 £000
ASSETS			
NON-CURRENT ASSETS			
Goodwill	61,586	55,248	57,789
Other intangible assets	19,792	9,854	9,566
Property, plant and equipment	9 23,234	16,914	19,809
Interest in associates and joint venture	10 457	2,148	3,576
Investments	34	–	–
Deferred tax assets	7,956	5,680	8,371
	113,059	89,844	99,111
CURRENT ASSETS			
Inventories	43,219	34,503	35,748
Trade and other receivables	88,468	74,433	88,879
Derivative financial instruments	48	484	965
Cash and cash equivalents	12 23,414	15,565	22,770
	155,149	124,985	148,362
TOTAL ASSETS	268,208	214,829	247,473
LIABILITIES			
CURRENT LIABILITIES			
Bank overdrafts and other loans	12 21,140	2,386	12,605
Obligations under finance leases	49	25	41
Trade and other payables	78,480	69,616	82,166
Derivative financial instruments	176	660	686
Tax payable	8,401	10,358	9,245
Provisions	3,748	4,843	3,283
	111,994	87,888	108,026

CONDENSED CONSOLIDATED BALANCE SHEET *At 30 September 2008*

		At 30 September 2008 £000 (Unaudited)	At 30 September 2007 £000 (Unaudited)	At 31 March 2008 £000
NON-CURRENT LIABILITIES				
Bank and other loans	12	25,383	44,399	31,638
Obligations under finance leases		306	27	284
Other payables		–	–	147
Post-employment benefits		9,775	5,943	6,986
Deferred tax liabilities		5,815	2,060	2,019
Tax payable		568	1,016	793
Provisions		3,037	2,145	3,052
		44,884	55,590	44,919
TOTAL LIABILITIES		156,878	143,478	152,945
NET ASSETS		111,330	71,351	94,528
EQUITY				
Issued capital	11	65,172	63,542	64,384
Share premium		7,715	4,380	5,502
Own shares		(12,572)	(11,328)	(12,019)
Retained earnings		32,467	16,011	29,766
Foreign exchange reserve		10,463	(1,303)	6,775
Hedge reserve account		(13)	49	120
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	13	103,232	71,351	94,528
MINORITY INTEREST		8,098	–	–
TOTAL EQUITY		111,330	71,351	94,528

CONDENSED CONSOLIDATED CASH FLOW STATEMENT *For the six months ended 30 September 2008*

	Six months ended 30 September 2008 £000 (Unaudited)	Six months ended 30 September 2007 £000 (Unaudited)	Year ended 31 March 2008 £000
OPERATING ACTIVITIES			
Operating profit	19,025	13,701	33,868
Amortisation of intangibles – acquired intangibles	1,603	934	2,201
Amortisation of intangibles – software	377	278	681
Depreciation of property, plant and equipment	1,767	1,403	2,744
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (“EBITDA”)			
	22,772	16,316	39,494
Book loss/(gain) on sale of property, plant and equipment	10	(64)	(74)
Non-cash charge for employee share schemes	904	613	1,482
Post-employment benefits	32	333	(97)
Interest in associate and joint venture	112	–	(475)
Increase/(decrease) in other provisions	303	504	(450)
OPERATING CASH FLOW BEFORE WORKING CAPITAL MOVEMENTS			
	24,133	17,702	39,880
Increase in inventories	(3,747)	(4,853)	(3,207)
Decrease/(increase) in trade and other receivables	6,018	450	(8,168)
(Decrease)/increase in trade and other payables	(7,711)	(4,626)	1,538
OPERATING CASH FLOW			
	18,693	8,673	30,043
Income taxes paid	(6,426)	(6,764)	(10,115)
Finance costs paid	(1,556)	(1,816)	(4,061)
Investment income	218	390	1,100
NET CASH FROM OPERATING ACTIVITIES			
	10,929	483	16,967
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(2,081)	(1,447)	(4,097)
Purchase of software	(117)	(605)	(1,094)
Sale of property, plant and equipment	–	86	171
Purchase of businesses	(4,686)	(2,596)	(3,438)
Purchase of investment in associate	(847)	(1,511)	(2,337)
NET CASH USED IN INVESTING ACTIVITIES			
	(7,731)	(6,073)	(10,795)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT *For the six months ended 30 September 2008*

