CHLORIDE

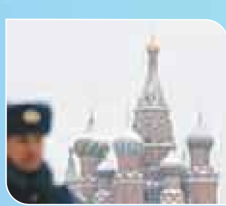
Secure Power Always

ANNUAL REPORT 2010

SERVING

INTERNATIONAL MARKETS

SERVING INTERNATIONAL MARKETS



CHLORIDE

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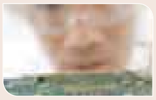

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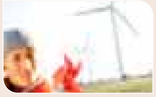

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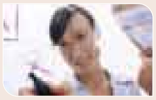

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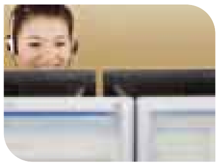
WHO WE ARE

CHLORIDE is a world leader in protecting mission-critical systems and processes, ensuring continued supply of quality power. It provides "Secure Power Always" through leading technology and exceptional customer support.

Chloride's objective is to grow sustainably a profitable and resilient business as a leading global provider of total secure power solutions and services.

SERVING INTERNATIONAL MARKETS



2010

FINANCIAL HIGHLIGHTS

SALES £MILLION
+3%
2009: 326.7
2010: 336.0

ADJUSTED OPERATING PROFIT* £MILLION
-4%
2009: 46.4
2010: 44.7

ADJUSTED PROFIT BEFORE TAX* £MILLION
-5%
2009: 43.7
2010: 41.4

PROFIT BEFORE TAX £MILLION
-25%
2009: 39.8
2010: 29.9

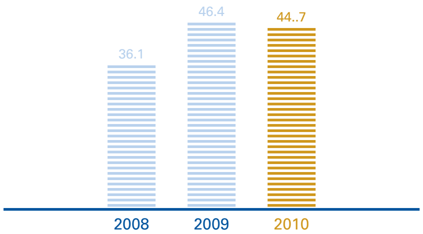
ADJUSTED EARNINGS PER SHARE* PENCE
-4%
2009: 11.5
2010: 11.0

BASIC EARNINGS PER SHARE PENCE
-27%
2009: 10.6
2010: 7.7

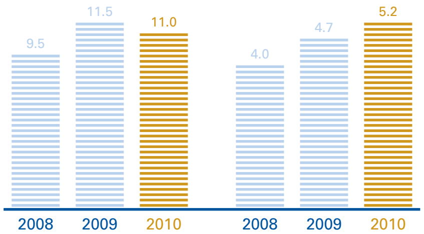
DIVIDEND PENCE
+11%
2009: 4.7
2010: 5.2

OPERATING MARGIN* %
-0.9pts
2009: 14.2
2010: 13.3

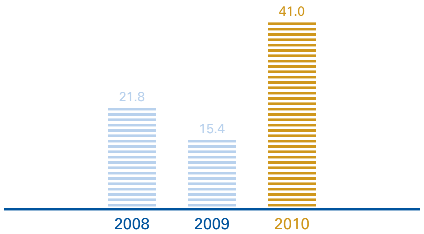
ADJUSTED OPERATING PROFIT £MILLION
-4% £44.7 MILLION



ADJUSTED EARNINGS AND DIVIDEND PER SHARE PENCE
EPS -4% 11.0 PENCE
DPS +11% 5.2 PENCE



NET DEBT £MILLION
+£25.6 million TO £41.0 MILLION



- Sales show resilience with **growth of 3% to £336.0 million** (down 2% at constant exchange rates ("CER")); service revenues **up 13%**, product sales 3% lower.
- Adjusted operating profit* **down 4%** (9% at CER) to £44.7 million. Operating margin held within 1% point of prior year.
- Restructuring actions **on track** with one-time costs of **£5.9 million** and better than anticipated savings of **£2.5 million** in the period, **£3.8 million** in a full year.
- Record order book for product and services – **up 16%**, to **£160.0 million**, with improving trends in the commercial sector.
- Net debt at **£41.0 million** reflecting strong cash generation (at **108%** of adjusted operating profits (2009: 93%)) and after **£37.2 million** of acquisitions/ investments. **£150 million** of committed facilities in place.
- Proposed final dividend of **3.30p** per share, making a total for the year of **5.20p** (**up 11%**, 2.1 times covered).*

* For definition see Financial Glossary on page 96.

2010

OPERATING HIGHLIGHTS

ACQUISITION

FRANCE

AUTOMATISMES ENERGIE ELECTRONIQUES SYSTÈMES
DECEMBER 2009

ACQUISITION

UK

EMERGENCY POWER SYSTEMS PLC
OCTOBER 2009

ACQUISITION

USA

CUSTOM POWER
JUNE 2009

STAKE INCREASED FURTHER

INDIA

DB POWER
JULY 2009

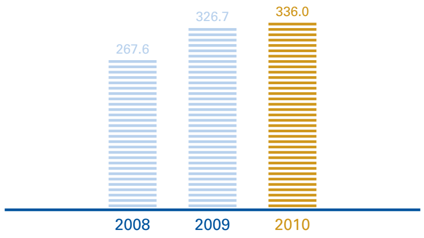
INITIAL INVESTMENT

CHINA & HONG KONG

NEWTECH TECHNOLOGY HOLDINGS LIMITED
MAY 2009

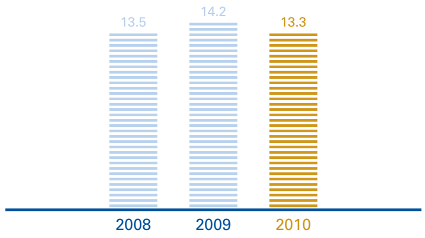
TOTAL SALES
£MILLION

+3% £336.0 MILLION



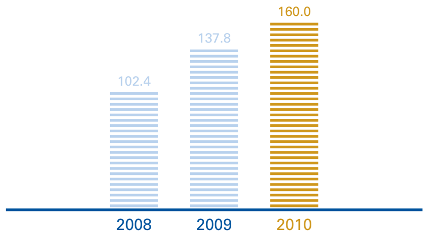
OPERATING MARGIN*
%

-0.9pts 13.3%



ORDER BOOK
£MILLION

+16% £160.0 MILLION



- Sales growth of **3%, down 2%** at constant exchange rates
- Product sales **down by 3%**
- Service sales **up by 13%**
- Launch of high efficiency Trinergy product
- Year-end order book **up £22.2 million to £160 million**

* See Financial Glossary on page 96.

CHAIRMAN'S STATEMENT

NORMAN BROADHURST CHAIRMAN

A RESILIENT PERFORMANCE

Over the past year the world economic environment has presented the most difficult trading environment seen for more than 50 years. I am pleased to be able to report that Chloride has performed resiliently; better than many other industrial businesses and most of its major competitors. I am grateful to all of Chloride's people, each of whom responded professionally to the challenge presented by the economic situation.

Mindful of the long-term growth prospects for the business, we adopted a dual approach in the face of a weak economic environment.

The first element of this approach reflected our short-term priorities of customers, cash generation and cost control.

- The service business performed robustly, as expected, and continued to grow as we focused on maintaining excellent support to customers in the prevailing economic climate. The strength and robustness of service revenues, together with good growth in product sales into the Energy & Infrastructure markets, helped mitigate the effect of a marked weakness in commercial markets caused by the poor economic environment.
- Operating cash generation was strong and consequently, together with the prudent management of the balance sheet, gearing remained low. With proactive management of facilities, the business traded (and continues to trade) with more than adequate headroom throughout the period.
- Early in the year we instituted a restructuring programme, cognisant of the long-term growth potential of the business, to reduce head office and back office costs without affecting service to customers. The manufacturing joint venture in China continued to develop well and provided a useful underpin to product margins in a competitive market.

The second part of the approach, reflecting our confidence in the long-term growth characteristics of our markets, was to continue the strategic development of the business and we made a number of carefully assessed acquisitions, as a result of which the business is now better positioned to grow as markets recover.

The mission-critical importance of reliable and high-quality electrical power is recognised by our blue chip customers, and this fundamental customer need underpins the demand for Chloride's technology and services and positions Chloride well to offer excellent growth potential over the longer term.

KEY FINANCIALS

Total sales increased by 3% to £336.0 million (2009: £326.7 million), (down 2% at constant exchange rates (CER*)) with product sales down 3% and service revenue up13%. Adjusted operating profit* was down 4% (9% at CER) to £44.7 million. The operating margin*, reflecting the resilience of the business, decreased by only 0.9% points to 13.3%.

The restructuring programme, the cost of which was treated as exceptional, cost £5.9 million and delivered savings of £2.5 million in the current year, and will deliver £3.8 million in a full year.

Adjusted profit before tax fell by 5% to £41.4 million (2009: £43.7 million), giving adjusted earnings per share* of 11.0p (2009: 11.5p), a decrease of 4%. Basic earnings per share were 7.7p (2009: 10.6p).

Adjusted operating cash flow* was £48.5 million (2009: £43.0 million), representing 108% of adjusted operating profit*, despite an increase in stock associated with the growth of the order book.

Net debt* for the year increased to £41.0 million (2009: £15.4 million) after funding acquisitions of £37.2 million, though operating cash flow was more than sufficient to cover capital expenditure, dividend payments, additional pension obligations, tax and interest.

* See Financial Glossary on page 96.

STRATEGIC DEVELOPMENT

During the year we continued to invest in the development of the Group to improve the geographic and market sector balance of the business.

Most significantly we expanded our presence in the Energy & Infrastructure sector with three important acquisitions:

- In December 2009 we acquired Automatismes Energie Electroniques Systèmes SAS ("AEES"), a French-based supplier of secure power solutions with access to markets in the Middle East and Russia as well as France. This business is located in Lyon, France, as is our existing business Chloride Industrial Systems, which it complements well.
- In October 2009 the acquisition of Emergency Power Systems PLC ("EPS") materially strengthened our presence in the UK railway sector which we expect to grow well in the future.
- In May 2009 we acquired Custom Power, based in Houston, Texas, which provides access to the North American Energy & Infrastructure markets for the first time.

Our expansion in Asia was enhanced by a number of strategic actions:

- In India we acquired a further 41% of DB Power Electronics (PVT) Ltd ("DB Power") to take our holding to 90%, improving our position in the dynamic high-growth Indian marketplace.
- We established our sales and service business in Korea, and strengthened our sales and service offices in Vietnam, the Philippines, Kazakhstan, Uzbekistan, Azerbaijan, Turkey and the Middle East.
- In Hong Kong, in May 2009, we took a 10% stake in Newtech Technology Holdings Limited ("Newtech") to improve access to the Hong Kong and Chinese data centre markets.
- In China our manufacturing joint venture in Shenzhen progressed well reaching the target margins despite lower than target volumes.

In the UK we made two bolt-on service acquisitions, strengthening our market-leading presence.

The global R&D team successfully completed the development of the innovative Trinergy product. This was successfully launched during the year and is proving attractive to customers.

BOARD

During a year of such general economic uncertainty, the Board remained unchanged. This stability, together with their excellent understanding of the business, served the Group well.

PEOPLE

On the Board's behalf, I would like to thank all of the employees for their hard work and commitment in difficult economic circumstances that has, without doubt, contributed to the resilience the Group has demonstrated during the year.

I am pleased that the Chloride Academy continued to develop during the year demonstrating, despite the economic conditions, Chloride's commitment to the training and development of its people.

During the year we agreed with the Pension Trustees to cap the liabilities attached to the pensions in payment within the UK defined benefit scheme, at a cost of £2.4 million. This was an important step in managing the volatility in the Group's UK pension obligations.

FINANCIAL POSITION

Chloride continued to manage its balance sheet prudently whilst maintaining investment in the business. Net debt rose, following the strategic acquisitions made during the year, though strong operating cash flow more than covered all other non-acquisition related cash outflows, including interest, dividends and tax payments.

We renegotiated/replaced all expiring credit facilities at sensible market rates and the business has more than sufficient headroom to sustain investment in the business.

DIVIDEND

The Board is pleased to propose a final dividend of 3.30p per share (2009: 2.85p), reflecting our continued confidence in the Company's long-term prospects which, with the interim dividend of 1.90p per share, gives a dividend for the year of 5.20p per share – an increase of 11% on the prior year. Subject to shareholders' approval at the Annual General Meeting (AGM), the final dividend will be paid on 2 August 2010 to shareholders on the register at close of business on 9 July 2010.

OUTLOOK

Chloride is a balanced business serving international markets which have robust long-term growth characteristics driven by growing Energy demand and increasing Digitisation.

Looking to the year ahead, the Group is very well positioned to benefit from decisions taken over the last two to three years and, in particular, the measures taken to develop the service business and reduce costs whilst continuing with the strategic development of the Group. Accordingly, the business ended the financial year ended 31 March 2010 with stronger market better cost positions than it started.

The Board now sees clear, positive signs in both our end markets and order intake trends, which together with a record opening order book, provides the Board with confidence in the prospects for the Group for the year ahead.

Longer term, we will continue to execute our proven strategy, make further careful investments to access high-growth potential markets, and develop the technology and services that meet the demands of our customers. Accordingly, the Board is confident that the long-term prospects for the Group are very attractive.

NORMAN BROADHURST CHAIRMAN

CHLORIDE'S STRATEGY

Chloride's strategy is to build a well-balanced secure power business serving international markets that delivers superior returns to shareholders, whilst operating in a socially responsible way.

The strategy, whilst regularly reviewed, is proven and has delivered, over the cycle, market-beating rates of growth whilst offering resilience in difficult economic circumstances.

There are six key elements to the strategy.

1 SECURE POWER FOCUS

Chloride is a focused supplier of secure power solutions that protect our customers' mission-critical systems and processes from the damaging effects of poor power quality and/or absence of power. All of Chloride's resources and expertise are focused on improving performance in this specific market.

2 OPERATING IN LONG-TERM GROWTH MARKETS

Chloride operates in global markets with robust, long-term growth characteristics driven by increasing Digitisation and rising Energy demand.

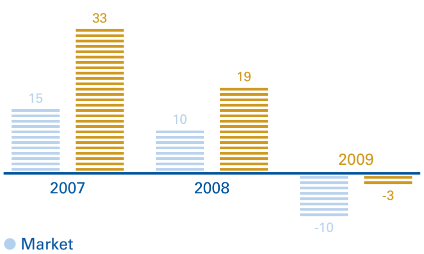
DIGITISATION – the sustained growth in the use of digital data and processing in all aspects of economic activity.

ENERGY – the rise in the global demand for energy and the infrastructure required to provide it.

3 TOTAL SOLUTIONS APPROACH

Chloride's Total Solutions Approach combines leading technology and solutions design expertise with an industry-leading worldwide service network to provide a through-life solution to the customer.

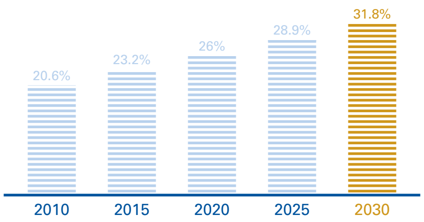
PRODUCT REVENUE GROWTH VERSUS THE MARKET %



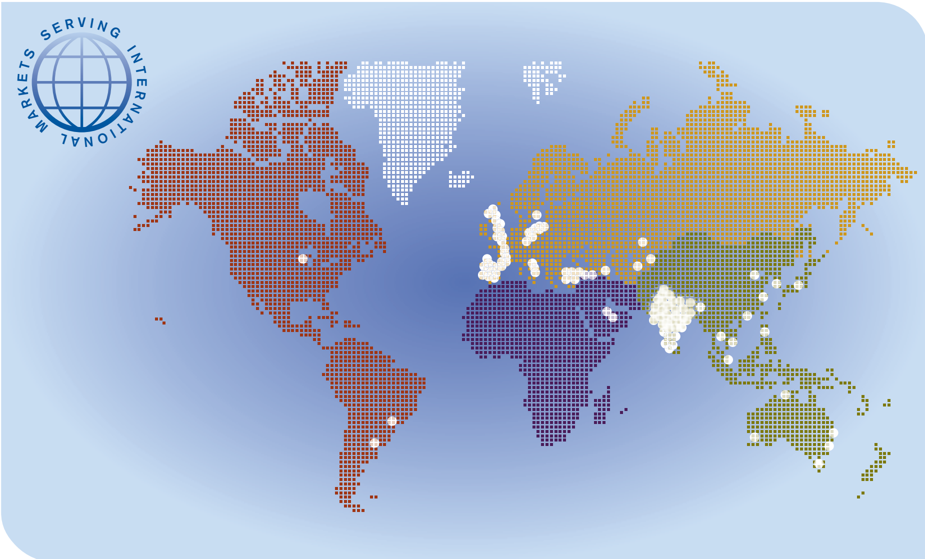
Source: Frost & Sullivan

NET ELECTRICITY GENERATION 2010-2030 TRILLION KILOWATTHOURS

Growth from 2010-2030 predicted at 54%

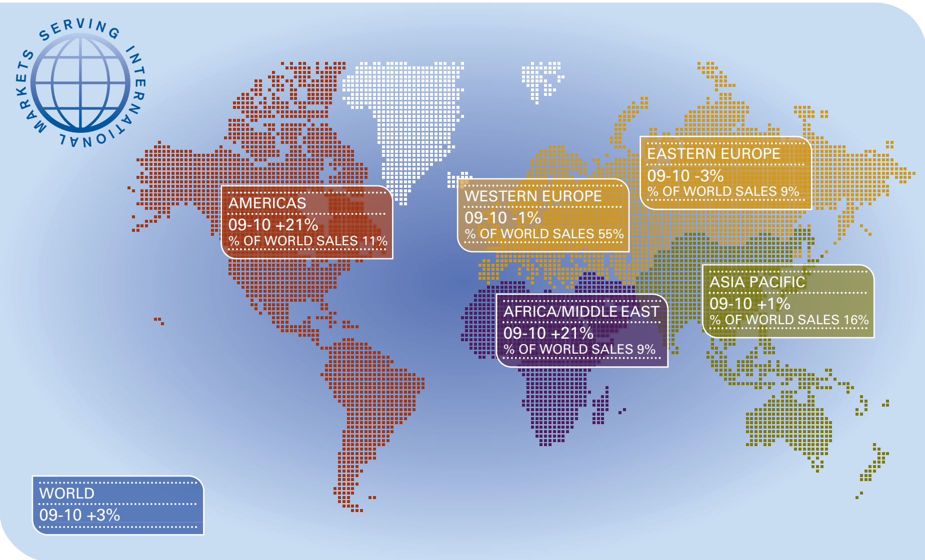


Source: International Energy Outlook 2009, Energy Information Administration



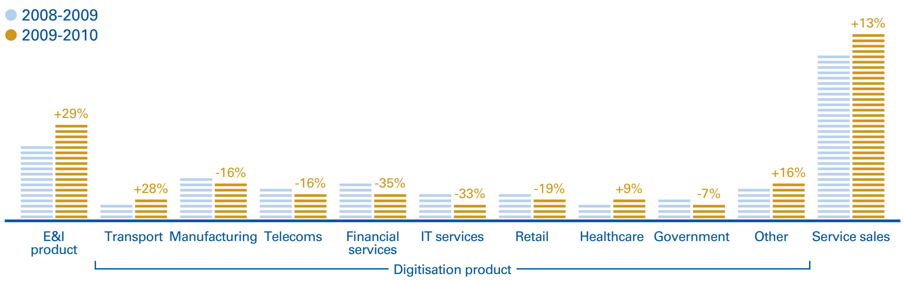
4 GEOGRAPHIC AND MARKET SECTOR BALANCE

Chloride is building a balanced international business in order to maximise growth opportunities in as many geographies and market sectors as can be properly supported, whilst not being over-exposed to any particular geography or market sector.



SECTOR PERFORMANCE

%



ACQUISITION/ INVESTMENT	LOCATION	DATE
AEES	France	Dec '09
AES	Ireland	Dec '09
EPS	UK	Oct '09
DB Power – further 41%	India	Jul '09
Custom Power	US	Jun '09
Newtech	Hong Kong	May '09
Malcolm Power	UK	Apr '09
Siemens UPS	UK	Jan '09
Protech Services	US	Jan '09
PES	Ireland	Oct '08
DB Power – acquisition of control	India	Jul '08
Eltek	Sweden	Feb '08
Chloride Rus	Russia	Feb '08
Ascor	Singapore	May '07
ASTE	France	Apr '07
Masterpower	UK	Mar '07
Cener	Spain	Oct '06
Harath	UK	Apr '05

5 CASH GENERATION, COST CONTROL AND BALANCE SHEET MANAGEMENT

Chloride manages costs closely, generates strong operating cash flows and has a prudent approach to managing the Company's balance sheet, allowing sustained re-investment in the business and strong returns for shareholders.

6 ACQUISITIONS

Chloride makes carefully assessed and targeted acquisitions that provide improved geographic or market sector access and/or complementary technology.

CHIEF EXECUTIVE'S REVIEW

During some or all of the past year the majority of the world's economies have been in recession and this presented the most challenging economic environment for business seen in over 50 years. Whilst Chloride was not immune from these pressures, I am pleased to report that the Group has proved to be more resilient than many other industrial businesses and most of its major competitors.

TIM COBBOLD CHIEF EXECUTIVE

In the shorter term we chose to maintain the focus on our customers, cash generation, and the careful management of our cost base. We continued to manage the balance sheet prudently, keeping debt low and ensuring good headroom with our committed bank facilities.

Notwithstanding the economic environment, we remained confident of the long-term growth characteristics of our markets so we chose to continue to invest carefully in the long-term development of the business in pursuit of our objective of building a well-balanced secure power business serving international markets.

By taking this dual approach, as well as providing greater short-term resilience, we have been able to ensure that the business is better positioned to grow as markets improve.

SERVING INTERNATIONAL MARKETS

We made excellent progress towards our long-term objective of building a well-balanced secure power business serving international markets. During the year, despite the poor economic environment, important steps were taken to continue the strategic development of the business. These included:

- The acquisition of a further 41% of DB Power in India to take our holding to 90%, improving our position in this dynamic and high-growth potential market.
- The establishment of a new business in South Korea, with significant orders and sales already achieved.
- The acquisition of Custom Power in Houston, Texas, to access the North American Energy markets for the first time.
- The first year of full production at our manufacturing joint venture in Shenzhen, China, which underpins product margins on an important part of our product portfolio.
- A strategic investment in Newtech Technology Holdings to improve access to the Hong Kong and China data centre markets.
- The acquisition of EPS which provides specialised secure power solutions to the UK rail industry.
- The acquisition of AEES a leading player in the energy and infrastructure markets operating in France and globally.
- Further investments to expand our sales and service offices in the Philippines, the Middle East, Vietnam, Kazakhstan, Azerbaijan, Uzbekistan and Turkey.

Whilst Western Europe remains our core market, we maintained the good progress of recent years in increasing the exposure to higher growth emerging economies. These economies now account for 33% of sales, and the Group will continue to seek to increase its presence in economies which show higher growth potential.

LONG-TERM GROWTH MARKETS

Despite the poor short-term economic environment, we remain confident in the long-term growth characteristics of the Secure Power market we serve. Two very significant long-term global trends drive growth in our markets:

DIGITISATION: the sustained growth in the use of digital data and processing in nearly all aspects of government, commercial and leisure activity drives demand for secure power solutions which protect mission-critical processes and applications. This phenomenon is as prevalent in emerging countries as it is in the developed world.

SERVING INTERNATIONAL MARKETS:

CHINA & HONG KONG

Chloride's strategic investment in Newtech, which has a unique position in the Hong Kong and Chinese data centre markets, establishes Chloride in Hong Kong and strengthens and extends the Group's existing presence in China.

The investment, which Chloride has an option to increase, significantly increases the Group's opportunities in the fast-growing Chinese and Hong Kong economies.

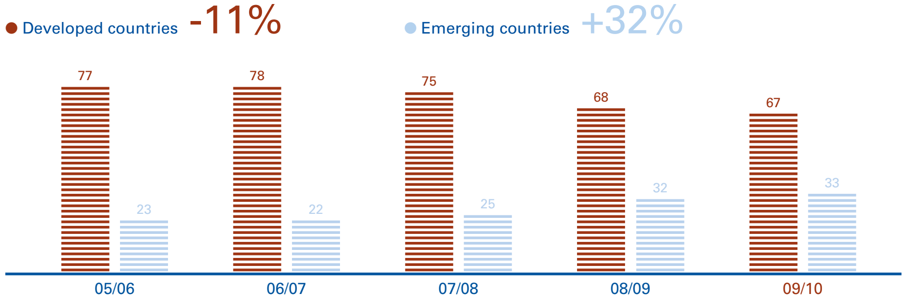
CHIEF EXECUTIVE'S REVIEW

SERVING INTERNATIONAL MARKETS:

INDIA

During the year Chloride increased to 90% its investment in DB Power, based in Pune, India. DB Power is the leading domestic secure power business in India with over 700 employees and a comprehensive national network of more than 40 sales and service offices. DB Power is Chloride's presence in the dynamic, high-growth Indian marketplace supplying into the data centre, commercial, IT services and Energy & Infrastructure sectors.

CHLORIDE SALES INTO DEVELOPED AND EMERGING COUNTRIES
%



ENERGY DEMAND: as the world demand for energy grows so too does the demand for the infrastructure to generate and supply it to business and consumers. Secure power solutions are an important component of the infrastructure which ensures continuity and safe operation through the energy supply chain, from extraction and generation to transmission and distribution. The trend is accentuated as the developing world builds, and the developed world reinvests in, new infrastructure, particularly as energy sources change towards nuclear and renewable.

The strength of these two global trends underpins our confidence in the growth potential of the markets we serve.

OPERATIONAL REVIEW

Given the exceptional economic conditions that prevailed, we took decisive action to assure a robust and resilient short-term performance of the business, mindful of our long-term objectives.

CASH GENERATION

During the year cash management was a particular priority and we accentuated our focus on the generation of operating cash. With the benefit of a high-quality customer base, cash collections during the year were strong and debtor day performance at the end of the year was 71 days, five days better than at the end of the prior year. We took steps to ensure that our supply base, particularly for critical components and sub-assemblies, was financially secure and managed our payments to them accordingly. As a consequence of this focus, adjusted operating cash flow conversion was 108% of adjusted operating profit, exceeding the target of 100%, and reflecting the cash generative nature of the business model.

FINANCIAL POSITION

Our policy of managing a series of bilateral relationships with a number of banks continued and early in the year we renewed and increased a number of banking facilities at sensible market rates so that throughout the period we had more than adequate headroom to allow continued investment in the business. At the close of the period we had committed facilities totalling £150 million and, with strong cash generation, net debt was low at £41 million, after funding £37.2 million of acquisitions during the year.

RESTRUCTURING PROGRAMME AND COST CONTROL

At the start of the year we initiated a targeted restructuring programme to reduce cost in head office and back office functions, whilst ensuring customer service was unaffected. This programme, which was announced in July 2009, cost approximately £5.9 million, delivered savings of £2.5 million in the current year and will deliver £3.8 million in a full year. The cost of the programme has been treated as exceptional. Appropriate changes were made to recruitment and expenditure authorisations and to the level of pay reviews in order to exert a high degree of restraint and control on overheads which were 5% lower in the year in constant currency and before acquisitions. As a consequence, the business ended the year with a better cost position than it started.

MANUFACTURING JOINT VENTURE

The manufacturing joint venture in Shenzhen, China, developed rapidly, and by the end of the year was operating at the targeted margin and cost levels, despite lower volumes. As markets recover and volumes improve, we would expect to see further improvements in performance. This world-class, low-cost facility provides a good underpin to product margins going forward, as well as providing a local source for shipments into China and the rest of Asia.

MARGIN MANAGEMENT

Contribution margins in both product and service held up well despite the inevitable pressures caused by the weak markets. In product, where pricing was competitive, margins were within 1% point of the prior year, benefiting from the lower costs in the joint venture and a series of other actions to reduce cost in the supply chain.

CHIEF EXECUTIVE'S REVIEW

Despite the obvious pressures, service margins were maintained at the same level as the prior year as service volume growth on a controlled cost base compensated for downward pricing pressure.

The robustness of contribution margins, and improvement in sales mix, towards higher margin service sales, and the tight overhead control significantly mitigated the negative operational gearing effect of lower total sales at CER. As a consequence, operating margins held up well at 13.3% only 0.9 pts lower and within 1% point of the prior year.

CURRENCY

The Group's activities in each of the countries in which we operate are conducted and managed in local currency. The weakness of sterling, relative to the euro and US dollar in which a majority of the Group's sales and profits are generated, contributed to a material translational impact on the Group's reported results. The impact on sales and operating profit in the year was about 5.0%, £16.0 million and 5.9%, £2.5 million respectively. The operating margin is largely unaffected by currency effects on translation.

Significant movements in the sterling-dollar and sterling-euro exchange rates have the potential to impact materially on the Group's reported results.

ACHIEVING MARKET SECTOR BALANCE

Our long-term objective is to build a well-balanced secure power business serving international markets. During the year, we focused on improving the market sector balance within the Group.

The value of this approach was reflected in good growth in sales into the Energy & Infrastructure markets which mitigated the effect of significant weakness in the Commercial markets which are more closely aligned with the digitisation trend.

ENERGY & INFRASTRUCTURE

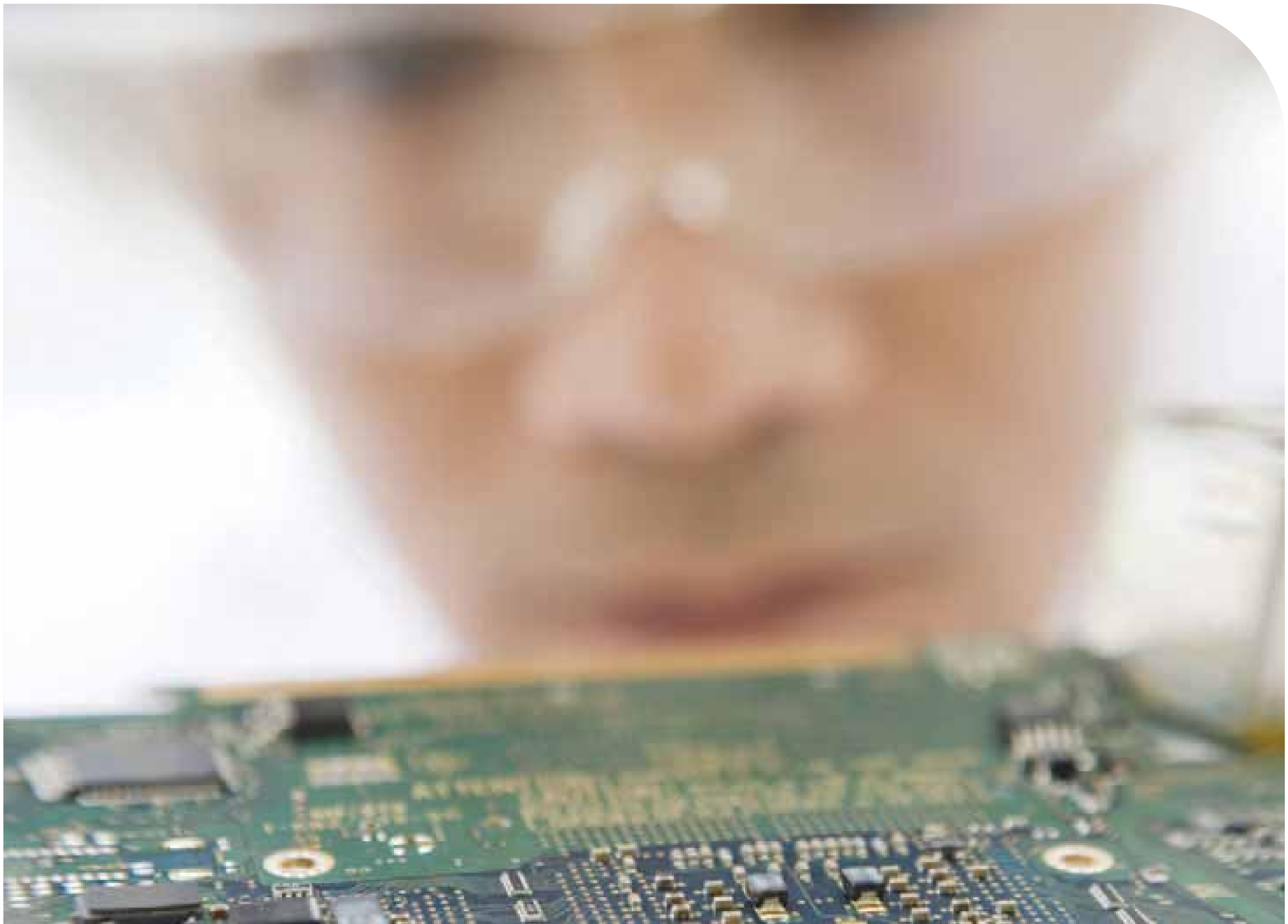
Product sales into the Energy & Infrastructure market were up 28.7% (21.8% at CER) in the year. The Energy & Infrastructure market now accounts for 23% of sales (2009: 19%) reflecting the excellent progress that has been made. Whilst Oil & Gas activity was subdued, the result of the relatively lower oil prices, good growth was achieved in Power Generation, Transport, and Transmission & Distribution applications.

The Energy & Infrastructure market is global and, with nearly half of sales made into the Middle East, North Africa and Asia, growth in this sector improved the geographic balance of the business.

Many of the world's energy markets are still under-penetrated by Chloride, so providing opportunities for further growth. The acquisitions of AEES, EPS and Custom Power increased significantly our presence in this high-growth potential sector. The integration of these businesses is proceeding to plan and they are trading in line with expectations. Shortly after the period end we adjusted our management structure to increase our focus upon, and accelerate our presence in, this sector.

GOVERNMENT & COMMERCIAL

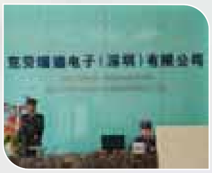
In common with all our competitors, our commercial product business suffered with the economic weakness and was down 14% (19% at CER). Following the growth in Energy & Infrastructure, our commercial product now accounts for 40% of product sales (2009: 48%). All major sectors were affected, with financial services (down 35% (37% at CER)), Telecoms (down 16% (20% at CER)) and manufacturing (down 16% (20% at CER)) particularly badly hit. We redirected resource to those sectors which were likely to be less



SERVING INTERNATIONAL MARKETS:

SUPPLY CHAIN

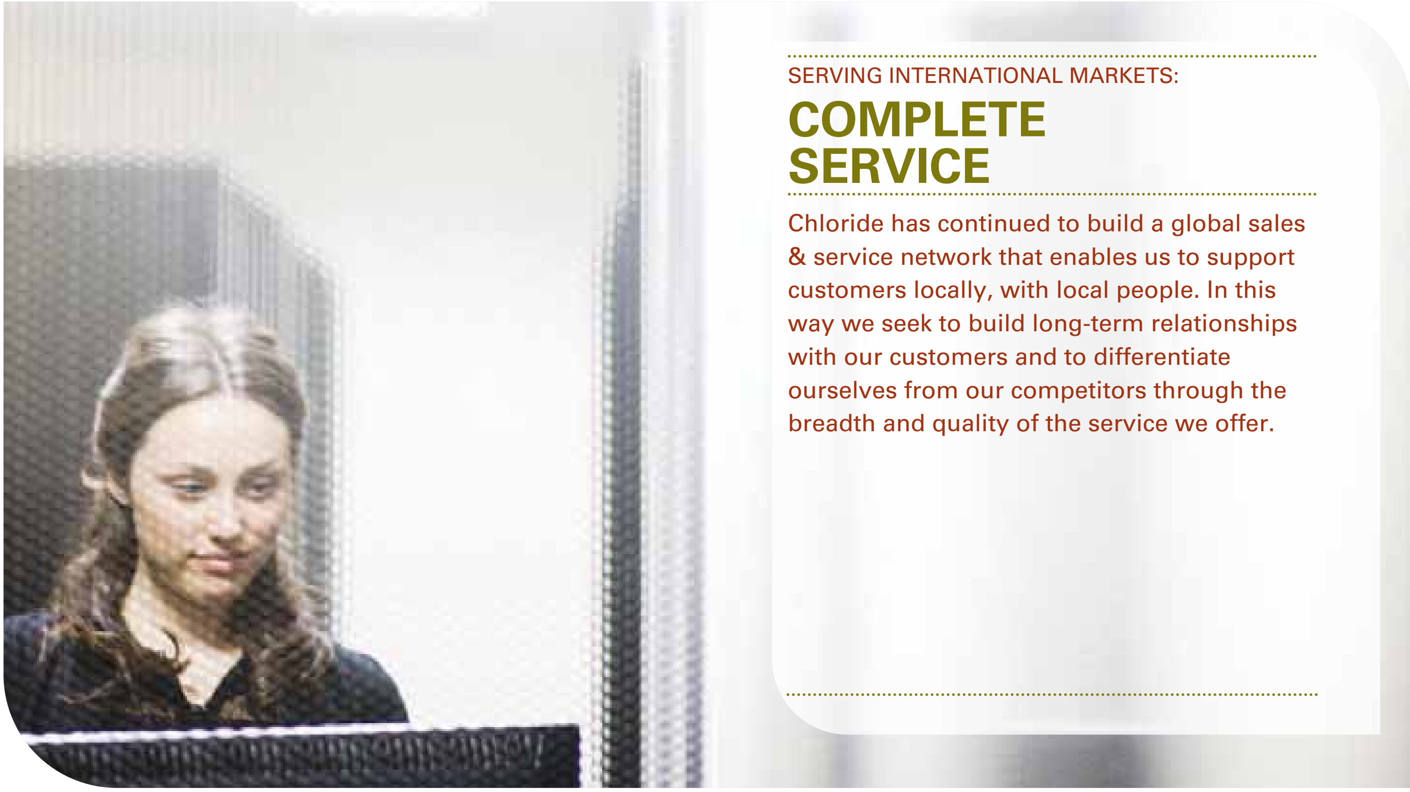
Chloride's state-of-the-art, high-quality, low-cost manufacturing joint venture in Shenzhen, China, became fully operational during 2009 and supplies more than 40% of the Group's requirements for the commercial markets and will supply key modules for products in the Energy & Infrastructure markets globally. This facility has allowed the Group to access lower cost Chinese suppliers, so underpinning product margins and provides a local source for direct supply to the fast-growing Chinese and South East Asia markets.



SERVING INTERNATIONAL MARKETS:

ENERGY & INFRASTRUCTURE

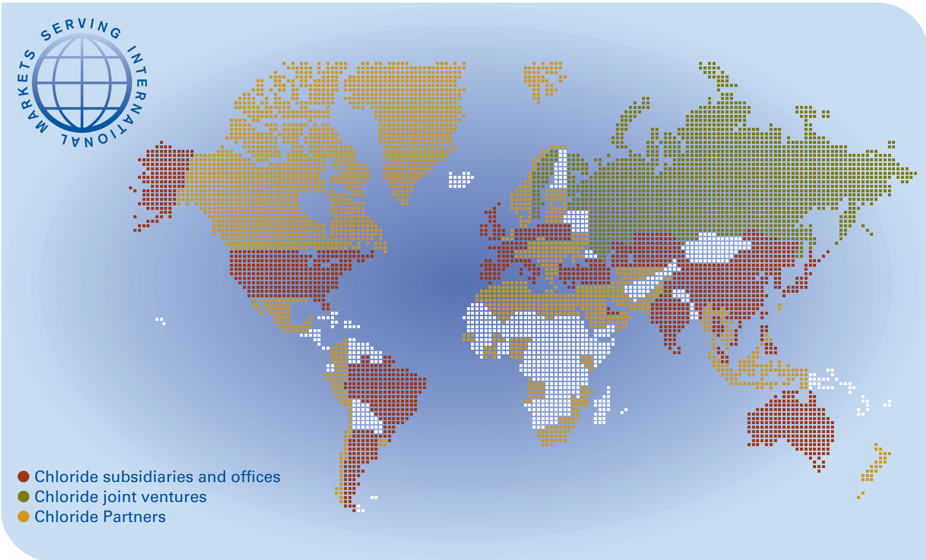
Chloride has continued to generate organic growth in its Energy & Infrastructure business by increasing market penetration across the world including the Middle East, North Africa and the Far East. The acquisition of Custom Power in May 2009 provided a platform in the US Energy & Infrastructure market for the first time. The acquisition of AEES extended Chloride's presence in this market in France and Russia and elsewhere, whilst the acquisition of EPS strengthened our presence in the growing rail market in the UK.



SERVING INTERNATIONAL MARKETS:

COMPLETE SERVICE

Chloride has continued to build a global sales & service network that enables us to support customers locally, with local people. In this way we seek to build long-term relationships with our customers and to differentiate ourselves from our competitors through the breadth and quality of the service we offer.



affected, including Healthcare up 9% (3% at CER). Pleasingly, in the second half of the year order intake showed encouraging signs of improvement with a return to growth, and order books in this part of the business grew in the second half of the year.

LEVERAGING THE SALES & SERVICE NETWORK

Chloride's global sales & service network is a competitive advantage, and we continued to invest in the development of both the people and the network throughout the year.

We achieved another year of good growth with service revenues up 13% (8% at CER) to £124.8 million. Service now accounts for 37% (2009: 34%) of total sales. The service order book grew by 9% in total, the majority of which was organic. We made two small bolt-on acquisitions, both in the UK business (one in Ireland and one in Scotland), and we will continue to make bolt-on service acquisitions to support the development of the business.

High-quality, trusted service support, delivered by well-trained local staff is part of our focus on customers. It was particularly important, given the economic situation, when customers may have chosen to defer capital spending whilst wishing to maintain the same level of uptime of their critical processes and applications. This service provision is an important part of the through-life solution we provide to our customers and provides us with resilient and secure future earnings.

We continue to develop and broaden our service offering, and service revenues from our Energy & Infrastructure business grew by 39% as the service approach, historically associated with the Commercial business, was applied to the Energy & Infrastructure market.

SALES PERFORMANCE

WESTERN EUROPE

Sales in Western Europe, which represent 55% of total sales (2009: 57%), fell by 1% (5% at CER), which was better than the market, and reflects the strength of our market position in Western Europe, particularly in service. In this region the dominant effect was weakness in the commercial business, caused by weak economies, and this was only partly offset by service growth and to a lesser extent growth in Energy & Infrastructure where markets outside Western Europe provided more opportunity.

In the UK our service business continued to grow well and this helped offset a weak product market, affected particularly by the weakness in the Financial Services sector which was evident at the start of the year. The Energy & Infrastructure business, which includes the Masterpower business in Scotland, has been strengthened by the EPS acquisition and is developing well as a focused approach to this market is deployed. The acquisition of Malcolm Power Systems in Scotland was completed at the start of the year, and in Ireland we strengthened our market-leading position with the acquisition of AES, a service provider, to complement the acquisition of PES which we made in late 2008.

In France the commercial business held up well despite the economic environment, with service sales continuing to grow. Energy & Infrastructure benefited from the acquisition of AEES. Based in Lyon, AEES is a leading player in this market with good presence in France as well as significant exposure to the Middle Eastern and Russian energy markets.

CHIEF EXECUTIVE'S REVIEW

The severity of the weakness in the Spanish economy was reflected in our business where sales were significantly lower, though the service business performed robustly in the circumstances. Whilst there are signs that the situation has stabilised, the economy's weaknesses will be the dominant feature for some time to come.

Unsurprisingly, Germany proved difficult too, a reflection of the sharp reduction in order intake near the start of the year as exports dried up. There are signs of a nascent recovery.

The Italian business performed well, with service growth more than offsetting some limited weakness in product business.

MIDDLE EAST

In the Middle East, sales were ahead by 21% (13% at CER), and the region now accounts for 9% (2009: 8%) of total sales, driven by strength in the Energy & Infrastructure sector. Our focus on the Qatar and Abu Dhabi markets was well judged, with good growth from both. A special focus on Saudi Arabia paid off with strong growth, up 130% (115% at CER) from this important market. During the year we strengthened our sales and service office in Dubai with additional sales and service personnel to support our rapidly expanding installed product base.

EASTERN EUROPE

In Eastern Europe, Turkey and Central Asia, which accounts for 9% of total sales (2009: 10%), sales were down by 3%. A more aggressive total solutions approach in Turkey, where we are a market leader, resulted in growth of 12%, but this was offset by lower economic activity in Russia and Poland. Nevertheless, our joint venture, Chloride Rus, continued to perform well given the market conditions, and we strengthened the team to provide a focus on the Energy & Infrastructure market.