	Six months ended 30 September 2008 £000 (Unaudited)	Six months ended 30 September 2007 £000 (Unaudited)	Year ended 31 March 2008 £000
FINANCING ACTIVITIES			
Share capital issued	3,001	950	2,913
Purchase of own shares	(2,030)	(1,511)	(2,907)
Capital element of finance lease repayments	(9)	–	206
Increase/(decrease) in short-term borrowings	8,712	(2,926)	7,086
(Decrease)/increase in long-term borrowings	(6,254)	8,016	(4,796)
Equity dividends paid	(6,215)	(4,166)	(8,125)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(2,795)	363	(5,623)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period	22,292	19,985	19,985
Net foreign exchange differences	359	636	1,758
CASH AND CASH EQUIVALENTS AT PERIOD END	23,054	15,394	22,292

1 BASIS OF ACCOUNTING

The condensed consolidated financial statements of Chloride Group PLC for the six-month period ended 30 September 2008 were authorised in accordance with a resolution of the directors of Chloride Group PLC on 3 November 2008.

The financial information for the for the year ended 31 March 2008 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 March 2008 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 (2) or (3) of the Companies Act 1985. The results for the six months ended 30 September 2008 are neither audited nor reviewed by the Company's auditors.

The annual financial statements of Chloride Group PLC are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union.

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements.

Details of the Company's significant accounting policies are available from the registered office and in the Company'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 – secure power solutions.

	Segment revenue			Segment profit and loss		
	Six months ended 30 September 2008 £000	Six months ended 30 September 2007 £000	Year ended 31 March 2008 £000	Six months ended 30 September 2008 £000	Six months ended 30 September 2007 £000	Year ended 31 March 2008 £000
Europe	121,279	100,757	224,343	19,744	13,648	33,984
Americas	12,686	12,083	23,889	652	1,146	1,858
Asia and Australasia	18,364	9,007	19,413	1,609	930	2,532
Total	152,329	121,847	267,645	22,005	15,724	38,374
Corporate and other				(2,980)	(2,023)	(4,506)
Operating profit				19,025	13,701	33,868
Finance costs				(2,614)	(2,816)	(5,264)
Investment income				1,174	1,336	2,513
Profit before tax				17,585	12,221	31,117

2 SEGMENTAL INFORMATION CONTINUED

Acquired intangible amortisation has been included in segment profit and loss as follows:

	Six months ended 30 September 2008 £000	Six months ended 30 September 2007 £000	Year ended 31 March 2008 £000
Europe	1,120	894	2,126
Asia and Australia	483	40	75
Total	1,603	934	2,201

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 2008 £000	Six months ended 30 September 2007 £000	Year ended 31 March 2008 £000
INVESTMENT INCOME			
Interest on short-term deposits	218	390	474
Other interest receivable	–	–	152
Expected return on post-employment plan assets	956	946	1,887
	1,174	1,336	2,513
FINANCE COSTS			
Interest on loans and other borrowing	1,597	1,982	3,554
Interest on post-employment plan liabilities	1,017	834	1,710
	2,614	2,816	5,264

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:

	Profit before taxation £000	Taxation £000	Attributable to minority interests £000	Profit after taxation £000	EPS pence
SIX MONTHS TO 30 SEPTEMBER 2008					
BASIC	17,585	(5,658)	(177)	11,750	4.68
AMORTISATION OF ACQUIRED INTANGIBLES	1,603	(406)	(142)	1,055	–
ADJUSTED	19,188	(6,064)	(319)	12,805	5.11
Six months to 30 September 2007					
Basic	12,221	(3,618)	–	8,603	3.51
Amortisation of acquired intangibles	934	(65)	–	869	–
Adjusted	13,155	(3,683)	–	9,472	3.86
Year ended 31 March 2008					
Basic	31,117	(6,487)	–	24,630	9.99
Amortisation of acquired intangibles	2,201	(449)	–	1,752	–
Exceptional tax release	–	(2,931)	–	(2,931)	–
Adjusted	33,318	(9,867)	–	23,451	9.51

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 2008 pence	Six months ended 30 September 2007 pence	Year ended 31 March 2008 pence
DILUTED	4.65	3.45	9.90
DILUTED ADJUSTED	5.07	3.80	9.42

5 EARNINGS PER SHARE CONTINUED

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

	Six months ended 30 September 2008 million	Six months ended 30 September 2007 million	Year ended 31 March 2008 million
Average shares used in basic EPS calculation	250.8	245.3	246.7
Dilutive share options outstanding	2.0	4.1	2.2
Shares used in diluted EPS calculation	252.8	249.4	248.9

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

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

6 TAXATION

	Six months ended 30 September 2008 £000	Six months ended 30 September 2007 £000	Year ended 31 March 2008 £000
CURRENT TAX:			
UK Corporation tax at statutory rate	–	413	–
Foreign tax	5,263	3,525	9,951
Adjustment in respect of prior years	(110)	(47)	(208)
	5,153	3,891	9,743
DEFERRED TAXATION			
	505	(273)	(325)
Total	5,658	3,618	9,418
Exceptional income tax item	–	–	(2,931)
Total tax expense	5,658	3,618	6,487

Corporation tax for the interim period is charged at 32% (2007: 28%), 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 2008 £000	Six months ended 30 September 2007 £000	Year ended 31 March 2008 £000
Final 2008 – 2.40p per share paid 4 August 2008	6,118	–	–
Interim 2008 – 1.60p per share paid 5 December 2007	–	–	3,959
Final 2007 – 1.70p per share paid 30 July 2007	–	4,166	4,166
	6,118	4,166	8,125

An interim dividend of £4,679,000 representing 1.85p per share will be paid on 3 December 2008 to shareholders on the register on 14 November 2008.

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 SUBSIDIARY

A) DB POWER ELECTRONICS (PVT) LTD

On 3 July 2008 the Company acquired a further 17% of the share capital of DB Power Electronics (Pvt) Ltd, a manufacturer and supplier of critical power protection services in India for a cash consideration of £4.8 million. This brings Chloride's total investment in the Company to 49%. Under an agreement with the shareholders of DB Power, Chloride will also purchase a further 41% during the period to July 2009.

Based on that agreement Chloride has the right to acquire an additional 41% of DB Power's share capital and resulting from the rights to govern its financial and operating policies and exposure to its risks and rewards in the intervening period, the Company has a controlling interest in DB Power. As a consequence, from July Chloride ceased to account for DB Power as an interest in associate and now consolidates its financial statements.

The purchase has given rise to acquisition goodwill of £1.6 million and other intangibles (intellectual property, customer lists and trade name) of £12.1 million.

8 ACQUISITION OF SUBSIDIARY CONTINUED

	Book value £000	Accounting policy changes £000	Fair value adjustments £000	Fair value £000
NET ASSETS ACQUIRED				
Property plant and equipment	1,628	–	1,224	2,852
Other intangible assets – intellectual property, customer lists and trade name	–	–	12,113	12,113
Investments	11	–	–	11
Inventories	3,173	–	(250)	2,923
Trade and other receivables	4,998	–	(250)	4,748
Cash and cash equivalents	273	–	–	273
Trade creditors and other payables	3,484	(294)	–	3,190
Current taxation	340	(50)	–	290
Deferred taxation liability	6	–	4,294	4,300
Provisions	–	–	125	125
	6,253	344	8,418	15,015
Minority share of assets acquired				(7,658)
Group share of net assets				7,357
GOODWILL				1,591
COST OF ACQUISITION:				
Cashflow on acquisition				4,530
Cash acquired with acquisition				273
Cash payment (including directly attributable costs of £33,000)				4,803
Transfer from associates				3,538
Total cost of acquisition				8,341