THE AMERICAS

The Americas accounts for 11% of the Group's sales (2009: 10%) and was up 21% (12% at CER). In North America both our low power/power conditioning business (down 2.8% at CER) and our high-power business (down 1.1% (UPS Systems) at CER) struggled in difficult and competitive market conditions. In the low-power business there were encouraging order intake trends in the second half and in high power there was a similar discernable improvement in project opportunities. Custom Power, which was acquired in June 2009, provides the platform for growth in the North American Energy market, particularly as oil prices recover.

ASIA PACIFIC

Asia Pacific accounts for 16% of total sales (2009: 16%) and was up 1% (down 6% at CER). The global recession did affect Asia for much of the year and this was reflected in our underlying performance. In Australia, which has a strong bias towards the financial sector, product sales struggled though the service business held up well. India suffered from a near cessation of inward investment into the data centre market, though this improved towards the end of the year whilst the domestic manufacturing sector held up well and the business finished the year strongly.

In the Philippines, where we established our business early in the year, we made rapid progress with good orders and sales. In Korea we made a breakthrough with the first data centre project for LG which will be a strong reference for the future. In Vietnam our representative office again delivered, with good order and sales growth, and we have taken steps to strengthen the organisation further. In Singapore we made solid progress with another year of strong product sales growth.

TECHNOLOGY & SOLUTIONS

We continued to invest in our technology to provide customers with new and innovative solutions that provide them with value. Our focus is energy efficiency and reducing the total cost of ownership for our customers as they seek to minimise their energy costs and CO_2 emissions. Our R&D capability is spread globally, close to customers and to

SERVING INTERNATIONAL MARKETS:

SOUTH EAST ASIA

The footprint in SE Asia has continued to be expanded to provide a Chloride presence located close to customers in the important higher growth potential markets of SE Asia. In 2009 new sales & service offices were opened in Vietnam, S Korea, and the Philippines in SE Asia; allowing important customer relationships to be established and from which strong order intake has been achieved.

SERVING INTERNATIONAL MARKETS:

PRODUCT INNOVATION

The launch of Trinergy in 2009 reflects Chloride's long-held commitment to market-led innovation. Trinergy is a revolutionary UPS solution that provides market-leading efficiency of up to 99%, allowing customers all over the world to reduce their carbon emissions, energy consumption and costs whilst maintaining the high levels of assurance they demand for their critical processes and applications. In the first months since the launch, orders have been taken all over the world including in the UK, Kazakhstan, Singapore, China, Germany… emphasising the global attractiveness of the solution.

SERVING INTERNATIONAL MARKETS:

CHLORIDE ACADEMY

The Chloride Academy addresses the training needs of many of Chloride's 2,540 employees. Training centres have been accredited in ten countries across the world, from Australia to Chicago, Italy to Singapore, UK to Turkey, each of which is able to ensure that local staff are given the training appropriate to their local market to ensure that customers receive the highest level of service support and that our employees are trained to use the best methods to assure their health and safety and to protect the environment.

SERVING INTERNATIONAL MARKETS

the markets we serve, and is coordinated so that resource is targeted on our priorities.

A global team, involving the US, China, India, Italy and Germany developed the new and innovative Trinergy range that has set new standards for efficiency performance, and is highly competitive on a total cost of ownership basis. The range was launched midway through the year and, as if to prove its international heritage, orders have already been taken across the world including Singapore, Austria, China, Italy, Kazakhstan, UK, Germany, and Turkey, amongst others. The solution is manufactured in our joint venture in China using modules deployed in other units, so it benefits from an excellent cost position.

As part of our strategy of maintaining a forward-looking approach to technology development, we continued to work with partners on the development of fuel cell, flywheel and "new-battery" based solutions. Although still in the early stages, we recently won our first order to provide a Lithium Ion battery-based solution into the market.

The vitality index, which represents the proportion of product sales generated from products introduced in the last three years, stands at 74% reflecting the sustained investment in new product technology.

PEOPLE

Chloride has an experienced, skilled and loyal workforce and I am particularly grateful to all of my colleagues for their commitment and tenacity in support of our customers through what has been a challenging year. The business's resilient performance is a testament to their perseverance, and I look forward to working with them in what we all hope will be an improving economic environment.

The Chloride Academy has developed further during the year with the formal accreditation of a further two (making a total of ten) academy centres located across the world. The Academy has a critical role to play to ensure that our sales and service people have the right skills and training to provide support to customers. The Academy now also provides courses to customer staff and to business partners and ensures that training and health and safety standards are properly defined and embedded in the service processes.

In the future the Academy's role will be extended to include the development of people in support of the Group's strategy.

PROSPECTS

Chloride is a balanced business serving international markets which have robust long-term growth characteristics driven by growing Energy demand and increasing Digitisation.

Looking to the year ahead, the Group is very well positioned to benefit from decisions taken over the last two to three years and, in particular, the measures taken to develop the service business and reduce costs whilst continuing with the strategic development of the Group. Accordingly, the business ended the financial year ended 31 March 2010 with stronger market and better cost positions than it started.

The Board now sees clear, positive signs in both our end markets and order intake trends, which together with a record opening order book, provides the Board with confidence in the prospects for the Group for the year ahead.

Longer term, we will continue to execute our proven strategy, make further careful investments to access high-growth potential markets, and develop the technology and services that meet the demands of our customers. Accordingly, the Board is confident that the long-term prospects for the Group are very attractive.

TIM COBBOLD CHIEF EXECUTIVE

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

SERVING INTERNATIONAL MARKETS

The Group recognises that a strong corporate social responsibility (CSR) performance represents an integral dimension of its overall business performance and, accordingly, growth in shareholder value.

CSR REVIEW

In the past year the Group initiated a major review of its CSR performance and reporting. The purpose of the review was to ensure that the Group's CSR strategy and policies were up to date with current practice and law, and that its CSR objectives supported the Group's overall business strategy. The first policies reviewed were the Code of Ethics, the Anti-Corruption Policy and the Whistleblowing Policy. The revised policies are published on the Group's CSR section of its website and are being formally implemented. The Board intends that policies will be reviewed on a regular and defined basis going forward.

Chloride considers its stakeholders, and the basic responsibilities owed to them, as follows:

- **Customers** – to provide high-quality secure power solutions and services at all times, and to treat customers with professionalism and integrity at all times.
- **Employees** – to attract and retain the most talented employees by providing a merit-based environment supported by fair and competitive employment practices, and equal opportunities.
- **Health & Safety** – to provide a safe working environment for all of our employees, and safe products and services as they affect other stakeholders.
- **Suppliers** – to work with professionalism and integrity with all of our suppliers.
- **Environment** – to minimise the environmental impact of our products, services and business practices at both the design and use stages.
- **Community** – to help communities where we operate through charities supported by our employees.
- **Society** – to respect the laws and regulatory frameworks in all territories in which we operate.

CUSTOMERS

CUSTOMER SERVICE

Chloride's total power protection solutions perform an essential role in providing secure power to a wide range of mission-critical and safety-critical applications. These include data centres; office IT systems; hospital equipment; passenger safety systems in airports; control centres for emergency services; signalling on railway networks; traffic management systems on major road networks and emergency lighting in challenging environments such as offshore drilling rigs and underground metro tunnels.

Our solutions are an essential part of many renewable energy generation projects, such as wind farms and solar power installations. We have also formed alliances with partners for the supply of fuel cells (where the only waste product is water) and for flywheel technology, in order to help our customers achieve their environmental goals. We continually improve our service offerings and LIFE.net, our industry-leading remote diagnostics software, is an important part of our solutions offering.

PRODUCTS

We ensure that our products meet environmental regulations in the countries where we operate and that new products are progressively more energy efficient. In the year we launched Trinergy, an innovative product with market-leading energy efficiency, which reduces CO_2 emissions and offers a low overall total cost of ownership. Trinergy is proving attractive in markets across the world.

SERVING INTERNATIONAL MARKETS:

ENVIRONMENTAL PRODUCTS

We ensure that our products meet environmental regulations in the countries where we operate and that new products are progressively more energy efficient. This is proving attractive in markets across the world.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Chloride's joint venture with Phoenixtec Power Company, Taiwan, has developed a high-quality, low-cost manufacturing facility in Shenzhen, China.

The Chloride Academy provides enhanced skills training, and 769 employees successfully completed courses during the Academy's third year of operation.

We are actively involved in industry bodies – notably the European Committee of Manufacturers of Electrical Machines and Power Electronics (CEMEP) – which considers the application of the EU Directive 2002/95/EC "Restrictions of the use of certain Hazardous Substances in Electrical Equipment" (the RoHS Directive) to UPS systems. Although this directive, which requires the reduction of substances such as lead and cadmium in electronic equipment, does not directly apply to UPS systems, we are committed to avoiding the use of non-compliant materials where this does not compromise the operation and reliability of the UPS system. Our low-power ranges have RoHS-compliant electronics and we work with individual customers to meet their compliance requirements. Although currently there is no equivalent standard covering the USA, our US subsidiary produces all its low-power products with RoHS-compliant electronics.

EMPLOYEES

The Group operates an equal opportunity policy and is committed to providing recruitment and other opportunities regardless of age, sex, sexual orientation, religion, race or disability. As at 31 March 2010 the Group had 2,540 employees. The Group's employees are spread over 23 countries and in the larger sites there are dedicated human resource managers reporting to the local General Manager.

The Group Human Resources Director is responsible for compliance on a global basis with human resources policies. It is the practice to communicate at local level through appropriate means, such as works councils, briefing groups, workshops and newsletters.

The Group is committed to developing and motivating its people, and in the UK it participates in the Investors in People scheme. There is also a programme to help employees to acquire professional and technical qualifications that are relevant to their jobs. The Chloride Academy, established in May 2007, provides enhanced skills training, and 769 employees (30% of the workforce) (2009: 640 and 27%) successfully completed courses during the Academy's third year of operation.

Limits of authority are in place to restrict the size and type of contracts that individuals may sign, ensuring that significant contracts with suppliers, as well as customers and intermediaries, are signed off at an appropriate level in the organisation.

Chloride encourages open and honest communication between employees and management throughout the organisation and provides a "whistleblowing" procedure which employees can use if they have serious concerns about ethical or management issues that they feel unable to discuss directly with local management. There were three reported incidents during 2009/2010, all of which were investigated and resolved.

HEALTH AND SAFETY

We recognise the primary importance of ensuring the health and safety of our employees and others affected by the Group's activities. Chloride's policy is to manage activities so that employees and others are not exposed to unnecessary and unacceptable risks to their health and safety, and to meet or exceed the legal and regulatory health and safety standards in the territories in which we operate.

Health and safety management is embedded in the organisation. The General Manager in each business is accountable for local health and safety issues, and in major sites there are designated senior managers responsible for health and safety. Policies and procedures are documented and regularly updated in our principal locations and employees' representatives are involved in discussions of health and safety issues through works councils or Health and Safety Committees on a regular basis.

Where health and safety risks are identified as significant, the Risk Committee keeps under review the actions taken to address the risk. These, in turn, are reported to the Audit Committee, along with statistics on workplace accidents. Evaluation of health and safety and environmental performance is also an integral part of the due diligence process on the acquisition of businesses.

Health and safety training is provided as necessary, particularly in relation to battery handling and working with electricity. The Chloride Academy includes health and safety as an integral part of its education programme. We continue to focus on minimising risk to service engineers while providing installation, commissioning and after-sales technical service in customers' premises.

We have procedures in place to minimise the exposure of our employees to terrorist and other risks while working in sensitive locations. All travel to areas deemed sensitive by the Foreign Office travel advice service is subject to prior approval by the Group Risk Manager. Business Continuity policies developed in response to the threat of pandemics also restrict travel to affected areas in the event of such an occurrence.

During the year ended 31 March 2010, working days lost due to accidents in the workplace was 0.3 days per employee (2009: 0.5) compared to the overall industry figure of 1.2 days. Health and safety plans are in place in all Chloride's sites to manage and reduce accidents in the workplace. Accidents while driving continue to be the biggest contributor to our accident statistics and driver training has now been put in place in the UK and Italy where the majority of Company vehicles are situated. Over 300 Company drivers will attend driver awareness courses during 2010. To meet new Health and Safety legislation in the UK, over 200 staff will attend health and safety training courses, provided by Chloride's risk management service providers, during 2010.

SUPPLIERS

Chloride believes in building long-term partnerships with its key suppliers. Chloride's joint venture with Phoenixtec Power Company, Taiwan, has developed a high-quality, low-cost manufacturing facility in Shenzhen, China, and continues to increase our product and service offering in our developing regions.

Supplier audits are carried out regularly to ensure that our major suppliers remain financially viable and that they have maintained their ISO 14001 accreditation. Alternative suppliers for all key components have been identified and audited.

ENVIRONMENT

Chloride is committed to maintaining good environmental practice to minimise the impact of its activities on the environment. We are also a constituent of the FTSE4Good Index. Our policy is to comply with standards that match or exceed environmental legislation in all countries in which we operate, and to comply with ISO 14001, (2004 issue) environmental management standards in our principal operational sites.

We encourage initiatives which benefit the environment, including the continued use of video and telephone conferencing in order to reduce air and land travel. Our energy usage at our main operating sites continues to decrease due to our energy recovery and recycling technology.

ENVIRONMENTAL MANAGEMENT SYSTEMS

The Group has five principal production centres in Bologna, Italy; Lyon, France; Chicago, USA; Pune, India; and Shenzhen, China. These activities mainly involve the assembly and testing of electronic equipment; however, the consumption of energy, water and hazardous substances is low.

The principal sales and service sites are in Southampton, Bedford and Aberdeen, UK; Erlangen, Germany; Bologna, Italy; Istanbul, Turkey; Madrid, Spain; and Sydney, Australia. All of these production and sales and service sites, with the exception of India, have been accredited with ISO 14001, 2004 issue. India has ISO 9001 accreditation and will work towards ISO 14001 in due course. As part of ISO 14001 requirements, each site is required to evaluate environmental risks and measure performance on the key areas of impact. Performance measures are specific to each site, enabling the focus to be maintained on their particular areas of importance. Compliance with ISO 14001 is certified by independent certification bodies.

Ninety per cent of Chloride's turnover is generated by ISO 14001 compliant sites and the majority of our components are purchased from ISO 14001 certified suppliers.

Where requested by the customer, Chloride undertakes responsibility for disposing of used batteries at the end of their useful life, typically five years. All waste batteries are handled through licensed waste contractors who recover and recycle any hazardous content, and dispose of any such waste in accordance with applicable regulations.

For the past two years Chloride has developed processes to measure the Group's CO_2 emissions and will disclose the 2009/2010 emissions to the Carbon Disclosure Report for the first time. Data collection for CO_2 emissions from Source 1, 2 and 3 categories continues to be refined and emissions during 2009/2010 were less than 3 tonnes per employee versus an industry average of 3-8 tonnes. Projects continue to be developed to manage and reduce the CO_2 emissions from all of Chloride's principal sites.

COMMUNITY & SOCIETY

We aim to help the communities where we operate, and in which our employees live. We encourage our employees to participate in community charitable activity and match charitable donations generated by them.

With respect to wider society, we respect the laws and regulatory frameworks in all of the territories in which we operate. In particular, our Code of Ethics and our Anti-Corruption and Whistleblowing Policies (all recently revised and updated) set out our approach to these matters, and further policy review is planned for the new financial year.

FINANCIAL REVIEW

CONTINUING FINANCIAL STRENGTH AND RESILIENCE

Highlights

- Profits turned into cash with consistently strong operating cash flow.
    - Operating cash flow conversion of 108%*.
- Net debt* of £41 million, an increase of £25.6 million after acquisition spend of £37.2 million.
- Low debt leverage.
    - Net debt to Equity (book) 31%.
    - Net debt to Equity (market) 7%.
- Undrawn debt facilities and cash of £109 million providing strong base for future growth.
- TSR* ahead of FTSE 250 (despite being in a period favouring cyclical recovery stocks).

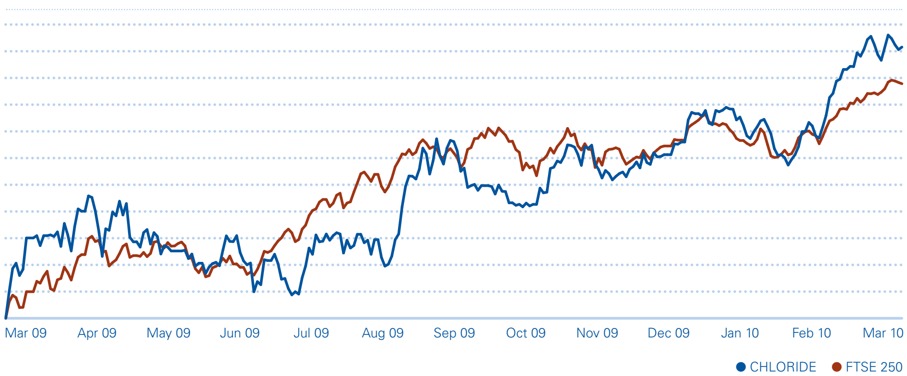
NEIL WARNER GROUP FINANCE DIRECTOR

Together with a strong year-end order book, the Company's financial strength has again been demonstrated by its ability to turn profits into cash and maintain low net debt. We start the new year well positioned for future growth.

The Board's confidence in the future is again reflected in the final dividend, which the Board recommends rises 16% to 3.3p, giving a full-year dividend of 5.2p.

The Company continues to believe it is very well placed to increase total shareholder return (TSR) over the coming years. The fundamental market drivers for growth – rising demand for energy and increasingly critical digitised application needs – remain.

TOTAL SHAREHOLDER RETURN 1 APRIL 2009 TO 31 MARCH 2010



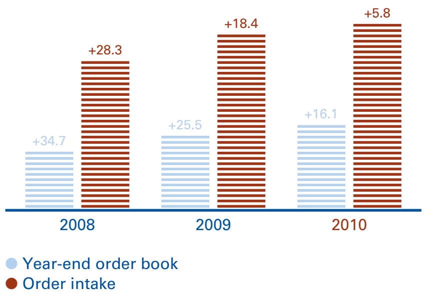
* See Financial Glossary on page 96.

KEY PERFORMANCE INDICATORS (KPIs)

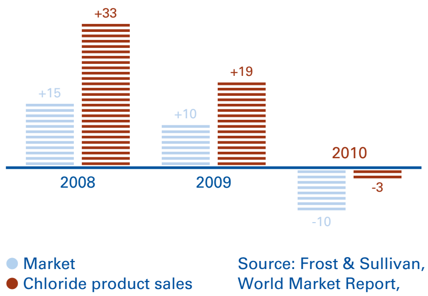
Achievement of our strategic goals is key to enhancing shareholder value and the progress made is discussed in the Chairman's Statement, the Chief Executive's Review and the Corporate and Social Responsibility (CSR) update. The Group uses a number of financial and non-financial KPIs to assess performance against its objectives.

The major financial KPIs are shown on this page. The major non-financial KPIs relate to Environmental and Health & Safety performance, progress on which is reported upon in the CSR section.

GROWTH IN ORDER BOOK AND ORDERS %



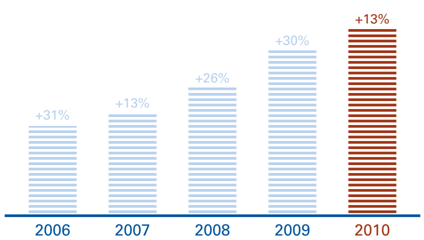
PRODUCT REVENUE GROWTH VERSUS THE MARKET %



Source: Frost & Sullivan, World Market Report, July 2009

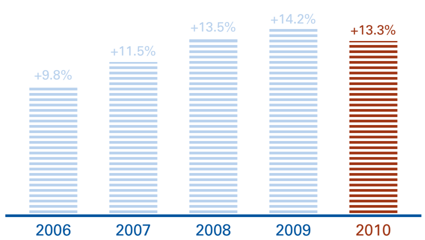
GROWTH IN SERVICE REVENUE £MILLION

+13% £124.8 MILLION



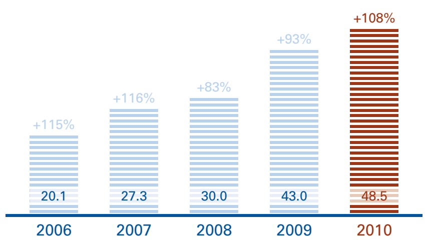
OPERATING MARGINS* %

-0.9PTS AT 13.3%



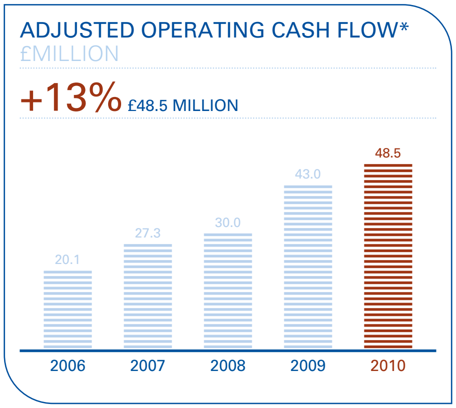
CASH CONVERSION* £MILLION

+108% £48.5 MILLION



* See Financial Glossary on page 96.

FINANCIAL REVIEW



ADJUSTED OPERATING CASH FLOW AND CONVERSION

Adjusted operating cash flow was strong, with conversion of 108%. Good credit control was exercised (year-end debtor days were 71 (76 in 2009) despite the level of overdue debtors rising from 15 days to 21 days as customers felt the impact of the challenging economic environment). Inventories increased to meet the growth in the order book but this was offset by a lengthening of trade payables as we carefully managed our supply chain. Management remains committed to turning profits into cash to enable reinvestment in the businesses.

CAPITAL EXPENDITURE AND INVESTMENTS

Gross fixed asset capital expenditure in the year was c. £4.5 million primarily on service infrastructure investment and related systems.

ACQUISITIONS AND INVESTMENTS

Chloride made a number of important investments during the year:

ENERGY AND INFRASTRUCTURE SECTOR

- France – In December 2009, Chloride acquired the entire share capital of AEES for a consideration of £19.1 million, with a further payment, subject to performance conditions, of up to £1.8 million deferred for one year.
- USA – In June 2009, the Company acquired the trade and certain assets of Custom Power for a consideration of £2.9 million, with a further payment of £2.1 million to be made after two years if certain performance conditions are met.
- UK – In October 2009, the Company acquired the entire share capital of EPS, a UK-based secure power business, for an initial consideration of £2.7 million and a payment of £1.5 million to extinguish its debts. A further £1 million is payable within two years, subject to performance conditions.

EXTENSION OF SERVICE AND MAINTENANCE BUSINESSES IN THE UK AND EIRE

During the year the Company also spent £0.7 million to extend service capacity in the UK and Eire.

COMPLETION OF PLANNED INVESTMENT IN INDIA

In July 2009, the Company acquired a further 41% 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 £12.5 million, bringing Chloride's total investment in the company to 90%.

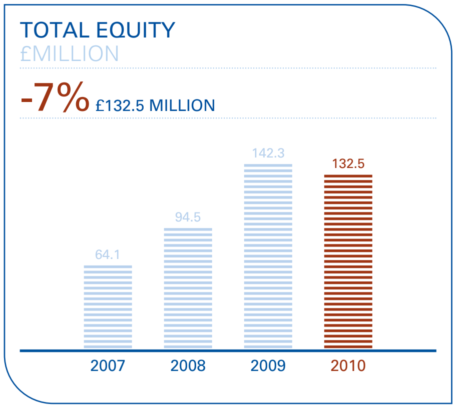
STRATEGIC INVESTMENT IN HONG KONG, CHINA

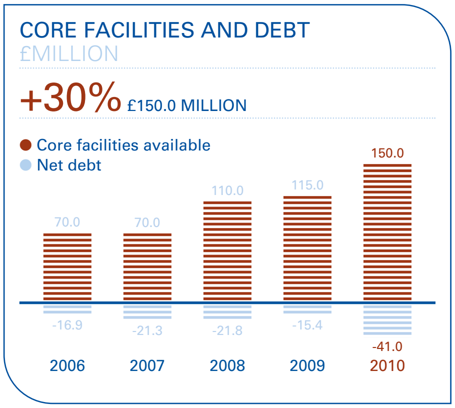
In May 2009, we completed the purchase of a 10% stake in Newtech Technology Holdings in Hong Kong and China for £1.3 million.

TOTAL EQUITY

Equity fell in the year to £132.5 million, with the earnings for the year offset by dividend payments of £12.3 million, an acquisition of minority interest of £12.5 million arising from the increase in shareholding in DB Power and actuarial losses of £8.2 million arising from the Company's pension arrangements, before the related tax effects.

* See Financial Glossary on page 96.





TREASURY OBJECTIVES AND POLICIES

RISK MANAGEMENT

The Group's funding, liquidity and exposure to interest rate and foreign exchange rate risks are managed by the Group treasury department. The treasury department uses a combination of derivative and conventional financial instruments to manage these underlying risks. Treasury operations are conducted within a framework of Board-approved policies and guidelines.

This function operates to reduce risk and cost and no transactions are undertaken on a speculative basis. The execution of financial instruments within the Company is confined to the Group treasury department.

CAPITAL STRUCTURE AND LIQUIDITY

The Group's management is committed to enhancing shareholder value, both by investing in the businesses so as to improve the return on investment and by managing capital structure. The Group's objective is to fund its growth out of existing resources and debt, such that it maintains a strong financial position and complies with its borrowing covenants.

CORE FACILITIES AND NET LIQUID FUNDS

The Group's management policy regarding liquidity risk is to ensure that it always has sufficient committed facilities available to meet its foreseeable needs.

The Group policy is to manage its debt using a number of three-year committed revolving facilities together with a fixed interest term loan, which mature at different points to ensure adequacy of funding. Interest is charged on drawn debt at LIBOR* or equivalent plus an appropriate margin. The Group's committed borrowing facilities at 31 March 2010 amount to £150 million of which £71 million was drawn, leaving borrowing headroom of £79 million in addition to cash and cash equivalents of £30 million. In addition, the Group has uncommitted facilities of £16 million.

Of the £150 million of facilities, £90 million matures after two years, £50 million between one and two years and £10 million within the next 12 months.

The directors have considered the Group's internal forecasts and projections that take into account reasonably possible changes in trading performance. The levels of committed facilities have been compared to forecast borrowing requirements. The directors have also analysed the effect of forecast performance on covenant compliance. Chloride has significant headroom in terms of both available facilities and in terms of its operation within existing covenants.

Net debt* at 31 March 2010 stood at £41 million, an increase of £25.6 million over the prior year. Adjusted operating cash flow* of £48.5 million was offset by exceptional payments for restructuring costs and pension contributions of £3.1 million and £2.4 million respectively, net capital expenditure of £4.2 million, payments for interest, dividends and tax of £26.2 million, acquisition payments of £37.2 million and net issue of shares of £0.7 million. Net debt comprises on demand borrowings of £1.5 million most of which relates to the hedging of our overseas operations, finance lease obligations of £0.4 million and committed borrowings of £69 million less cash and short-term deposits of £30 million.

In its principal overseas companies the Company has on-demand overdraft and bill discounting facilities to provide local funding for operating and working capital requirements. Drawings under these facilities provide a partial hedge against assets held in local currencies. The funding structures of our UK and overseas operations are regularly reviewed with the objective of achieving the optimal post-tax financing cost.

* See Financial Glossary on page 96.

FINANCIAL REVIEW

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

Of the £1.5 million of on-demand borrowings at 31 March 2010, £1.0 million is guaranteed by Chloride Group PLC. The committed term facilities are guaranteed by Chloride Group PLC and contain common financial covenants regarding interest cover, a ceiling on net debt and minimum consolidated shareholders' funds. It is Group policy to manage the consolidated balance sheet so as to operate at all times well within covenanted restrictions.

CURRENCY RISK

The Group publishes its consolidated financial statements in sterling and conducts business in many foreign currencies. As a result, it is subject to foreign currency exchange risk due to exchange rate movements which will affect the Group's transaction costs and the translation of the results and underlying net assets of its foreign operations.

Exchange differences arising on the translation of foreign currency borrowings, where they are in an effective hedge relationship, are recognised in the statement of comprehensive income.

For currencies in which there is an active market, the Group seeks to hedge its transactional foreign exchange rate risk on a transactional basis. Where the Company has regular net foreign currency cash flows which are strongly predicted, the Company hedges its net exposure using forward foreign currency exchange contracts. The effective portion of the gain or loss on the hedge is recognised in the statement of comprehensive income to the extent it is effective and recycled into the income statement when the underlying hedged transaction impacts the income statement.

Apart from optimising expenses and interest on local borrowings, the Group does not believe, as an internationally based business, that it is appropriate to hedge other aspects of its profit and loss account translation exposure. Non-sterling currencies of primary importance to the Group moved as follows in the year and their impact is as follows:

<table>
<tr><th></th><th>2010
Year end</th><th>2009
Year end</th><th>%
Change</th><th>2010
Average</th><th>2009
Average</th><th>%
Change</th><th>Impact
Sales</th><th>Impact
Op profit</th><th>Impact
Net debt</th><th>Impact
Equity</th></tr>
<tr><td>US$</td><td>1.52</td><td>1.43</td><td>6%</td><td>1.59</td><td>1.72</td><td>(-8%)</td><td rowspan="2">+£16m</td><td rowspan="2">+£2.5m</td><td rowspan="2">-£0.1m</td><td rowspan="2">-£1.3m</td></tr>
<tr><td>Euro</td><td>1.12</td><td>1.08</td><td>4%</td><td>1.13</td><td>1.21</td><td>(-6%)</td></tr>
</table>

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

INTEREST RATE RISK

The majority of the Group's borrowings are at interest rates of LIBOR or EURIBOR* plus a margin.

The Group's policy is to review the ratio of fixed rate debt to total outstanding debt on an ongoing basis to minimise the risk of major interest rate fluctuations over the medium to long term, and to hedge as appropriate such exposure through the use of fixed rate term debt and interest rate swaps.

* See Financial Glossary on page 96.

At 31 March 2010, the Group had a ratio of fixed rate debt to total outstanding debt of approximately 22%. As of 31 March 2010 the Group had £15 million of sterling term debt with a fixed rate of 4.94% and £0.4 million of euro-denominated borrowings with an average fixed rate of 2.4%. At 31 March 2010, the Company had entered into an interest rate swap for €10 million at a rate of 1.95% which, together with the margin on the underlying loan, fixes the rate at 3.70%. This swap will fix the rate of debt associated with the acquisition of AEES and runs from 6 May 2010 for three years. The remainder of borrowings are at floating rate and predominantly LIBOR based. The weighted average remaining period at 31 March 2010 for which the above debt was fixed was 27 months.

CREDIT RISK

The Group monitors its credit exposure to its counterparties via their credit ratings (where applicable) and through its policy, thereby limiting its exposure to any one party to ensure that they are within Board-approved limits and that there are no significant concentrations of credit risk. The counterparties to the financial instruments transacted by the Group are major international financial institutions. Group policy is to enter into such transactions only with counterparties with good long-term credit ratings.

USE AND FAIR VALUE OF FINANCIAL INSTRUMENTS

At 31 March 2010, outstanding forward contracts existed with a gross book value totalling £25.4 million in respect of actual transaction exposures (2009: £14.1 million). The net fair value of these forward foreign exchange contracts was £(0.3) million at 31 March 2010 (2009: £0.3 million). In addition to these forward contracts the Group is exposed to foreign exchange movements on its overseas borrowings.

At 31 March 2010, the €10 million three-year interest swap had a value of £(0.1) million.

INSURANCE

The Group purchases insurance for commercial or, where required, for legal or contractual reasons. In addition, the Group retains insurable risk where external insurance is not considered an economic means of mitigating these risks.

TAX RATE

The tax charge in 2010 represents an effective rate of 31% (2009: 32%).

NEIL WARNER GROUP FINANCE DIRECTOR

RISK MANAGEMENT

RISK MANAGEMENT PROCESS

The Group, in common with other international businesses, is exposed to a number of potential risks (not all of which are within its control) which may have a material effect on its reputation, financial or operational performance. It is not possible to identify or anticipate every risk that may affect the Group, or the materiality of that risk. However, Chloride recognises that the monitoring, assessment and response to risks can provide resilience, and even competitive advantage, to the business. Accordingly, it is a matter to which considerable attention is paid, particularly in such uncertain economic times.

The Board has overall responsibility for risk management and internal controls and is assisted by the Audit Committee. Further details of the Group's system of internal controls are contained in the corporate governance report on page 39.

The Audit Committee has one meeting a year dedicated to reviewing risk. In addition, internal control and risk management actions, together with Risk Committee updates are kept under review at the Audit Committee meetings held to consider the interim and full-year results. It is assisted by the Risk Committee and the Group Risk Manager.

The Risk Committee is chaired by the Finance Director and comprises the Chief Executive and other senior operational and head office management, including the Group Risk Manager. Its core functions are to:

- assess and report to the Audit Committee on the effectiveness of the Group's non-financial and financial internal control systems;
- ensure that an embedded framework for managing risks is in place throughout the Group; and
- provide an appropriate level of reporting on the status of risk management to the operational management and to the Audit Committee.

The Risk Committee meets twice a year and the minutes are circulated to the Audit Committee Chairman. All directors are entitled to receive the Risk Committee papers, and to attend the meetings.

The nature, likelihood and materiality of the risks affecting each Group business are assessed by operational management on an annual basis. On the basis of these assessments, the Risk Committee produces a risk map for the Group as a whole, and the summary of material risks is reviewed by the Audit Committee and endorsed by the Board. The risk assessment process applies both to normal operational activities and to projects which are significant to the Group, where a risk register is drawn up and monitored by the Group Risk Manager throughout the project.

As described in the corporate governance report, there is an embedded process for monitoring and controlling the identified risks through monthly financial and operational reporting procedures. In addition, appropriate levels of cover are maintained under the Group insurance programme in respect of insurable risks.

The Group Risk Manager monitors the effectiveness of risk management and internal controls through site reviews of Group businesses. His visit programme is approved annually by the Audit Committee. After each site visit a report is prepared and presented to local area Group management, and to the Chairman of the Audit Committee. A copy is also made available to the external auditors.

The Group Risk Manager is able to call on additional resources from central staff and external consultants as necessary. External consultants also review health and safety and environmental practices at selected sites on the basis of a rolling schedule agreed with the Group Risk Manager.

FINANCIAL RISKS

As an international business, the major financial risks faced by the Group are liquidity risk, currency risk, interest rate risk and credit risk. The Board regularly reviews these risks and approves policies covering the use of financial instruments to manage financial risk and overall risk limits. A detailed summary of the Group's financial risks and how these risks are managed can be found in the financial review on pages 27 to 29.

FORWARD-LOOKING STATEMENTS

Certain statements in this annual report are forward looking. Although the Group 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 from those expressed in or implied by these forward-looking statements.

OPERATIONAL RISKS

There have been no major operational risks identified during the year other than those typical in a competitive environment – key areas identified for ongoing management attention, and management's response to them, continue to be:

RISK	IMPACT	MITIGATION
BUSINESS PRESSURES		
• Product and service revenue fail to continue to grow above market rate, owing to market trends, third-party activity, loss of competitive advantage, and challenging economic conditions	• Decline in earnings growth • Decline in margin growth	• Continued analysis of, and entry into, new long-term potential markets • Continued entry into new market sectors in existing markets • Product and service innovation to maintain appeal of UPS solutions offering in market • Customer relations management • Control of overheads • Control of production costs
SUPPLY CHAIN SECURITY		
• Loss of key supplier	• Delivery delays • Loss of contracts	• Strategic joint ventures • Strategic alternative suppliers
DISRUPTIONS TO OPERATIONS		
• Loss of production capability • IT systems failure	• Business interruption • Loss of revenue, profit and assets • Loss of business goodwill	• Disaster recovery planning • Flexible and global manufacturing infrastructure • Flexible and global IT infrastructure • Major systems review 2010
PERSONNEL DEVELOPMENT		
• Loss of experience/skills/ commercial relationships • Failure of succession planning and talent management	• Loss of business and reputation	• Career management • Incentivisation • Succession planning throughout the business • Talent management programme introduced 2009/2010
CUSTOMER RELATIONSHIPS		
• Loss of customers/orders owing to factors outside of the Group's control	• Loss of revenue/profit	• Maintain development and quality of complete UPS solutions • Improve the geographic and sector spread of customers • Emphasis on service business as driver of long-term relationships
COMPLEXITY OF INTERNATIONAL OPERATIONS		
• Economic conditions • Political instability • Profit repatriation and tax issues • Currency movements	• Currency translation • Increased costs • Reduced revenues/profits • Tax rate increases	• Professional advice • Skilled local management • Treasury policy and planning • Internal controls application
ACQUISITIONS/NEW MARKETS		
• Identifying opportunities • Integration of acquired businesses • Start-up operations	• Diminution of growth rate • Failure to meet strategic objectives	• Corporate development capacity • Due diligence • Integration planning and resource • Standard business model roll out

BOARD OF DIRECTORS

NORMAN N BROADHURST FCA FCT
NON-EXECUTIVE CHAIRMAN
Chairman of the Nomination Committee
Member of the Remuneration Committee

A non-executive director since March 1998, and Chairman since August 2001. He previously held a number of non-executive positions in FTSE 100 companies. He was Finance Director of Railtrack plc from 1994 until his retirement in 2000. Age 68.

TIM R COBBOLD BSc ACA
CHIEF EXECUTIVE
Member of the Nomination Committee

Joined the Board in June 2007 as Chief Operating Officer and became Chief Executive in 2008. He qualified as a chartered accountant in 1987 and joined TI Group PLC (now Smiths Group) in 1989. Over his 18-year career with Smiths Group he held a number of senior management positions. Age 47.

NEIL W WARNER BA FCA MCT
FINANCE DIRECTOR

Joined Chloride and was appointed to the Board as Finance Director in 1997. He was with Ocean Group PLC (subsequently Exel plc and now part of Deutsche Post World Net) for six years from 1990, following appointments in his earlier career with BICC Group PLC (now Balfour Beatty plc), ALCOA and PricewaterhouseCoopers. He is a non-executive director of Dechra Pharmaceuticals PLC. Age 57.

ERIC F TRACEY MCom FCA ACIS
SENIOR INDEPENDENT DIRECTOR
Chairman of the Audit Committee
Member of the Remuneration and Nomination Committees

A non-executive director since 1 September 2005, he was a partner in Deloitte from 1980 to 2004, including periods as head of Deloitte's European Energy Infrastructure and Utilities practice, and as head of one of the audit operating groups. He was seconded to Amey plc as acting Finance Director, and was Finance Director of Wembley PLC until August 2005. He is Senior Independent Director of Findel plc, an Independent Director of NEC Group Ltd and Burton's Holdings Ltd and a member of the Advisory Boards of Governance for Owners LLP, Xero Live Ltd and NZ Trade & Enterprise. Age 61.

GARY BULLARD BSc
NON-EXECUTIVE DIRECTOR
Chairman of the Remuneration Committee
Member of the Audit and Nomination Committees

A non-executive director since September 2005, he has his own management consulting practice, focusing on the technology and telecommunications sector. He is also the Founder and CEO of Catquin, a company which supports senior female executives in furthering or diversifying their careers. Until July 2007 he was President, BT Global Services, with responsibility for British Telecom's corporate and government customers. Previously he had 26 years' experience at IBM, holding a number of senior management positions in Europe and the USA. Age 52.

JOHN L M HUGHES BSc
NON-EXECUTIVE DIRECTOR
Member of the Audit, Remuneration and Nomination Committees

A non-executive director since January 2009. He is also Chairman of Spectris PLC, Telecity Group PLC and Intec Telecom Systems PLC as well as Deputy Chairman of Parity Group PLC. In his previous career he held a number of senior positions in international companies including Thales Group, Lucent and Hewlett-Packard Company. Age 58.

PAUL J LESTER CBE BSc
NON-EXECUTIVE DIRECTOR
Member of the Audit, Remuneration and Nomination Committees

A non-executive director since September 2007. He is Chief Executive of VT Group PLC, the leading support services company. In addition, he is a non-executive director of Invensys PLC. In his previous career he held a number of senior positions in international companies including Schlumberger, Graseby and Balfour Beatty. He is a visiting Professor of Nottingham Trent University. Age 60.

FROM LEFT TO RIGHT: Eric Tracey, Norman Broadhurst, Paul Lester, John Hughes, Gary Bullard, Tim Cobbold and Neil Warner

DIRECTORS' REPORT

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity during the year under review was the supply of secure power solutions, including the manufacture and sale of uninterruptible power supply systems and power conditioners, and after-sale technical support.

The business review on pages 8 to 31, which comprises the Chief Executive's review, the financial review, the risk management report and the corporate social responsibility report, forms part of the directors' report. The corporate governance statement on pages 37 to 40 also forms part of the directors' report. The business review comments on the Group's performance and development during the financial year, its position at the end of the year, the key performance indicators, and the principal risks and uncertainties relating to the Group.

ACQUISITIONS

Details are set out in note 28 to the financial statements on pages 86 to 89.

RESULTS AND DIVIDENDS

The results for the year and the financial position at 31 March 2010 are shown in the consolidated income statement on page 54 and the consolidated statement of financial position on page 55.

The directors recommend the payment of a final dividend of 3.30p per share which, together with the interim dividend of 1.90p per share paid on 2 December 2009 makes a total dividend for the year of 5.20p per share (2009: 4.70p). Payment of the final dividend, if approved at the Annual General Meeting (AGM), will be made on 2 August 2010 to shareholders on the record at the close of business on 9 July 2010.

GOING CONCERN

The results and financial position of the Group, its cash flows, borrowing facilities and liquidity are set out in pages 24 to 29 of the financial review and in note 21 on page 78. The outlook for trading performance of the Group is discussed in both the Chairman's statement and the Chief Executive's review. Current economic conditions create uncertainty and make forecasting difficult. The principal risks and uncertainties that may affect the Group's results and cash flows and financial position are discussed in the financial review and the risk management report.

The Group's committed borrowing facilities at 31 March 2010 amount to £150 million of which £71 million was drawn indicating an overall borrowing headroom of £79 million in addition to cash and cash equivalents of £30 million. In addition, the Group has uncommitted facilities of £16 million. Included in the committed facilities amount is one credit facility amounting to £10 million that expires in November 2010. The Group is in discussions about the renewal or replacement of this facility.

The directors have considered the Group's internal forecasts and projections that take into account reasonably possible changes in trading performance. The levels of committed facilities have been compared to forecast borrowing requirements. The directors have also analysed the effect of forecast performance on covenant compliance. Chloride has significant headroom in terms of both available facilities and in terms of its operation within existing covenants.

Based on the above, and after making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate facilities to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

SHARE CAPITAL

Details of the issued share capital, which comprises ordinary shares of 25p each, with equal voting rights, is given in note 26 to the financial statements starting on page 84.

The rights and obligations attaching to the Company's ordinary shares, and the provisions governing the appointment and replacement of, as well as the powers of, the Company's directors, are set out in the Company's Articles of Association, copies of which can be obtained from Companies House in the UK or by writing to the Company Secretary.

There are no restrictions on the voting rights attaching to the Company's ordinary shares or on the transfer of securities in the Company, except, in the case of transfer of securities:

a) that certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws); and

b) whereby, pursuant to the Listing Rules of the Financial Services Authority, certain employees of the Company require the approval of the Company to deal in the Company's ordinary shares.

No person holds securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

It is a requirement of company law that any shares issued wholly for cash must be offered to existing shareholders in proportion to their holdings unless otherwise authorised by a resolution of the shareholders. The Notice of Annual General Meeting includes resolutions to renew for a period of one year the directors' power to allot shares and disapply pre-emption rights pursuant to sections 561 and 571 of the Companies Act 2006.

At the Annual General Meeting in 2009, an authority was given to the Company for a period of one year to make market purchases of its own shares. A resolution will be put to shareholders at the Annual General Meeting to renew this authority for a further period of one year.

Further details of these resolutions are contained in the explanatory notes accompanying the Notice of Meeting.

ARTICLES OF ASSOCIATION

Amendments to the Articles of Association must be approved by a general meeting of the shareholders in accordance with legislation in force from time to time.

DIRECTORS

Biographical details of the directors at the year end are set out on page 32. The Articles of Association provide for re-election of the directors every second year. Norman Broadhurst, Gary Bullard, Paul Lester, Eric Tracey and Neil Warner retire by rotation and, being eligible, offer themselves for re-election.

Information on compensation payable to executive directors and other senior executives as a result of dismissal in the event of a takeover is given in the remuneration report, on page 48.

DIRECTORS' INTERESTS

The interests of the directors in the share capital of the Company are as shown in the remuneration report on pages 50 and 51.

The executive directors are deemed to have an interest in the Chloride Group Employee Benefit Trust (the Trust) as potential discretionary beneficiaries. Details of the shares held by the Trust as at 31 March 2010 are set out on page 36.