Goodwill substantially represents the expertise and technical knowledge of the Company's staff, together with synergistic benefits. Included in the Group's results for the six-month period to 30 September 2008 are sales of £5.1 million and profits of £1.0 million. Had the acquisition been made at the start of the financial year, Group sales and Group profit attributable to equity holders of the parent would have been £157.5 million and £12.1 million respectively.

B) OTHER

The Company also made payments of £119,000 and £37,000 in respect of deferred payments on prior year acquisitions and the purchase of a further 24.5% in Chloride Koexa SA. No goodwill arose from these payments.

NOTES TO THE ACCOUNTS

9 PROPERTY, PLANT AND EQUIPMENT AND SOFTWARE

During the period the Company spent £2,081,000 on property, plant and equipment mainly in relation to expenditure on facilities and IT infrastructure, and a further £117,000 on software.

10 INTERESTS IN ASSOCIATES AND JOINT VENTURE

	Six months ended 30 September 2008	Six months ended 30 September 2007	Year ended 31 March 2008
At beginning of period	3,576	–	–
Transfer from investments	–	–	638
Additions	847	–	2,337
Share of (losses)/profit in period	(112)	–	601
Transfer out	(3,538)	–	–
Exchange	(316)	–	–
Value at balance sheet date	457	–	3,576

Following the purchase of a further 17% of the share capital of DB Power Electronics (Pvt) Ltd in July 2008, the investment has been re-categorised as a subsidiary.

During the period Chloride contributed cash for equity stakes in its joint ventures in Chloride Phoenixtec and Chloride Rus.

11 SHARE CAPITAL

The £788,000 increase in the issued share capital of the Company is due to the exercise of executive share options over a total of 3.2 million shares.

12 ANALYSIS OF NET DEBT

	30 September 2008	30 September 2007	31 March 2008
Cash and cash equivalents	23,414	15,565	22,770
Bank overdrafts	(360)	(171)	(478)
Bank and other loans	(46,163)	(46,614)	(43,765)
Finance lease obligations	(355)	(52)	(325)
	(23,464)	(31,272)	(21,798)

The Company has core bank facilities of £100 million. These facilities are for fixed terms of three years and the unexpired element of them varies between two and 31 months.

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 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
At 1 April 2008	64,384	5,502	(12,019)	120	6,775	29,766	94,528
Exchange rate adjustments	–	–	–	(18)	3,688	–	3,670
Profit for the year	–	–	–	(115)	–	11,750	11,635
Dividends paid	–	–	–	–	–	(6,215)	(6,215)
Shares issued	788	2,213	–	–	–	–	3,001
Movements in respect of own shares	–	–	(553)	–	–	(1,477)	(2,030)
Share-based payments	–	–	–	–	–	904	904
Actuarial loss	–	–	–	–	–	(2,758)	(2,758)
Tax on items recognised in equity	–	–	–	–	–	497	497
AT 30 SEPTEMBER 2008	65,172	7,715	(12,572)	(13)	10,463	32,467	103,232

14 RELATED PARTY TRANSACTIONS AND CONTINGENT LIABILITIES

There has been no material change in the related party transactions or contingent liabilities from those disclosed in the annual report for the year ended 31 March 2008.

15 SUBSEQUENT EVENTS

In October we extended our solutions capability in Ireland, with the acquisition of Power & Electronic Services Ltd, which serves the financial and IT services market in Dublin, for a consideration of £0.8 million.

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

Tim Cobbold
Chief Executive

Neil Warner
Group Finance Director

3 November 2008

SHAREHOLDER INFORMATION, SECRETARY AND ADVISERS

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 Equiniti, 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.

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