DIRECTORS' AND OFFICERS' LIABILITY

The Group maintains directors' and officers' liability insurance. The Group also indemnifies its directors and officers to the extent permitted by UK law, including payment of defence costs in civil, criminal and regulatory proceedings. Such costs must be refunded in the event that the director or officer is subsequently convicted. Neither the insurance policy nor the deed of indemnity provides cover where the director has acted dishonestly or fraudulently.

POLICY ON PAYMENT OF SUPPLIERS

Appropriate terms and conditions are agreed for transactions with suppliers and payment is generally made on these terms.

The average number of days' credit taken by the Company for trade purchases at the financial year end was 39 days (2009: 38 days). The average number of days' credit taken by Group companies at the financial year end was 72 days (2009: 69 days), reflecting different payment practices in the various countries in which Chloride operates.

CHARITABLE AND POLITICAL DONATIONS

During the year donations of £9,517 (2009: £12,770) were made to charitable organisations which are associated with employees or closely linked with the communities in which the Group operates. No political donations were made.

INTERESTS IN VOTING SHARES

At 12 May 2010, the Company had been notified of the following interests of 3% or more in the Company's ordinary shares:

Name of holder	Number of shares	% of issued shares
Threadneedle Investments	27,615,450	10.50
Black Rock	21,483,403	8.17
Mondrian Investment Partners	20,533,092	7.81
F&C Asset Management	14,572,290	5.54
Aegon Asset Management	10,504,519	3.99
Legal & General Investment Management	10,179,045	3.87
Standard Life Investments	9,995,558	3.80
Schroder Investment Management	8,659,308	3.29
Impax Asset Management	8,250,448	3.14
Montanaro Investment Managers	8,167,556	3.11

DIRECTORS' REPORT

EMPLOYEE BENEFIT TRUST

The Chloride Group Employee Benefit Trust (the Trust) was established to acquire ordinary shares in the Company to satisfy rights to shares arising on the exercise of executive share options.

During the year, the Trust made the following transfers and open market purchases of the Company's ordinary shares:

	Number of shares
Balance at 1 April 2009	6,793,309
Transferred out	(1,685,045)
Purchased	628,064
BALANCE AT 31 MARCH 2010	**5,736,328**

The Trust is funded by interest-free loans from the Company. The cost of the shares held by the Trust was £9.1 million and the market value was £12 million at 31 March 2010. EES Trustees International Limited, as trustee of the Trust, has waived all past and future dividends on ordinary shares held by the Trust except to the extent of 0.0001% of each dividend payable per share.

Voting rights in respect of shares held by the Trust are exercisable by the Trustee.

RESEARCH AND DEVELOPMENT

Investment in the development of new and improved products and applications is considered to be key to further improvement of the Group's competitive position. Programmes to upgrade existing technology, develop new products and software, reduce production and operating costs, and improve services to customers receive high priority. Development engineers work closely with applications and software engineers and sales and marketing staff in the operations to ensure that development is focused on the Group's key markets. The Group has departments specialising in the development of critical power protection solutions at Chicago, USA (power conditioners and software); Bologna, Italy and Erlangen, Germany (AC power protection products), and Lyon, France (industrial systems). Product and software development is also carried out in Pune, India.

CORPORATE SOCIAL RESPONSIBILITY

The corporate social responsibility report starting on page 20 comments on the Group's approach to corporate social responsibility, including health and safety, environmental and employee issues.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company (AGM) will take place on 20 July 2010 at 11am, at the Royal Aeronautical Society, 4 Hamilton Place, London W1J 7BQ. A letter from the Chairman accompanying the notice of meeting will provide information on the resolutions.

AUDIT INFORMATION

In accordance with the provisions of Section 418 of the Companies Act 2006 (the 2006 Act) each of the directors of the Company at the date when this report was approved confirms that:

- so far as he is aware, there is no relevant audit information (as defined by the 2006 Act) of which the Group's auditors are unaware; and
- he has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the Group's auditors are aware of that information.

AUDITORS

Resolutions to reappoint the auditors, Deloitte LLP, and to authorise the directors to determine their remuneration, will be proposed at the AGM.

Approved by the Board and signed on its behalf by

JON MESSENT SECRETARY

24 May 2010

CORPORATE GOVERNANCE

COMPLIANCE WITH THE COMBINED CODE

The Board recognises its accountability to shareholders and is committed to maintaining high standards of corporate governance. The Board considers that throughout the year under review the Company has complied with the Code provisions set out in Section 1 of the 2008 FRC Combined Code on corporate governance (the Combined Code), and with the rules of the UK Listing Authority.

APPLICATION OF THE PRINCIPLES OF THE COMBINED CODE

This report explains how the Company has applied the principles of the Combined Code to its activities. Section 1 of the Combined Code sets out the main and supporting principles of good governance for companies, which are split into the following topics: directors; remuneration; accountability and audit; and relations with shareholders.

BOARD OF DIRECTORS

The Company currently operates with a Board of seven directors comprising the non-executive Chairman, four non-executive directors (including the Senior Independent Director) and two executive directors. The number of directors and the balance between executives and non-executives provides for effective operation and is considered appropriate to the Company's size and scope of activities.

A schedule of formal meetings of the Board, the Audit Committee and the Remuneration Committee is arranged each year in line with the Company's management reporting, and interim and annual reporting cycle. During the year, the Board met formally seven times, together with a further meeting to review strategy. Attendance at meetings was as follows:

	Board (seven meetings)	Strategy (one meeting)	Audit (three meetings)	Remuneration (four meetings)	Nomination (no meeting)
Norman Broadhurst	7	1	n/a	4	1
Gary Bullard	7	1	3	4	1
Tim Cobbold	7	1	n/a	n/a	1
John Hughes (2)	7	1	2	4	–
Paul Lester	7	1	3	4	1
Eric Tracey	7	1	3	4	1
Neil Warner	7	1	n/a	n/a	n/a

Notes
(1) n/a means that the director is not a member of the Committee. Certain directors who are not committee members have attended meetings by invitation. Details are not included in the table.
(2) John Hughes was unable to attend one Audit Committee meeting and one Nomination Committee meeting, due to conflicting engagements that had been arranged prior to his appointment.

In addition to the formal schedule of meetings, the Board held discussions with senior operational managers on strategy, business development, and other topics important to the Group's progress.

The Board has reserved to itself powers relating to matters that it considers significant to the Group's business, operational and financial risks. These are set out in a formal schedule and include the approval of corporate policies, strategy, plans and budgets; major acquisitions and disposals of companies or businesses; major investment and financial decisions; appointments to the Board; executive remuneration policy and major management or organisational changes.

The Chairman and Chief Executive have defined roles, providing for a division of responsibilities between them, which have been documented and approved by the Board. The Chairman is responsible primarily for the running of the Board, while the Chief Executive's primary role is the running of the business and the development and implementation of strategy.

The Chairman has been appointed for successive fixed terms totalling 13 years. The other non-executive directors have each been appointed for a term or successive terms totalling less than six years. The effective dates of the current terms of appointment are set out in the remuneration report on page 44.

The Chairman met the Combined Code criteria for independence on his appointment in 2001. The Board considers that the other non-executive directors are independent of management and free of any business or other relationship that could materially interfere with the exercise of their independent judgement.

CORPORATE GOVERNANCE

At the forthcoming AGM, Norman Broadhurst, Gary Bullard, Paul Lester, Eric Tracey and Neil Warner retire in accordance with the Articles of Association and will seek re-election. The Board has reviewed their performance and strongly supports their re-election, and recommends that the shareholders vote in favour.

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

The non-executive directors held one meeting during the year with the Chairman, without the executive directors present. In addition, and as noted below, the senior independent director held individual meetings with each of the non-executive directors.

BOARD COMMITTEES

The Board has three standing committees – the Audit, Remuneration and Nomination Committees, each with a different chairman. The Chairman chairs the Nomination Committee and is a member of the Remuneration Committee. All of the independent non-executive directors are permanent members of the Committees. The Board considers that this is the most appropriate way of enabling the non-executives to participate in monitoring governance issues, including executive remuneration, succession planning and risk management, without placing undue reliance on any one individual.

The terms of reference of the Audit, Remuneration and Nomination Committees, which are based on the model terms of reference published by the Institute of Chartered Secretaries and Administrators, are published on the Group's website - www.chloridegroup.com.

AUDIT COMMITTEE

The Committee's activities and responsibilities are described in the Audit Committee report on pages 41 and 42.

REMUNERATION COMMITTEE

The Committee's activities and responsibilities are described in the Remuneration Committee report on page 43.

NOMINATION COMMITTEE

The Committee's terms of reference include the following responsibilities:

- making recommendations to the Board in respect of new appointments of executive and non-executive directors;
- succession planning for directors and senior executives; and
- making recommendations on reappointment of non-executive directors at the end of their term of appointment.

The Committee has a process for recommending Board appointments, based on a review of the skills of the other directors, development of a specification and employment of a firm of recruitment specialists to draw up a shortlist. Given that the Nomination Committee consists of all the non-executive directors, the Chairman and the Chief Executive, matters relating to reappointment of non-executives and succession planning are also handled within meetings of the main Board.

ACTIVITIES

During the year the Group developed its programme of talent management and succession planning at senior levels within the Group, including the Board.

DEVELOPMENT AND PERFORMANCE EVALUATION

Newly appointed directors receive a full induction, including a detailed information pack, visits to the Group's operations and meetings with senior divisional management. Training in the role and responsibilities of directors is offered on appointment, and subsequently as necessary.

The Board has a process for performance evaluation which has been applied to the Board and its Committees annually since 2003/2004.

As in previous years, in 2009/2010 the process was based on the completion of a questionnaire by the directors in relation to the Board and each of the Committees of which they were members. The responses were collated, reviewed by the Chairman and distributed to the directors for discussion at a Board meeting. In addition, the senior independent director conducted personal reviews with individual non-executive directors.

Performance evaluation relating to the Audit and Remuneration Committees is discussed in the Audit Committee report on page 42 and the remuneration report on page 44.

REMUNERATION
The Remuneration Committee is responsible for compliance with the Combined Code in determining executive directors' remuneration. The remuneration report on pages 43 to 51 demonstrates how Chloride applies the principles of the Combined Code relating to the level and make-up of remuneration and to disclosure.

ACCOUNTABILITY AND AUDIT
FINANCIAL REPORTING
The Board seeks to present a balanced and understandable assessment of the Group's position and prospects, through the Chairman's statement and the directors' report, which includes the business review (comprising the Chief Executive's review, the financial review, the risk management report and corporate social responsibility report).

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

Chloride has a well-established and embedded framework of internal financial and operational control for identifying, evaluating and managing the risks faced by the Group. The Audit Committee carries out an annual review of the effectiveness of the material controls, and the Board receives regular information about the Group's operations, enabling it to evaluate the nature and extent of the risks faced by the Group. The Board is therefore able to confirm that the system of internal control has been in place throughout the year under review, and up to the date of approval of the annual report. The key elements of the framework of internal and operational control, which complies with the Turnbull guidance, are as follows:

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

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

- The Group and its subsidiaries operate control procedures designed to ensure complete and accurate accounting of financial transactions, and to limit the risk of loss of assets or fraud. Measures taken include physical controls, segregation of duty in key areas and internal reviews and checks. The identification, mitigation and monitoring of material risks are primarily the responsibility of operating company management. During the budget and reporting cycle, general managers and financial controllers are required to identify risks to which the business is exposed, assess any potential impact and to put in place actions to reduce them. The Audit Committee agrees the key risks to the business, which are endorsed by the Board and monitored throughout the year. It is assisted by the Risk Committee, the functions of which are set out in the risk management report on page 30.

- Key functions such as tax, treasury, insurance, legal, personnel and systems are controlled centrally. Further information on policies to manage financial risk is contained in the financial review on pages 27 to 29.

EXTERNAL AUDIT
The external auditors are engaged to express an opinion on the Group's annual report and accounts. They independently and objectively review management's reporting of the operational results and financial position. They also review and test the systems of internal control and the data contained in the annual report and accounts to the extent necessary for expressing their audit opinion. The policy on independence of auditors is included in the Audit Committee report on page 42.

INTERNAL AUDIT
The Board and Audit Committee have reviewed the need for an internal audit function and consider that the Group Risk Manager, whose role is described in the Risk Management Report on page 30, fulfils this function and discharges the Group's responsibilities under the Combined Code. However, in order to enhance further the internal audit function, and the value the function provides, further third-party audit resource is made available to the Group Risk Manager as necessary.

CORPORATE GOVERNANCE

RELATIONS WITH SHAREHOLDERS

Relations with shareholders receive the highest priority. The Company promotes dialogue with institutional shareholders and analysts through regular meetings following the announcement of interim and final results, and responds positively to invitations to enter into dialogue whenever it considers it to be in the best interests of shareholders generally to do so. All directors are available to attend meetings with shareholders if requested. The Senior Independent Director attends analysts' presentations, and the Chairman or the Senior Independent Director also attend meetings with institutional shareholders when possible. The views of shareholders and analysts are reported back to the Board.

The Company routinely communicates with shareholders six times a year, through the preliminary and interim results announcements, interim management statements, and trading updates issued at the start of the close period before announcement of the full and half year results. At the AGM there is an opportunity, following the formal business, for informal communication between investors and directors. In addition, information, including the presentations made to institutional shareholders and analysts and recent announcements, is readily available to shareholders on the Group's website – www.chloridegroup.com. It is the Company's practice to send the Notice of Annual General Meeting to shareholders at least 20 working days before the meeting.

AUDIT COMMITTEE REPORT

This Report has been prepared in accordance with the Combined Code by the Audit Committee of the Company and has been approved by the Board.

MEMBERSHIP

The Committee is made up of four non-executive directors, all of whom the Board considers to be independent. The members at 31 March 2010 were Eric Tracey (Chairman), Gary Bullard, John Hughes and Paul Lester. Mr Tracey has recent and relevant financial experience gained through his former positions as a partner in Deloitte and finance director of Amey PLC and Wembley PLC, and through his current roles at Governance for Owners LLP, NEC Group Limited, Burton's Holdings Limited, Xero Live Ltd, NZ Trade & Enterprise and Findel plc (details of other committee members are shown on page 32).

The members bring extensive experience of corporate management in senior executive positions to the Committee.

RESPONSIBILITIES

The role and responsibilities of the Audit Committee are set out in written terms of reference based on the model published by the Institute of Chartered Secretaries and Administrators. The terms of reference are available on the Group's website and include the following:

- monitoring the integrity of the financial statements, reviewing the annual and interim reports in detail to ensure that they present a balanced and understandable assessment of the Group's position and prospects;
- reviewing the effectiveness of the Group's internal controls and risk management systems;
- overseeing the relationship with the external auditors, monitoring their independence, agreeing the scope of audit and monitoring the effectiveness of the audit process;
- making recommendations to the Board on the requirement for an internal audit function and reviewing the effectiveness of internal audit; and
- reviewing the Group's arrangements for whistleblowing.

The Committee has authority to investigate any matters within its terms of reference and has access to the resources and information it requires for this purpose.

The Committee is entitled to obtain independent professional advice on matters within its terms of reference.

MEETINGS

The Committee met three times during the year – in May, October and January. The Company Secretary acted as secretary to the Committee and the meetings were attended by invitation by the Chairman, Chief Executive, Finance Director, Group Risk Manager and other senior finance staff. The external auditors also attended the Committee meetings.

During the year, the Committee met with the auditors without executive managers being present. It also held a private meeting with the Group Risk Manager. In addition, the Committee Chairman met regularly with the Group Risk Manager to review matters arising from his site visit reports and with the external auditors.

Attendance at meetings by the Committee members was as set out in the corporate governance report on page 37.

ACTIVITIES

The meeting that took place in May 2009 was principally concerned with the draft financial statements for the year ending 31 March 2009 together with the draft preliminary results announcement. The Audit Committee also considered the report of the external auditors on the full-year audit, concentrating on issues of judgement and audit focus identified in the audit plan, including a review of valuation assumptions, impairment reviews and disclosures in the annual report. The steps taken to ensure that all relevant audit information had been disclosed to the auditors were reviewed, enabling the directors to make the statement in the directors' report on page 36. In addition, the Committee was updated on internal control and risk management issues, in accordance with normal procedure.

AUDIT COMMITTEE REPORT

At the October meeting, in addition to an update on internal control and risk management issues, the Committee considered the draft interim financial statements for the period ending 30 September 2009, together with the draft interim results announcement. In addition, the audit scope and fee proposal for 2009/2010 and audit expectations were reviewed and approved.

The meeting in January 2010 was concerned primarily with the review of the risk management process including the activities of the Risk Committee, the outcome from risk control visits and the agreement of the Group Risk Manager's visit plan for the forthcoming year. The external audit plan for 2009/2010 was also considered and approved, and the external auditors reported on the structure in place to ensure their independence. The insurance arrangements for 2009/2010 were also considered.

PERFORMANCE EVALUATION

COMMITTEE PERFORMANCE

During the year, the Committee reviewed its performance through the process described in the corporate governance report on page 38. The Committee considered it had the skills to perform its responsibilities, particularly through Mr Tracey's financial and audit experience. Actions for improvement focused on training requirements and adding resource to the Group Risk Management function to ensure that the scope of activity could be maintained throughout the year.

AUDIT EFFECTIVENESS

The Committee reviewed the effectiveness of the audit process following the 2008/2009 audit, and shared its findings with the auditors. The Committee considered that in addition to a high level of technical competence and objectivity, the auditors demonstrated a clear understanding of the business and communicated the issues of judgement and focus effectively to the Committee.

Based on the Committee's view of the performance of the external auditors and on the planning and execution of the 2009/2010 audit, the Committee has recommended to the Board that a resolution to reappoint Deloitte LLP be proposed at the forthcoming AGM.

AUDITOR INDEPENDENCE

In order to maintain the independence of the external auditors, the Company has a policy for determining the types of non-audit work for which it is appropriate to use the external auditors, including a clearance procedure for fees. The Committee is satisfied that these procedures have been followed during the year, and that the external auditors have in place robust procedures, including the rotation of audit staff and partners, to ensure their independence, preserve objectivity and comply with regulatory and professional requirements. The Committee has also reviewed the performance of the external auditors with the help of questionnaires completed by all of the directors and relevant senior management members.

As stated in note 5 to the financial statements, audit fees of £433,000 were payable to Deloitte together with non-audit fees of £168,000 relating to taxation advisory and compliance services. The Audit Committee considers that this balance is appropriate and does not constitute a threat to the auditors' independence.

This report was approved by the Board on 24 May 2010 and signed on its behalf by

ERIC TRACEY CHAIRMAN OF THE AUDIT COMMITTEE

REMUNERATION REPORT

This report is presented in accordance with the relevant provisions of Schedule 8 to the Accounting Regulations under the Companies Act 2006 and the Combined Code on Corporate Governance (the Combined Code). The Regulations require the auditors to report on the "auditable part" of the remuneration report. The audited information has therefore been separately highlighted.

REMUNERATION COMMITTEE

RESPONSIBILITIES

The role and responsibilities of the Remuneration Committee are set out in written terms of reference based on the model published by the Institute of Chartered Secretaries and Administrators, which are available on the Group's website and include the following:

- determination of the policy for remuneration of the executive directors and designated senior managers;
- determination of individual remuneration packages for the executive directors and designated senior managers;
- consideration of executive directors' service agreements, pensions and related matters;
- making recommendations to the Board on the design of share incentive plans;
- exercise of all powers and discretions of the directors in connection with the Company's share-based arrangements; and
- review and note annually the remuneration trends across the Group.

During the year the Committee undertook a detailed review of its remuneration policy and arrangements, supported by its advisors and with full consultation with major shareholders, the ABI and RiskMetrics. It decided that:

- remuneration packages should be market competitive. Compared to companies in the lower half of the FTSE 250 (Chloride was 260th in the FTSE at the time), the Committee found that the Chief Executive's total target remuneration (and base salary) was significantly below median, whilst the Finance Director's total target pay was around median;
- there should be sufficient incentive pay to appropriately incentivise management and the performance criteria on vesting of long-term incentives are appropriate;
- there should be sufficient remuneration "at risk" to help retain executives;
- there should be increased alignment of management and shareholder interests through greater share ownership; and
- the current arrangements should be brought into line with good practice.

Chloride has performed well over recent years with its profit growing in each year over the three years to March 2009. Since then the economic climate has become more challenging, but the Committee considers that management has done an excellent job of maintaining profits around current levels through very difficult economic circumstances, and that there is a platform to resume earnings growth. In addition, over the last three years (to 31 March 2010), Chloride's TSR has outperformed the FTSE 250 Index by over 25%.

As evidenced by these achievements, the Committee considers that the senior management team is of a high calibre and highly marketable and that it is in the shareholders' interests that their remuneration packages are competitive and, in particular, that there is substantial performance-related pay.

As a result, the Committee has decided to make some changes to its remuneration policy:

- increase the base salary of the Chief Executive to the median market level;
- increase the level and length of compulsory deferral of the annual bonus, as well as introducing bonus clawback;
- at the forthcoming Annual General Meeting, seek shareholder approval for a new Share Matching Plan, which will be operated for the first time in 2011;
- make some amendments to the Performance Share Plan to bring it into line with best practice and to allow greater flexibility. Shareholder approval is required for some of these changes and will be sought at the Annual General Meeting;
- introduce shareholding guidelines for the Executive Directors.

REMUNERATION REPORT

As a result of these changes, the Chief Executive's total target remuneration is slightly above median. The Committee believes that this is appropriate given the substantial proportion of the package related to long-term incentives and the strong performance of the Chief Executive since appointment.

The Committee believes these changes will increase the alignment of executives' interests with shareholders and further increase the retentiveness of the packages. Further details of these changes are set out in the relevant sections of this report and in the Notice of AGM.

MEMBERSHIP
The members of the Remuneration Committee during the year were Gary Bullard (Chairman), Norman Broadhurst, John Hughes, Paul Lester and Eric Tracey.

ADVISERS
During the year, the Remuneration Committee received advice on remuneration of executive directors and senior executives from the Chief Executive and the Group Human Resources Director, neither of whom took part in the determination of their own remuneration. Advice was also received from the Company Secretary in relation to the operation of the Company's share-based incentive plans. Advice was obtained from Hewitt New Bridge Street (HNBS), who were appointed by the Remuneration Committee to advise on executive remuneration, and long-term incentive arrangements, including employee share schemes. HNBS has no other connection with the Company.

PERFORMANCE EVALUATION
During the year, the Remuneration Committee reviewed its performance through the process outlined in the corporate governance report on page 38. The Remuneration Committee considered that it had the skills and experience to perform its responsibilities.

NON-EXECUTIVE DIRECTORS
POLICY ON REMUNERATION
The fees of non-executive directors and the Chairman are determined by the Board and were reviewed during the year. The policy is to set fees at the median level relative to companies with a comparable market capitalisation. Fees do not contain any performance-related element and the non-executive directors do not participate in the Chloride Pension Scheme or in the share option or performance share schemes. Additional fees are paid for chairmanship of the Audit and Remuneration Committees, reflecting the additional workload and responsibility of these appointments. Non-executive directors have no entitlement to compensation for early termination of their term of appointment, and take no part in the determination of their own remuneration.

Details of the fees paid during the year are included in the table headed "Summary of remuneration" on page 49.

The annual fee level for 2010/2011 is as follows:

Office	**2010/2011 Fee £000**	2009/2010 Fee £000
Chairman	**125.0**	115.0
Non-executive director	**40.0**	36.5
Remuneration Committee chairmanship additional fee	**5.0**	5.0
Audit Committee chairmanship additional fee	**6.0**	6.0

TERM OF APPOINTMENT
The non-executive directors are appointed for specified terms of up to three years. Their letters of appointment have no contractual notice period, and the appointment of each non-executive director is subject to re-election by shareholders on retirement by rotation, which occurs every two years. The dates on which the current respective letters of appointment came into effect are as follows: Norman Broadhurst – 21 April 2010; Gary Bullard and Eric Tracey – 2 December 2008; Paul Lester – 1 September 2007 and John Hughes – 1 January 2009.

EXECUTIVE DIRECTORS

POLICY ON REMUNERATION

The policy is to provide a combination of salary, short- and long-term incentives and benefits, which form a competitive and fair total remuneration package. Performance-related remuneration, in the form of annual bonus and performance shares, comprises a significant proportion of the total remuneration opportunity. It is only receivable if stretching performance targets, which require substantial improvement in financial performance and, in the case of performance shares, superior total shareholder return, are achieved.

COMPONENTS OF THE REMUNERATION PACKAGE

BASE SALARY

The base salary of each executive director is reviewed annually, taking into account the responsibilities and performance of the individual together with independently furnished information on rates for similar jobs. In particular, base salaries recognise salary levels in a group of comparably sized companies. Details of salaries, bonuses and benefits paid to executive directors during the year are included in the table headed "Summary of remuneration" on page 49.

The basic annual salaries of Tim Cobbold and Neil Warner with effect from 1 April 2010 are:

T R Cobbold	–	£400,000
N W Warner	–	£255,000

These represent a 14.3% increase for Tim Cobbold and a 2% increase for Neil Warner. With regard to Tim Cobbold's salary increase, the Committee believes he is a young, highly talented Chief Executive. Initially, he was recruited as Chief Operating Officer and then was appointed Chief Executive in 2008 on a below market salary and he did not receive an increase in 2009. Reflecting his strong performance, the Committee believes it is now appropriate and necessary to pay him a market median salary.

ANNUAL BONUS

Chloride operates annual incentive plans for certain employees, including executive directors. Eligibility for inclusion in such schemes and the measures of performance to be used are decided annually, taking account of key business issues.

For the executive directors and two senior executives, the maximum award under the 2009/2010 annual incentive plan was 100% of base salary. The financial measure applicable to 80% of the annual bonus for executive directors was adjusted earnings per share compared with the previous year, with on-target performance being containment to a 7% decline and maximum bonus payable at 7% growth. Chloride's EPS growth was within this range in 2009/2010 warranting a bonus payment of 56% of salary for the Directors. The balance of the bonus, up to 20% of the maximum, was dependent on achievement of personal objectives; for example, key strategic initiatives and Chloride's CRS and environmental performances.

To date, bonus amounts earned up to 55% of base salary are paid in cash. If the bonus earned exceeds 55% of base salary, the bonus earned between 50% and 75% of base salary is deferred into shares which are released after two years, normally subject to the executive director/senior executive remaining in the Group's employment. Bonus payable in excess of 75% of base salary is payable in cash.

The maximum bonus potential for 2010/2011 will be retained at the current level and performance again will be dependent on the achievement of stretching EPS growth targets (80% of bonus) and personal objectives (20% of bonus). However, for 2010/2011 and onwards the structure of the deferral will be changed so that one-third of any bonus earned will be deferred in shares and the deferral period will be lengthened to three years. In addition, a clawback provision has been added so that individuals would have to repay/forfeit some or all of their bonus (both cash and deferred shares) if there were subsequently found to be a material misstatement of results.

Bonus shares earned by the executive directors under the deferred bonus plan and not yet released by the Company are included in the table headed "Interests under share plans" starting on page 50. Bonuses earned by the executive directors and senior executives under annual incentive plans are not pensionable.

REMUNERATION REPORT

BENEFITS IN KIND

The taxable benefits provided to executive directors during the year under review were use of a fully expensed car or car allowance, life insurance and medical cover.

PENSIONS

During the year, the executive directors were members of the final salary section of the Chloride 1996 Pension Scheme (the 1996 Scheme). The 1996 Scheme is a funded, contributory, HMRC-approved, occupational pension scheme which is contracted into the State Earnings-Related Pension Scheme. It provides a pension of up to two-thirds of final pensionable earnings (up to normal retirement age under the Scheme), depending on service. The 1996 Scheme also provides for dependants' pensions and lump sums on death in service.

The table headed "Pension entitlements" on page 49 shows the retirement benefits, excluding voluntary contributions, which accrued under the defined benefit section of the 1996 Scheme to the executive directors during the year, together with the total accrued annual pension to which each of them would be entitled under defined benefit arrangements on leaving service.

With effect from 6 April 2006, the 1996 Scheme adopted a cap on pensionable salary in place of the statutory earnings cap, which is cost neutral to the Group. The pension benefits of the executive directors are subject to this cap and they each received salary supplements in relation to salary in excess of the cap. The amount of these payments is shown in the table on page 49 headed "Summary of Remuneration".

EXECUTIVE SHARE INCENTIVE POLICY

The Board encourages executive directors to build and maintain holdings of shares in the Company and believes that the potential for increased share ownership which is provided by share-based incentive schemes is an important element in promoting closer alignment of the interests of shareholders and executive directors. The current policy is to make annual grants of awards under the Performance Share Plan. Subject to shareholder consent, from 2011 awards will also be made under the Share Matching Plan. Further details about this are set out below.

PERFORMANCE SHARE PLAN

The maximum annual value of shares which can be granted under the Performance Share Plan (PSP) is 100% of salary and this is the level of award which is currently made to the Executive Directors. Shareholder approval is being sought at the Annual General Meeting to introduce a limit of 200% of salary in exceptional circumstances, although Chloride's major shareholders will be consulted before making any awards above 100% of salary. In addition, approval is being sought to allow participants to receive a payment (in cash or shares) of an amount equivalent to the dividends that would have been paid on vested awards between grant and vesting. This will only be applicable to awards granted in 2011 and onwards.

Awards granted under the PSP are normally exercisable on the third anniversary of the date of the award, to the extent that a total shareholder return (TSR) performance target is met over a fixed performance period of three financial years. TSR was chosen as it aligns the interests of the directors with shareholders by requiring superior TSR performance compared to its peers. The TSR target for grants up to June 2008 compares the Company's TSR with that of constituents of the FTSE Small Cap Index (excluding Investment Trusts). Once the Company became a constituent of the FTSE 250 Index (excluding Investment Trusts), the Committee decided that the Company's TSR should be measured against that index for awards granted from June 2008 onwards.

The vesting schedule for already granted awards and 2010 awards is as follows:

Chloride's ranking	% of awards which vest
Below median	0%
Median	30%
Between median and upper quartile	Straight line between 30% and 100%
Upper quartile	100%

In addition, no awards vest under the PSP unless the Company's EPS growth is at least equal to the growth in the Retail Prices Index plus 2% p.a. over the performance period.

Subject to approval being obtained for the amendments to the Performance Share Plan, the plan will also be amended so that (i) for awards in 2011 and onwards the level of vesting at median will be reduced from 30% to 25% of salary, (ii) in future, to reflect current good practice, awards which vest in "good leaver" circumstances normally will be time pro-rated in addition to being performance linked and (iii) to be consistent with the provisions of the new Share Matching Plan, future awards will be exercisable from vesting until the tenth anniversary of the award date to provide some flexibility to employees to choose the year in which to pay tax on their shares.

The awards granted in 2006 met the performance conditions in full and became exercisable in the year. The performance conditions for the 2007 awards were also met in full as at 31 March 2010 and these awards will become exercisable in June 2010. The TSR calculation is independently calculated by HNBS.

SHARE MATCHING PLAN

At the 2010 AGM, approval will be sought for the introduction of a Share Matching Plan ("SMP"). The first awards under this plan will be made in 2011. It is anticipated that only executive directors and senior executives will participate.

Deferred shares from the annual bonus plan (equivalent to one-third of any bonus) will be subject to a match by the Company under the SMP. In addition, executive directors and senior executives will also be able to voluntarily invest up to another third of any bonus in shares which will also be subject to a match by the Company. The Remuneration Committee will have the ability to set the precise level of voluntary deferral each year, but this cannot be more than a third of the bonus.

Awards will vest after three years subject to continued employment and the satisfaction of specified performance conditions and the retention of the invested shares. The maximum match will be 2:1 (Company: Employee) on the gross investment for a stretch level of performance and the threshold level of match will be 0.5:1 (Company: Employee). The performance conditions applying to SMP Shares will be based on challenging compound EPS growth targets compared to the Retail Prices Index over three years. The precise targets will be discussed with major shareholders in 2011 and a specific resolution will be brought before shareholders for approval at the 2011 Annual General Meeting (before the first awards are made).

The Committee believes that the SMP will further increase the alignment between management and shareholders, and facilitate greater share ownership by management.

EXECUTIVE SHARE OPTION SCHEMES

No grants have been made under the Chloride Group 2001 Executive Share Option Scheme (ESOS) since [2005] and there are no plans to grant options in future. If awards are made under this scheme and the Performance Share Plan then there is as an aggregate limit of two times basic salary. In calculating the value of awards, a performance share is deemed equal to two ESOS awards. Options granted under this scheme are normally exercisable between the third and tenth anniversaries of the date of grant, on condition that earnings per share growth targets are met over a period of three consecutive years.

Prior to the Chloride Group 2001 ESOS, the Company operated the Chloride Group 1994 Share Option Scheme and the 1996 Share Option Scheme, under which HMRC-approved options and, in the case of the 1996 Scheme, unapproved options were granted to executive directors as well as senior executives. No further options can be granted under the 1994 or 1996 schemes. Options granted under the 1994 and 1996 Schemes are normally exercisable between the third and tenth anniversaries of the date of grant and were subject to meeting performance targets relating to EPS growth.

There are no outstanding options held by a director under any of the above option schemes. Details of the options exercised by Neil Warner are set out in the table on page 50 headed "Interests under Share Plans".

SHARE OWNERSHIP GUIDELINES

Executive directors will be expected to build up and maintain a shareholding of 100% of salary. Until this level of shareholding is achieved, executive directors will have to retain 50% of all vesting share awards (after tax) until the guideline is met. This retention of some vested shares will take effect in 2010 in relation to deferred shares and PSP awards (and will apply to SMP awards when they start to vest).

SAVINGS-RELATED SHARE OPTION SCHEME

The Group operates a savings-related share option scheme – the 2007 Scheme, which expires in July 2017. Under the Scheme, options – which are available to eligible UK employees who contract to save a specified monthly amount – are not normally exercisable until the expiry of three or, depending on an individual's initial election, five years from the contract start date.

The 1997 savings-related share option scheme expired in July 2007, and no further options can be granted under it.

The outstanding interests of the executive directors under all executive share option schemes, the savings-related share schemes and the PSP are set out in the table starting on page 50 headed "Interests under Share Plans".

REMUNERATION REPORT

CONTRACTS OF EMPLOYMENT

Each of the executive directors has a rolling contract of employment, terminable on 12 months' notice if terminated by the Company and six months' notice if terminated by the director.

The executive directors' current contracts of employment became effective on the following dates:

Tim Cobbold – 29 July 2008
Neil Warner – 23 April 1997

In the event of termination by the Company, each of the executive directors would be entitled to 12 months' salary, pension benefits, salary supplement and benefits in kind. In an appropriate case the Company would have regard to the departing director's duty to mitigate loss. However, the contracts of employment of the directors contain special terms relating to dismissal following a change of control of the Company, under which they would each be entitled to receive a prescribed payment made up of 12 months' salary and benefits including a bonus payment of 20% of basic salary. Four senior executives also have contracts of employment containing this formula for a prescribed compensation payment on dismissal following a change of control. However, in line with best practice, no bonus will be included in contracts for any directors appointed in future.

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

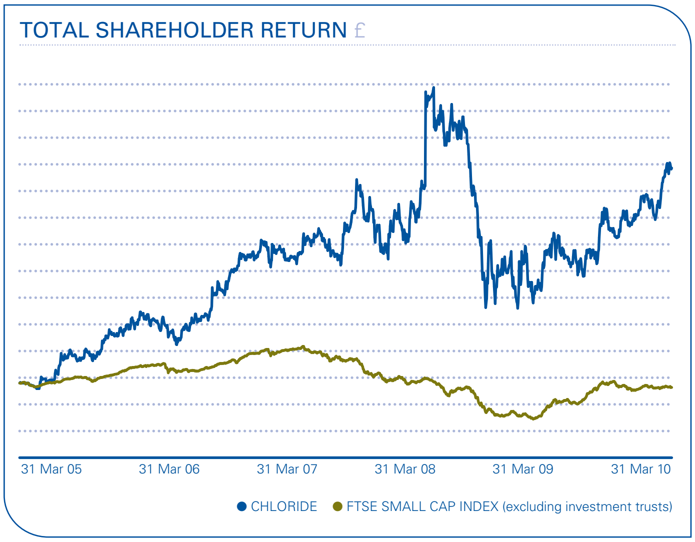
POLICY ON EXTERNAL APPOINTMENTS OF EXECUTIVE DIRECTORS

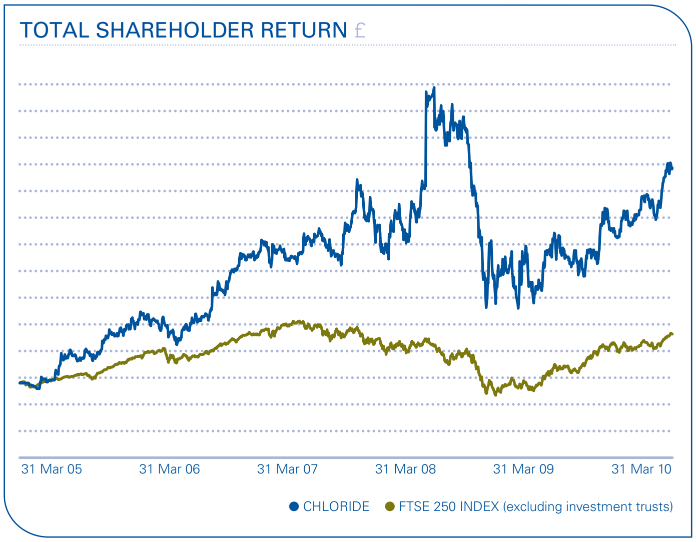
The current policy is that executive directors should not take on more than one major outside appointment and then only with the prior approval of the Board. Fees associated with any such appointment will normally be retained by the individual. During the year, fees received and retained were as follows:

	Fee £000	Company
Neil Warner	38.75	Dechra Pharmaceuticals plc

TOTAL SHAREHOLDER RETURN

The graphs set out below show the performance of the Company over the last five financial years in terms of TSR, relative to the FTSE Small Cap Index and the FTSE 250 Index (both excluding investment trusts). The graphs demonstrate the comparative TSR in terms of annual movements.





AUDITED INFORMATION

SUMMARY OF REMUNERATION

	2010 Fees/ basic salary £000	2010 Performance-related bonus £000	2010 Salary supplement £000	2010 Other benefits £000	Note	2010 Total £000	2009 Total £000
CHAIRMAN							
N N Broadhurst	**115.0**	–	–	–		**115.0**	115.0
CHIEF EXECUTIVE							
T R Cobbold	**350.0**	**255.5**	**45.3**	**37.4**	1, 2 & 3	**688.2**	772.5
K H Hodgkinson	–	–	–	–	6	–	268.4
EXECUTIVE DIRECTOR							
N W Warner	**250.0**	**155.0**	**63.2**	**15.6**	1 & 2	**483.8**	541.4
NON-EXECUTIVE DIRECTORS							
G Bullard	**41.5**	–	–	–	4	**41.5**	39.8
J L M Hughes	**36.5**	–	–	–		**36.5**	9.1
P J Lester	**36.5**	–	–	–		**36.5**	36.5
R S Southwell	–	–	–	–	7	–	13.8
E F Tracey	**42.5**	–	–	–	5	**42.5**	42.5
Aggregate remuneration	**872.0**	**410.5**	**108.5**	**53.0**		**1,444.0**	1,839.0

Notes

1 Of the performance-related bonuses, the following amounts will be deferred into shares in accordance with the Deferred Bonus Share Plan rules: Tim Cobbold – £80,500; Neil Warner – £30,000. Performance-related bonuses are earned in respect of the year under which they are shown but are not paid until the following year.
2 Payments listed in the column entitled "salary supplement" represent payments made to the executive directors in lieu of pension contributions.
3 The column headed "other benefits" comprises accommodation benefits amounting to £17,500. These payments terminated in the year.
4 Fees for Mr Bullard included a payment of £5,000 for chairmanship of the Remuneration Committee.
5 Fees for Mr Tracey included a payment of £6,000 for chairmanship of the Audit Committee.
6 Mr Hodgkinson retired as a director at the Company's AGM on 29 July 2008 and as an employee on 30 November 2008.
7 Mr Southwell retired as a director at the Company's AGM on 29 July 2008.

PENSION ENTITLEMENTS

	Age at 31 March 2010	Years of pensionable service at 31 March 2010	Increase in accrued pension during the year £	Increase in accrued pension during the year (excluding inflation) £	Directors' compulsory contributions in 2009/2010 £	Transfer value of increase (net of directors' compulsory contributions) £	Accumulated total accrued pension as at 31 March 2010 £	Transfer value of accrued pension benefits as at 31 March 2009 £	Transfer value of accrued pension benefits as at 31 March 2010 £	Increase in transfer value during the year (net of directors' compulsory contributions) £
T R Cobbold	47	2 years 10 months	3,590	3,671	12,360	20,362	9,340	45,513	85,134	27,261
N W Warner	56	12 years 11 months	5,204	5,734	12,360	60,064	42,579	663,787	807,193	131,046

Notes

1 The pension entitlement shown is that which would be paid annually on retirement under the terms of the Chloride 1996 Pension Scheme based on service to 31 March 2010.
2 The transfer values (and their increases) in columns 6, 8, 9 and 10 have been calculated in accordance with legislation.
3 The amount shown in column 6 is the value of the pension accrued over the year and is based on financial conditions at the end of the year. The figure in column 10 shows the movement in the value of the total pension entitlement and reflects changes in market conditions as well as pension accrual over the year.
4 The normal retirement age for directors is 65. The transfer values assume that Mr Warner can receive his benefits accrued before 1 April 2006 starting on 31 March 2010 and his benefits accrued after 31 March 2006 at age 65 and that Mr Cobbold receives his benefits at age 65.

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

REMUNERATION REPORT

INTERESTS UNDER SHARE PLANS The directors' interests in share options, performance shares (all of which were granted for nil or nominal consideration) and in deferred bonus shares, as at 31 March 2010, were as follows:

	Date of grant	Option price	Number of ordinary shares under option: At 1 April 2009	(Exercised/ lapsed) /granted 2009/2010	Note	**At 31 March 2010**	Normal exercise period From	To
EXECUTIVE SHARE OPTION SCHEMES								
N W Warner	30.05.2000	135.5p	80,000	(80,000)	1, 2, 3	**–**	30.05.2003	29.05.2010
	01.06.2005	65.875p	266,803	(266,803)	1, 2, 3	**–**	01.06.2008	31.05.2015
			346,803	(346,803)		**–**		
Total			346,803	(346,803)		**–**		

Aggregate gains made by directors on the exercise of share options in the year were £724,146 (2009: £265,832).

	Date of grant	Option price	Number of ordinary shares under option: At 1 April 2009	(Exercised/ lapsed) /granted 2009/2010	Market price at date of award	Note	**At 31 March 2010**	Normal exercise period From	To
PERFORMANCE SHARE PLAN									
T R Cobbold	12.06.2007	nil	144,578	–	169.25p	1, 4	**144,578**	12.06.2010	11.06.2011
	10.06.2008	nil	99,800	–	251.50p	4	**99,800**	10.06.2011	09.06.2012
	01.08.2008	nil	26,272	–	252.50p	4	**26,272**	01.08.2011	31.07.2012
	03.06.2009	nil	–	226,171	149.00p	4	**226,171**	03.06.2012	02.06.2013
			270,650	226,171			**496,821**		
N W Warner	09.06.2006	nil	245,989	(245,989)	96.00p	1, 5	**–**	09.06.2009	08.06.2010
	12.06.2007	nil	144,578	–	169.25p	1, 4	**144,578**	12.06.2010	11.06.2011
	10.06.2008	nil	99,800	–	251.50p	4	**99,800**	10.06.2011	09.06.2012
	03.06.2009	nil	–	161,551	149.00p	4	**161,551**	03.06.2012	02.06.2013
			490,367	(84,438)			**405,929**		
Total			761,017	141,733			**902,750**		

Notes
1 Performance condition met.
2 The performance condition for the 2000 option grant required the Company's share price to outperform the FTSE Small Cap Index (excluding investment trusts) in six out of any nine consecutive months from the 28th month following the date of grant, and for growth in the Company's adjusted earnings per share to exceed that of the UK Retail Prices Index over a period of at least three financial years. The performance condition for the 2005 option required the growth in the Company's Adjusted EPS to exceed the growth in the UK Retail Prices Index by at least 3% p.a. compound.
3 The share price at the date of exercise, 15 February 2010, was 174.50p.
4 Performance condition requires that the Company's total shareholder return over a fixed period of three financial years be at least median against the FTSE 250 Index (excluding investment trusts). For awards before June 2008 the comparator group was the FTSE Small Cap Index (excluding investment trusts). In addition, growth in the Company's earnings per share must exceed the growth in the UK Retail Prices Index by 2% per annum over the same period.
5 The share price at the date of exercise, 4 August 2009, was 146.00p.

The mid-market price of an ordinary share as at 31 March 2010 was 210.10p (2009: 125.00p). The mid-market price ranged during the year from a low of 128.00p (2009: 111.75p) to a high of 213.90p (2009: 283.25p).

	Date of grant	Option price	At 1 April 2009	(Exercised)/ granted 2009/2010	Note	**At 31 March 2010**	Normal exercise period From	To
SAVINGS-RELATED SHARE OPTION SCHEME								
T R Cobbold	05.12.2007	166.0p	5,783	–		**5,783**	01.02.2011	31.07.2011
N W Warner	02.12.2008	128.0p	13,085	–		**13,085**	01.02.2014	31.07.2014
Total			18,868	–		**18,868**		

DEFERRED BONUS SHARE PLAN

	Date of award	Market price at date of award	At 1 April 2009	(Exercised) /granted 2009/2010	Note	**At 31 March 2010**	Normal exercise period From	To
Tim Cobbold	10.06.08	251.50p	19,960	–		**19,960**	01.04.10	31.03.11
	01.07.09	153.50p	–	52,970		**52,970**	01.04.11	31.03.12
			19,960	52,970		**72,930**		
N W Warner	07.06.07	166.00p	29,096	(29,096)	1	**–**	01.04.09	31.03.10
	10.06.08	251.50p	23,952	–		**23,952**	01.04.10	31.03.11
	01.07.09	153.50p	–	41,322		**41,322**	01.04.11	31.03.12
			53,048	12,226		**65,274**		
Total			73,008	65,196		**138,204**		

The deferred bonus shares noted above do not include any to be awarded in respect of the year ending 31 March 2010. The qualifying condition requires the recipient to remain in the Group's employment until the date of maturity.

Notes
1 The market price at the date of exercise, 4 August 2009, was 146.00p.

DIRECTORS' INTERESTS IN SHARES

The directors had the following interests in shares of the Company:

	Number of ordinary shares 31 March 2010	Number of ordinary shares 1 April 2009
N N Broadhurst	**12,000**	12,000
G Bullard	**45,000**	35,000
T R Cobbold	**29,092**	29,092
J L M Hughes	**–**	–
P J Lester	**3,000**	3,000
E F Tracey	**10,000**	10,000
N W Warner	**258,389**	258,389

In addition to the interests disclosed above, all of which are beneficial, Tim Cobbold and Neil Warner are each regarded as having a technical interest in the ordinary shares in the Company held by the Chloride Group Employee Benefit Trust (see page 36). Neither of them is entitled to receive from the Trust more shares than may be allocated to him upon exercise of options under any of the incentive plans shown above. The Trust held 5,736,328 shares on 31 March 2010 (2009: 6,793,309).

There have been no changes in the beneficial holdings of the directors between 31 March and 23 May 2010.

This Report was approved by the Board on 24 May 2010 and signed on its behalf by

GARY BULLARD CHAIRMAN OF THE REMUNERATION COMMITTEE

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

T R COBBOLD CHIEF EXECUTIVE OFFICER

N W WARNER GROUP FINANCE DIRECTOR

24 May 2010

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHLORIDE GROUP PLC

We have audited the financial statements of Chloride Group PLC for the year ended 31 March 2010 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the Group and parent company statements of financial position, the Group and parent company statements of cash flow, the Group and parent company statements of changes in equity and the related notes 1 to 34. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2010 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement contained within the directors' report in relation to going concern; and
- the part of the corporate governance statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

COLIN HUDSON (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF DELOITTE LLP, CHARTERED ACCOUNTANTS AND STATUTORY AUDITORS
London, United Kingdom
24 May 2010

CONSOLIDATED INCOME STATEMENT YEAR ENDED 31 MARCH

	Notes	2010 £000	2009 £000
REVENUE	3, 4	**335,953**	326,747
Cost of sales		**(192,492)**	(186,159)
GROSS PROFIT		**143,461**	140,588
Distribution costs		**(45,031)**	(43,222)
Administrative expenses		**(54,430)**	(50,953)
Share of profits from associate and joint venture	15	**699**	(8)
OPERATING PROFIT BEFORE AMORTISATION OF ACQUIRED INTANGIBLES AND RESTRUCTURING COSTS		**44,699**	46,405
Restructuring costs	6	**(5,936)**	–
Amortisation of acquired intangibles	4	**(5,555)**	(3,829)
OPERATING PROFIT	4	**33,208**	42,576
Finance cost	7	**(4,931)**	(5,477)
Investment income	3, 7	**1,623**	2,727
PROFIT BEFORE TAX	4, 5	**29,900**	39,826
Income tax expense	8	**(10,340)**	(12,755)
PROFIT AFTER TAX		**19,560**	27,071
Attributable to minority interests	27	**(18)**	(454)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**19,542**	26,617
EARNINGS PER SHARE			
BASIC	10	**7.7p**	10.6p
DILUTED	10	**7.6p**	10.5p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED 31 MARCH

	Notes	2010 £000	2009 £000
PROFIT FOR THE PERIOD		**19,560**	27,071
Gains/(losses) on cash flow hedges		**68**	(24)
Exchange differences arising on translation of foreign operations			
Subsidiaries		**(1,519)**	25,188
Associates		**99**	(255)
Actuarial losses on post-employment employee benefits	32	**(8,238)**	(4,513)
Revaluation of previously held interest in associate on acquisition of control		**–**	564
Transfer to profit and loss on cash flow hedges		**(146)**	(72)
Tax on items recognised in other comprehensive income	24	**2,754**	(19)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD NET OF TAX		**(6,991)**	20,869
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**12,578**	47,940
Attributable to:			
Equity holders of the parent		**12,996**	46,267
Minority interest	27	**(418)**	1,673

The information on pages 54 to 95 inclusive forms part of these accounts.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH

	Notes	2010 £000	2009 £000
ASSETS			
NON-CURRENT ASSETS			
Goodwill	12	85,624	71,546
Other intangible assets	13	31,340	21,528
Property, plant and equipment	14	27,695	27,674
Interests in associates and joint venture	15	1,171	522
Investments	16	1,337	25
Deferred tax assets	24	10,068	5,739
		157,235	127,034
CURRENT ASSETS			
Inventories	17	50,774	44,044
Trade and other receivables	18	116,155	110,538
Derivative financial instruments	23	171	371
Cash and cash equivalents	19	30,286	38,145
		197,386	193,098
TOTAL ASSETS		354,621	320,132
LIABILITIES			
CURRENT LIABILITIES			
Bank overdrafts and other loans	21	11,518	44,029
Obligations under finance leases	22	77	89
Trade and other payables	20	94,120	89,062
Derivative financial instruments	23	455	103
Tax payable		8,400	7,872
Provisions	25	9,246	3,665
		123,816	144,820
NON-CURRENT LIABILITIES			
Bank and other loans	21	59,366	9,088
Obligations under finance leases	22	305	386
Other payables	20	563	341
Derivative financial instruments	23	76	–
Post-employment benefits	32	17,593	12,597
Deferred tax liabilities	24	12,553	6,718
Tax payable		831	829
Provisions	25	7,016	3,025
		98,303	32,984
TOTAL LIABILITIES		222,119	177,804
NET ASSETS		132,502	142,328
EQUITY			
Issued capital	26	65,750	65,275
Share premium		8,980	7,843
Own shares		(9,123)	(10,948)
Retained earnings		35,810	40,834
Foreign exchange reserve		29,505	30,489
Hedge reserve account		(54)	24
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		130,868	133,517
Minority interest	27	1,634	8,811
TOTAL EQUITY		132,502	142,328

Approved by the Board on 24 May 2010

T R COBBOLD DIRECTOR   N W WARNER DIRECTOR

The information on pages 54 to 95 inclusive forms part of these accounts.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH

	Share capital £000	Share premium £000	Own shares £000	Hedging reserve £000	Exchange reserve £000	Retained earnings £000	Total £000	Minority interest £000	Total equity £000
At 1 April 2008	64,384	5,502	(12,019)	120	6,775	29,766	94,528	–	94,528
Total comprehensive (loss)/income for the period	–	–	–	(96)	23,714	22,649	46,267	1,673	47,940
Dividends paid	–	–	–	–	–	(10,690)	(10,690)	–	(10,690)
Shares issued	891	2,341	–	–	–	–	3,232	–	3,232
Movements in respect of own shares	–	–	1,071	–	–	(3,103)	(2,032)	–	(2,032)
Share-based payments	–	–	–	–	–	2,212	2,212	–	2,212
Minority interest on acquisition of subsidiary	–	–	–	–	–	–	–	7,138	7,138
At 31 March 2009	65,275	7,843	(10,948)	24	30,489	40,834	133,517	8,811	142,328
At 1 April 2009	65,275	7,843	(10,948)	24	30,489	40,834	133,517	8,811	142,328
Total comprehensive (loss)/income for the period	–	–	–	(78)	(984)	14,058	12,996	(418)	12,578
Dividends paid	–	–	–	–	–	(12,114)	(12,114)	(219)	(12,333)
Shares issued	475	1,137	–	–	–	–	1,612	–	1,612
Movements in respect of own shares	–	–	1,825	–	–	(2,783)	(958)	–	(958)
Share-based payments	–	–	–	–	–	1,830	1,830	–	1,830
Acquisition of minority interest in subsidiary	–	–	–	–	–	(6,015)	(6,015)	(6,540)	(12,555)
AT 31 MARCH 2010	**65,750**	**8,980**	**(9,123)**	**(54)**	**29,505**	**35,810**	**130,868**	**1,634**	**132,502**

The information on pages 54 to 95 inclusive forms part of these accounts.

CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED 31 MARCH

	Notes	2010 Cash flow before exceptional payments £000	2010 Restructuring and other exceptional payments (Note 6) £000	2010 Total £000	2009 Total £000
OPERATING ACTIVITIES					
Operating profit		**39,144**	**(5,936)**	**33,208**	42,576
Amortisation of intangibles – acquired intangibles	13	**5,555**	**–**	**5,555**	3,829
ADJUSTED OPERATING PROFIT (EBITA)		**44,699**	**(5,936)**	**38,763**	46,405
Amortisation of intangibles – computer software	13	**1,048**	**–**	**1,048**	927
Depreciation of property, plant and equipment	14	**4,267**	**–**	**4,267**	3,631
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)		**50,014**	**(5,936)**	**44,078**	50,963
Gain on sale of property, plant and equipment		**(26)**	**–**	**(26)**	(73)
Non-cash charge for employee share schemes		**1,830**	**–**	**1,830**	2,212
Post-employment benefits		**(1,514)**	**(2,405)**	**(3,919)**	(170)
Interest in associate and joint venture		**(551)**	**–**	**(551)**	8
OPERATING CASH FLOW BEFORE WORKING CAPITAL MOVEMENTS		**49,753**	**(8,341)**	**41,412**	52,940
(Increase)/decrease in inventories		**(2,454)**	**–**	**(2,454)**	1,306
Decrease/(increase) in trade and other receivables		**269**	**–**	**269**	(3,814)
Increase/(decrease) in trade and other payables		**684**	**–**	**684**	(6,786)
Increase/(decrease) in other provisions		**221**	**2,803**	**3,024**	(639)
OPERATING CASH FLOW		**48,473**	**(5,538)**	**42,935**	43,007
Income taxes paid				**(10,915)**	(13,587)
Finance costs paid				**(3,235)**	(3,568)
Investment income				**256**	1,032
NET CASH FROM OPERATING ACTIVITIES				**29,041**	26,884
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	14			**(3,925)**	(4,896)
Purchase of software	13			**(543)**	(542)
Sale of property, plant and equipment				**282**	179
Purchase of businesses	28			**(35,888)**	(7,321)
Purchase of investment in associates				**–**	(914)
Purchase of investment	16			**(1,312)**	–
NET CASH USED IN INVESTING ACTIVITIES				**(41,386)**	(13,494)
FINANCING ACTIVITIES					
Share capital issued				**1,612**	3,232
Purchase of own shares				**(958)**	(2,032)
Capital element of finance lease repayments	30			**(101)**	61
(Decrease)/increase in short-term borrowings	30			**(32,909)**	29,940
Increase/(decrease) in long-term borrowings	30			**48,944**	(22,587)
Equity dividends paid				**(12,305)**	(10,895)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES				**4,283**	(2,281)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES				**4,283**	(2,281)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS				**(8,062)**	11,109
Cash and cash equivalents at beginning of year				**37,193**	22,292
Net foreign exchange differences				**96**	3,792
CASH AND CASH EQUIVALENTS AT END OF YEAR				**29,227**	37,193

The information on pages 54 to 95 inclusive forms part of these accounts.

1 BASIS OF ACCOUNTING

Chloride Group PLC is a UK-listed electronics company and, together with its subsidiary operations, is hereafter referred to as "the Company". The Company is required to prepare its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The preparation of financial statements under IFRS requires the directors to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, and income and expenses. These estimates and associated assumptions are based on past experience and other factors considered applicable at the time and are used to make judgments about the carrying value of assets and liabilities that cannot be readily determined from other sources. Actual results may differ from these estimates. These estimates and underlying assumptions are reviewed on an ongoing basis. Changes to estimates and assumptions are reflected in the financial statements in the period in which they are made.

GOING CONCERN

The financial position of the Company, its cash flows, borrowing facilities and liquidity are set out on page 27 of the financial review and in note 21 on page 78. The directors have considered the Company's internal forecasts and projections that take into account reasonably possible changes in trading performance. Based on these and the Company's financing position at 31 March 2010, the directors consider that the Company has adequate facilities to continue to operate for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

CRITICAL ACCOUNTING JUDGEMENTS AND AREAS OF ESTIMATION UNCERTAINTY

In applying the Company's accounting policies as set out in note 2, management has made accounting judgements in the determination of the carrying value of deferred tax assets, intangible assets, the quantification of provisions including retirement benefit obligations and the impairment of goodwill. Due to the inherent uncertainty involved in making assumptions and estimates, actual outcomes will differ from those assumptions and estimates. An analysis of the key sources of estimation uncertainty is provided below.

DEFERRED TAX ASSETS

The carrying value of certain deferred tax assets is dependent on sufficient taxable profits being generated in certain territories in future periods.

INTANGIBLE ASSETS

To determine the net present value of certain customer relationships and trade names, management has estimated the additional future cash flows arising from these intangibles. In the case of customer relationships, management has applied an estimated attrition factor to its forecast sales for the relevant unit and in the case of trade names has applied a notional royalty rate.

PROVISIONS

The quantification of certain liabilities within provisions (for environmental remediation obligations and for legal costs in relation to certain claims and deferred acquisition payments) has been estimated. Such liabilities depend on the actions of third parties and on the specific circumstances pertaining to each obligation, neither of which is controlled by the Company.

IMPAIRMENT OF NON-CURRENT ASSETS

To determine whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

RETIREMENT BENEFIT OBLIGATIONS

In assessing the Company's obligations relating to retirement benefits, management made key assumptions relating to current and future mortality, expected returns on plan assets and discount rates.

PRESENTATION UNDER IFRS

The statements are presented in pounds sterling and have been prepared under IFRS as adopted by the European Union using the historical cost convention.

The Company therefore complies with Article 4 of the EU IAS regulations, adjusted by the revaluation of certain assets and liabilities to fair value. The nature of these adjustments is set out in the policies below.

1 BASIS OF ACCOUNTING CONTINUED

The Company has adopted the following accounting pronouncements as of 1 April 2009:

- IAS 1 Revised (2007) "Presentation of Financial Statements"
- IFRS 8 "Operating Segments"
- IAS 23 Revised (2007) "Borrowing Costs"
- Amendment to IFRS 2 "Share-based Payments – Vesting Conditions and Cancellations"
- Amendment to IFRS 7 "Financial Instruments; Recognition and Measurement"
- FRIC 16 "Hedges of a Net Investment in a Foreign Operation".

With the exception of the above pronouncements, all other accounting policies have been consistently applied from the previous year. The adoption of these pronouncements has had no significant impact on the results or financial position of the Company.

At the date of authorisation of these financial statements, the following Standards/revisions to Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 3, *Business Combinations* (revised 2008), incorporates the following changes that are likely to be relevant to the Company's operations:
  - contingent consideration will be measured at fair value, with subsequent changes recognised in profit or loss;
  - transaction costs, other than share and debt issue costs, will be expensed as incurred;
  - pre-existing interests in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss; and
  - any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

  IFRS 3 will become mandatory for the Company's 2011 accounts and will be applied prospectively from 1 April 2010. The significance or otherwise of the impact of these changes to the Company will depend on the circumstances of any future acquisition.
- IAS 27, *Consolidated and Separate Financial Statements* (revised 2008), requires changes in the level of ownership of a subsidiary, while maintaining control to be recognised in equity. The amendment is effective for accounting periods beginning on or after 1 July 2009. No significant impact to the Company's net results or net assets is likely to occur, as the accounting policy currently used by the Company is consistent with this version.
- IFRS 1, *First-time Adoption of International Financial Reporting Standards* (revised 2008) will have no impact on the Company.
- IFRS 9, *Financial Instruments* was issued in November 2009. It is applicable to financial assets and requires classification and measurement in either the amortised cost or the fair value category. It is effective for accounting periods beginning on or after 1 January 2013. The adoption of IFRS 9 is not expected to have a significant impact upon the net results or net assets of the Company.
- IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* (revised 2008) provides clarification that assets and liabilities of a subsidiary should be classified as held for sale if the Parent is committed to a plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale. The amendment is effective for accounting periods beginning on or after 1 July 2009 and will not have a significant impact upon the net results, net assets or disclosures of the Company.
- IAS 39, *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* deals with two situations where diversity in practice exists on the designation of inflation as a hedged risk and the treatment of "one-sided" risks on hedged items. The amendment is effective for accounting periods beginning on or after 1 July 2009. The amendment is not expected to have a significant impact upon the net results, net assets or disclosures of the Company.

1 BASIS OF ACCOUNTING CONTINUED

The following IFRIC interpretations have been issued but are not yet adopted by the Company:

- Amendments to IFRIC 14 "Prepayments of a Minimum Funding Requirement".
- IFRIC 17 "Distributions of Non-cash Assets to Owners".
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments".

No significant impact on the Company's results is likely to arise from the adoption of these interpretations.

These are the Company's fifth financial statements prepared in accordance with IFRS. The Company's transition date for adoption of IFRS was 1 April 2005.

IFRS 1 (First Time Adoption of International Financial Reporting Standards) allows companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS. Accordingly, the Company took advantage of the following key exemptions on transition to IFRS:

(A) BUSINESS COMBINATIONS:
The Company chose not to restate to IFRS business combinations and the resultant acquisition goodwill for acquisitions made prior to the transition date.

(B) CUMULATIVE TRANSLATION DIFFERENCES:
IAS 21 (The Effects of Changes in Foreign Exchange Rates) requires that the cumulative exchange differences previously recognised directly in equity for foreign operations are transferred to the income statement as part of the profit or loss on any subsequent disposal. As permitted by IFRS 1 the Company reset these cumulative foreign exchange translation differences to zero at the transition date.

(C) SHARE-BASED PAYMENTS:
The Company applied IFRS 2 (Share-based Payments) only to awards made after 7 November 2002 and which had not vested by 1 January 2005.

(D) FINANCIAL INSTRUMENTS:
The Company took the exemption not to restate comparatives for IAS 32 (Financial Instruments: Disclosure and Presentation), and IAS 39 (Financial Instruments: Recognition and Measurement).

BASIS OF CONSOLIDATION
The consolidated financial statements incorporate the accounts of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March each year. Subsidiaries are those companies in which the Company has control, directly or indirectly, over the operations so as to obtain benefits from those companies' activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company transactions, balances and unrealised gains and losses on transactions between Group companies have been eliminated.

2 SIGNIFICANT ACCOUNTING POLICIES

BUSINESS COMBINATIONS
The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for resale in accordance with IFRS 5 (Non-Current Assets Held for Sale and Discontinued Operations), which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss. Acquisitions of minority interests are recognised as a reduction in minority interests, with any excess of the purchase price over these amounts being recognised as an adjustment in retained earnings.

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

INVESTMENT IN ASSOCIATES AND JOINT VENTURES

An associate or joint venture is an entity over which the Company, either directly or indirectly, is in a position to exercise significant influence by participating in, but not controlling, the financial and operating policies of the entity.

Both entities are accounted for using the equity method. Losses of an associate or joint venture in excess of the Group's interest in the entity are not recognised, except to the extent that the Group has incurred obligations on behalf of the entity. Profits and losses recognised by the Company or its subsidiaries on transactions with an associate or joint venture are eliminated to the extent of the Group's interest in the associate or joint venture concerned.

REVENUE RECOGNITION

1) REVENUE

Revenue represents the amounts, excluding VAT and similar sales-related taxes, receivable by the Company for goods and services supplied to outside customers in the ordinary course of business. Revenue is recognised when persuasive evidence of an arrangement with a customer exists, products have been delivered or services have been rendered and collectability is reasonably assured.

Revenue on long-term contracts is recognised under the percentage to completion method of accounting and is calculated based on the ratio of costs incurred to date compared with the total expected costs for that contract.

Revenue from long-term service provision contracts is recognised by reference to the stage of completion of contract activity at the balance sheet date. This is normally determined by the proportion of the contract that has elapsed at the balance sheet date. Revenue from services provided on a short-term or one-off basis is recognised when the service is complete.

2) INTEREST INCOME

Interest income is recognised in the income statement as it accrues by reference to the effective yield on the asset.

OPERATING PROFIT

Operating profit is stated after restructuring costs but before investment income and finance cost.

INCOME TAX

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the tax payable on the taxable income for the year and is calculated using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on differences between the carrying values of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax arising from the initial recognition of an asset or liability in a transaction, other than a business combination, that affects neither the taxable nor accounting profit is not recognised.

Deferred tax is provided in respect of the distribution of overseas retained earnings by subsidiaries to the extent that the subsidiary, at the balance sheet date, has entered into a binding agreement to do so.

A deferred tax asset is recognised only to the extent that it is probable that there will be future taxable profits available to offset it and is reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is determined using the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates that have been enacted or substantially enacted at the balance sheet date.

FOREIGN CURRENCIES

1) FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are accounted for at exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate prevailing at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction.

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2) FINANCIAL STATEMENTS OF FOREIGN OPERATIONS
The assets and liabilities of foreign subsidiaries are translated to sterling at foreign exchange rates prevailing at the balance sheet date. Income statements of foreign entities are translated to sterling at the average exchange rates for the year, approximating the foreign exchange rates prevailing at the dates of the transactions. Exchange differences arising from the translation of shareholders' equity to sterling at year-end exchange rates are taken to the translation reserve. These differences are recognised as income or expense on disposal of the related subsidiary.

DERIVATIVE FINANCIAL INSTRUMENTS
The Company uses derivative financial instruments to manage operational exposures to foreign exchange and interest rate price risks. These derivatives entered into by the Company consist mainly of currency forwards and interest rate swaps. The Company's policy prohibits the use of derivatives for speculation and therefore does not hold or issue financial instruments for trading purposes. Derivative financial instruments are recognised as assets and liabilities and measured at their fair values at the date at which such contracts are entered into. Subsequently derivative financial instruments are re-measured at their fair value at each reporting date. The resulting gain or loss is recognised in profit immediately unless the derivative is designated and effective as a hedging instrument in which case the timing of recognition in the profit and loss depends on the nature of the hedge relationship.

Hedge accounting is applied to derivative financial instruments that are effective in offsetting the changes in fair value or in cash flows of the hedged items. Under hedge accounting of financial assets or liabilities changes in fair value of the financial derivative are recognised in the income statement where they are matched with changes in the fair value of the hedged item which are also recognised in the income statement. Cash flow hedges are entered into where a derivative financial instrument is used to hedge the currency risks of anticipated future export sales, cash flow risks of anticipated future purchases and the cash flow risk from changes in interest rates. The effective part of the changes in fair value of cash flow hedges are recognised in equity, while any ineffective part is recognised immediately in the income statement. When the firm commitment or forecasted transaction results in recognition of an asset or liability, the cumulative gain or loss is removed from equity and included in the initial measurement of that asset or liability. Otherwise the cumulative gain or loss is removed from equity and recognised in the income statement at the same time as the hedged transaction.

When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative unrealised gain or loss (at that point) remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately. Derivatives embedded in other financial instruments or non-derivative host contracts are recognised separately as derivative financial instruments where their risks and characteristics are not closely related to those of the host contract and the host contract is not stated at its fair value with changes in its fair value recognised in the income statement.

At the inception of a hedged relationship the Company documents the relationship between the hedging instrument and the hedged transaction together with its risk management objectives and strategy for undertaking various hedge transactions. The Company also documents at inception and on an ongoing basis as to whether the derivatives used are highly effective in offsetting changes in the fair value or cash flows of the hedged item.

EMPLOYEE BENEFITS
1) POST-EMPLOYMENT BENEFITS
Most Group undertakings have pension or retirement benefit arrangements. These vary but are appropriate to the legal requirements and local practices of the countries concerned.

Contributions to defined contribution plans are charged as an expense as they fall due. For defined benefit plans, pension charges are determined separately for each plan using the projected unit credit method, with actuarial valuations being carried out at the balance sheet date. The amounts charged to the income statement consist of current service costs, interest costs, the expected returns on plan assets and past service costs. Past service costs are recognised immediately where they have already vested and over the average period until they vest where they have not.

Amounts recognised in the statement of recognised income and expense represent actuarial gains and losses arising from differences between actuarial assumptions used in previous valuations and the actual outcome and changes in actuarial assumptions.

Pension obligations recognised in the balance sheet represent the present value of defined benefit obligations adjusted for any past service costs not yet recognised and the fair value of any plan assets.

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2) SHARE-BASED PAYMENTS
The Company operates share option programmes to allow employees to acquire shares in the Company at a price fixed at the time of the award. The Company also operates share award programmes which grant shares to certain employees. These programmes are subject to both market related and non-market related vesting conditions. For grants made after 7 November 2002 and remaining unvested at 1 January 2005 these awards are measured at their fair value at the date of grant. This fair value is then charged to the income statement on a straight-line basis over the vesting period. Adjustments are made to reflect expected and actual forfeiture during the vesting period due to failure to satisfy service conditions or non-market performance conditions. This fair value is determined using the Black-Scholes option pricing model.

GOODWILL
Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. This goodwill is carried in the balance sheet and is reviewed annually for impairment. Any impairment is recognised in the income statement and will not be subsequently reversed.

Goodwill is expressed in the currency of the subsidiary to which it relates and is translated to sterling using the year-end exchange rate. Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the UK GAAP amounts. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit and loss on disposal.

OTHER INTANGIBLE ASSETS
1) RESEARCH AND DEVELOPMENT
Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Development expenditure is recognised in the income statement as an expense in the period in which it is incurred except where it relates to the development of a new or significantly improved product or process that is technically and commercially feasible, where the Company has sufficient resources to complete the development and where the related costs can be reliably measured.

Expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

2) COMPUTER SOFTWARE
Computer software that is not integral to an item of property, plant or equipment is recognised separately as an asset and is stated at cost less subsequent amortisation.

3) OTHER INTANGIBLE ASSETS
Other intangible assets, acquired by the Company, are stated at cost less accumulated amortisation and impairment losses.

AMORTISATION
Intangible assets are amortised using the straight-line method over their estimated useful lives. The rates generally used are:

Computer software	Three to seven years
Other	Two to ten years

PROPERTY, PLANT AND EQUIPMENT
With the exception of certain freehold properties, property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment losses. Assets under construction are not depreciated. Certain of the Company's freehold properties were revalued in 1993. These properties are held at this valuation/deemed cost plus any subsequent capital expenditure and less cumulative depreciation.

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

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

Depreciation is calculated on the cost together with subsequent additions at cost. Under UK GAAP, certain assets were revalued in 1993 and have been deemed at cost on transition to IFRS.

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Assets held under finance leases are depreciated on a basis consistent with similar owned assets.

Gains/losses on disposal of an asset represent the difference between sales proceeds and the net carrying amount.

IMPAIRMENT

Acquired goodwill is tested annually for impairment. The carrying amounts of the Company's other assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the relevant asset is carried at a revalued amount, in which case the impairment is recognised as a revaluation decrease.

1) CALCULATION OF THE RECOVERABLE AMOUNT

The recoverable amount is the greater of the net selling price and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2) REVERSAL OF IMPAIRMENT

With the exception of acquisition goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Cost is generally determined on a first-in first-out basis and in the case of products manufactured by the Group, consists of direct material and labour costs together with related factory overheads. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

FINANCIAL ASSETS

INVESTMENTS

Investments other than those in associated companies and joint ventures are initially recognised at their fair value at the date of the transaction and are subsequently measured at each reporting date at their fair value. Where the fair value of investments cannot be reliably determined, these investments are carried at cost less provision for impairment. The Company's investments comprise equity stakes in partnership enterprises. These investments are classified as available for sale and the resultant gains or losses arising from changes in fair value of assets held for sale are directly recognised in equity until such assets are de-recognised, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period. Impairment losses are recognised in the income statement if there is objective evidence that the asset is impaired.

TRADE RECEIVABLES

Trade receivables are stated at their amortised cost by reference to invoiced amount less an allowance for doubtful accounts. An allowance for doubtful accounts is recognised when it becomes likely that the originally invoiced amount is not fully realisable.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, deposits available on demand and other short-term highly liquid investments with a maturity on acquisition of three months or less, and bank overdrafts. Bank overdrafts are presented as current liabilities to the extent that there is no right of offset with cash balances.

TRADE PAYABLES

Trade payables are stated at amortised cost.

BORROWING

Interest-bearing loans and overdrafts are recognised initially at cost, less attributable transaction costs. Borrowing costs including premiums payable on settlement are recognised in the income statement under the effective interest rate method.

EQUITY

Equity is recorded in the balance sheet at the proceeds received less transaction costs.

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

LEASING
Leases of property, plant and equipment where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets held under finance leases are included within property, plant and equipment, and are measured at the lower of fair value and the estimated present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Interest is charged to the income statement as a finance charge over the lease period. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the life of the lease.

PROVISIONS
Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and a reliable estimate of the amount of this obligation can be made.

1) WARRANTY
Provision for warranty costs are recognised at the date of sale to reflect the likely costs of meeting such obligations.

2) RESTRUCTURING
Provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly.

3) ONEROUS CONTRACTS
A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

4) DEFERRED CONSIDERATION
A provision for deferred payments arising from business acquisitions is made at the likely costs of settlement.

ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS
Assets are classified as held for sale if their carrying amount will be recovered by sale rather than by continuing use in the business. Such assets must be available for immediate sale in their present condition, management must be committed to and have initiated a plan to sell the asset which, when initiated, was expected to result in a completed sale within 12 months.

An extension of the period required to complete the sale does not preclude the asset from being classified as held for sale, provided the delay was for reasons beyond the Company's control and management remains committed to its plan to sell the asset. Assets that are classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

A discontinued operation is a component of an entity that has either been disposed of, or satisfies the criteria to be classified as held for sale, and represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to disposal.

3 REVENUE

	2010 Total £000	2009 Total £000
Sale of secure power solution products	**211,195**	216,699
Revenue from services relating to the products above	**124,758**	110,048
	335,953	326,747
Investment income	**1,623**	2,727
	337,576	329,474

4 SEGMENTAL INFORMATION

The Company has adopted IFRS 8, Operating Segments, this year. Under this statement the Company is required to identify operating segments by reference to reports regularly reviewed by the Chief Executive.

Consistent with prior years the Company derives its revenue and profits from a single class of business – secure power solutions. The Company carries out its trade through a number of operating units which substantially reflect the country/region in which they operate. Information is reported to the Group's Chief Executive at this level, which is the basis on which resources are allocated and assessments of performance made. The units have therefore been determined to be separate operating segments.

All units are similar in the nature of products and services that they supply, the source of those products, and have similar classes of end customer and distribution. However, due to the regions of the world in which they operate, they exhibit different economic characteristics. Therefore, for the purposes of IFRS 8, we have aggregated the results of our operating units into the following reportable geographic regional segments:

– Europe
– Americas
– Asia Pacific

The reportable segments identified are not materially different from the geographic basis of disclosure previously provided under IAS 14. However, to the extent that IFRS 8 has had an effect on the nature of information presented, amounts reported for prior periods have been presented on a similar basis.

TURNOVER AND PROFIT BY SOURCE

	2010		
	£000	Inter-segment £000	£000
REVENUE			
Europe	**272,368**	**(11,714)**	**260,654**
Americas	**33,799**	**(1,327)**	**32,472**
Asia Pacific	**43,297**	**(470)**	**42,827**
	349,464	**(13,511)**	**335,953**
Inter-segment revenue	**(13,511)**	**13,511**	**–**
Total revenue	**335,953**	**–**	**335,953**

Inter-segment sales are charged at prevailing market prices.

	2009		
	£000	Inter-segment £000	£000
REVENUE			
Europe	269,297	(10,855)	258,442
Americas	28,705	(1,170)	27,535
Asia Pacific	41,025	(255)	40,770
	339,027	(12,280)	326,747
Inter-segment revenue	(12,280)	12,280	–
Total revenue	326,747	–	326,747

4 SEGMENTAL INFORMATION CONTINUED

SEGMENT RESULTS

	2010 Total £000	2009 Total £000
Europe	**42,303**	46,748
Americas	**1,729**	888
Asia Pacific	**4,300**	4,185
Total segment result	**48,332**	51,821
Central administration	**(3,633)**	(5,416)
Total operating profit before amortisation of acquired intangibles and restructuring costs	**44,699**	46,405
Acquired intangible amortisation	**(5,555)**	(3,829)
Restructuring costs	**(5,936)**	–
Operating profit	**33,208**	42,576
Finance costs	**(4,931)**	(5,477)
Investment income	**1,623**	2,727
Profit before tax	**29,900**	39,826

Net profit/(losses) from associates and joint ventures of £699,000 (2009: £8,000 loss) are included in the operating profit analysis above.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment results represents the profit earned by each segment before central administration costs, amortisation of acquired intangibles, restructuring costs, finance costs, investment income and tax.

DEPRECIATION AND AMORTISATION

	2010		2009	
	Depreciation £000	Amortisation of intangibles £000	Depreciation £000	Amortisation of intangibles £000
Europe	**2,622**	**3,895**	2,303	3,108
Americas	**460**	**2,182**	338	35
Asia Pacific	**770**	**526**	646	1,613
Central administration	**415**	**–**	344	–
Total	**4,267**	**6,603**	3,631	4,756

The results for reportable segments is shown after charging amortisation of other intangibles of £1,048,000 (2009: £927,000). Amortisation of acquired intangibles not included in the results of operating segments of £5,555,000 (2009: £3,829,000) comprises: £3,023,000 (2009:£2,319,000) in Europe, £512,000 (2009: £17,000) in Americas and £2,020,000 (2009: £1,493,000) in Asia Pacific.

ADDITIONS TO NON-CURRENT ASSETS

	2010			
	Goodwill £000	Other intangible assets £000	Property, plant and equipment £000	Investments, associates and joint ventures £000
Europe	**12,102**	**12,868**	**3,528**	**–**
Americas	**3,308**	**2,647**	**347**	**–**
Asia Pacific	**136**	**170**	**688**	**1,312**
Central administration	**–**	**–**	**361**	**–**
Total	**15,546**	**15,685**	**4,924**	**1,312**

4 SEGMENTAL INFORMATION CONTINUED

	2009			
	Goodwill £000	Other intangible assets £000	Property, plant and equipment £000	Investments, associates and joint ventures £000
Europe	1,718	884	2,941	25
Americas	472	429	602	–
Asia Pacific	2,183	12,556	3,976	729
Central administration	–	–	231	–
Total	4,373	13,869	7,750	754

TOTAL ASSETS

	2010 £000	2009 £000
Europe	**227,741**	200,545
Americas	**42,935**	34,680
Asia Pacific	**45,860**	43,106
Total reporting segments	**316,536**	278,331
Central administration	**38,085**	41,801
Total	**354,621**	320,132

Interests in associates and joint ventures of £1.2 million (2009: £0.5 million) are included in the total asset analysis above.

NON-CURRENT ASSETS BY REGION

	2010		2009	
	£000	**%**	£000	%
UK	**26,822**	**18**	23,267	19
Europe (excluding UK)	**68,608**	**47**	51,966	42
Americas	**27,361**	**19**	22,749	19
Asia Pacific	**21,152**	**14**	21,348	18
Central administration	**3,224**	**2**	1,965	2
Total	**147,167**	**100**	121,295	100

Non-current assets by region include all non-current assets except deferred tax assets.

THIRD-PARTY TURNOVER BY MARKET DESTINATION

	2010		2009	
	£000	**%**	£000	%
UK	**66,423**	**20**	67,847	21
Europe (excluding UK)	**149,306**	**44**	150,997	46
Americas	**36,131**	**11**	29,689	9
Asia Pacific	**53,595**	**16**	52,989	16
Africa and Middle East	**30,498**	**9**	25,225	8
Total	**335,953**	**100**	326,747	100

There were no transactions with individual customers accounting for 10% or more of the total third party revenue of the entity.

5 PROFIT BEFORE TAX

	2010 £000	2009 £000
Profit before tax is stated after charging/(crediting) the following:		
Depreciation of property, plant and equipment	**4,267**	3,631
Amortisation of intangibles – computer software	**1,048**	927
– acquired intangibles	**5,555**	3,829
Costs of inventory recognised as an expense	**135,289**	132,107
Research and development	**6,803**	6,409
Net foreign exchange losses/(gains)	**656**	(749)
Impairment of trade receivables	**406**	566
Loss/(gain) on cash flow hedges recycled to income	**146**	(72)
Auditors' remuneration		
Statutory audit of the Company – remuneration of auditor	**135**	123
Services other than audit – remuneration of auditor and associates		
Auditing of subsidiaries of Company pursuant to legislation	**298**	280
Other services – tax advisory and compliance	**168**	22
Total auditor remuneration	**601**	425

Fees for other services are primarily in respect of tax advisory and compliance services. All such fees must be reported to the Audit Committee and prior approval is required from the Chairman of the Audit Committee for any projects above specified limits.

6 EXCEPTIONAL RESTRUCTURING COSTS AND PENSION PAYMENTS

The Company incurred exceptional restructuring costs of £5.9 million during the year (2009: £nil). These mainly arose from redundancies. Of this amount, £3.1 million was paid during the year.

The Company has also contributed a further £2.4 million to its UK pension scheme (2009: £nil). This payment has enabled the scheme to purchase an insurance contract which exactly matches the scheme's obligation to its pensioners in payment.

7 FINANCE INCOME AND EXPENSE

	2010 £000	2009 £000
INVESTMENT INCOME		
Interest on short-term deposits	**219**	940
Other interest receivable	**29**	8
Expected return on post-employment plan assets	**1,375**	1,779
Total investment Income	**1,623**	2,727
FINANCE COST		
Interest on loans	**1,501**	3,116
Interest on short-term borrowing	**361**	33
Interest on finance lease obligations	**26**	15
Interest on post-employment plan liabilities	**2,001**	2,028
Other finance cost	**1,042**	285
Finance cost	**4,931**	5,477

8 TAXATION

	2010 £000	2009 £000
CURRENT TAX		
UK corporation tax at statutory rate	**2,467**	1,454
Foreign tax	**9,897**	9,917
Adjustment in respect of prior years	**(228)**	345
Current taxation	**12,136**	11,716
DEFERRED TAXATION		
Origination and reversal of temporary differences		
– current year	**(1,533)**	1,320
– prior year	**(263)**	(281)
Total deferred tax	**(1,796)**	1,039
TOTAL TAX EXPENSE	**10,340**	12,755

The table below reconciles the total tax expense with the UK corporation tax rate:

	2010 £000	2009 £000
Profit before tax	**29,900**	39,826
Tax on profit arrived at by applying the standard rate of UK tax 28% (2009: 28%)	**8,372**	11,152
Tax rate differences arising on overseas earnings – trading	**1,113**	1,111
Expenses not allowable for tax	**495**	273
Overseas losses not tax relieved	**729**	50
Benefit of previously unrecognised overseas tax losses	**(88)**	(122)
Deferred tax expense relating to changes in tax rates	**–**	324
Tax (over)/under provided in prior years	**(491)**	64
Other differences	**210**	(97)
TOTAL TAX EXPENSE	**10,340**	12,755

The foreign tax charge includes tax withheld from remittances to the UK of £81,000 (2009: £105,000).

9 DIVIDENDS

Amounts recognised as distributions to equity holders in the period:

	2010 £000	2009 £000
Final dividend for year ended 31 March 2009 of 2.85p (2008: 2.40p) per share	**7,259**	6,010
Interim dividend for the year ended 31 March 2010 of 1.9p (2009: 1.85p) per share	**4,855**	4,680
	12,114	10,690
Proposed dividend for the year ended 31 March 2010 of 3.3p (2009: 2.85p) per share	**8,491**	7,247

The proposed dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

The trustees of the Chloride Group Employee Benefit Trust have waived their rights to receive dividends. Accordingly the amounts shown above for 2010 are net of dividends of £302,000 (2009: £241,000).

10 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 p
2010					
BASIC	**29,900**	**(10,340)**	**(18)**	**19,542**	**7.7**
Amortisation of acquired intangibles	**5,555**	**(1,759)**	**(288)**	**3,508**	
Restructuring	**5,936**	**(856)**	**–**	**5,080**	
ADJUSTED	**41,391**	**(12,955)**	**(306)**	**28,130**	**11.0**
2009					
BASIC	39,826	(12,755)	(454)	26,617	10.6
Amortisation of acquired intangibles	3,829	(1,036)	(452)	2,341	
ADJUSTED	43,655	(13,791)	(906)	28,958	11.5

B) DILUTED EPS

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

	2010 p	2009 p
DILUTED	**7.6**	10.5
DILUTED ADJUSTED	**11.0**	11.4

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

	2010 million	2009 million
Average shares used in basic EPS calculation	**255.3**	252.2
Dilutive share options outstanding	**1.0**	1.0
Shares used in diluted EPS calculation	**256.3**	253.2

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.

11 EMPLOYEE INFORMATION

At 31 March 2010 the total number of the Company's employees, including executive directors, was 2,540 (2009: 2,333). The average number of persons employed during the year is analysed below:

	2010	2009
Europe – including 422 in the UK (2009: 374)	**1,314**	1,256
Americas	**223**	200
Rest of the world	**870**	687
	2,407	2,143

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

	2010 £000	2009 £000
Wages and salaries	**65,419**	59,696
Social security costs	**11,780**	11,083
Other pensions costs (see note 32)	**3,132**	2,831
	80,331	73,610

12 GOODWILL

	2010 £000	2009 £000
COST AND CARRYING AMOUNT:		
At 1 April	**71,546**	57,789
Exchange differences	**(1,468)**	9,384
Adjustment to goodwill acquired in prior period	**527**	167
Recognised on acquisition of subsidiaries (see note 28)	**15,019**	4,206
At 31 March	**85,624**	71,546

Goodwill is not amortised but is tested for impairment annually. Value-in-use calculations are used to calculate recoverable amount. Value in use is calculated as the net present value of the projected risk-adjusted, post-tax free cash flows of the cash-generating unit in which the goodwill is contained, applying a discount rate of the Company post-tax weighted average cost of capital of 9.7%. This approximates to applying a pre-tax discount of 14.1% to pre-tax cash flows. These cash flow projections are made over a 20-year period and are consistent with approved budgets, and market growth rates projected by Frost & Sullivan over the first five years and a growth rate in line with an inflation assumption of 2% per annum thereafter.

As current economic conditions create uncertainty and make forecasting difficult, in testing goodwill for impairment, the directors have considered the following downside sensitivities:

- a 1% increase in the pre-tax discount rate;
- a reduction in the long-term growth rate assumption of 1%; and
- a 1% point reduction in the forecast operating margin of the business.

With the exception of our Spanish business, Chloride España S.A.U., the individual cash-generating units showed significant headroom. The assessment for Chloride España S.A.U. showed base case headroom of £1.4 million. Projections reflecting the sensitivities of a 1% increase in the discount rate, a reduction of 1% in the long-term growth rate and a reduction of 1 point in the operating margin of Chloride España S.A.U., showed respective impairments of £0.1 million, £0.7 million and £0.6 million. No provisions for impairment have been recognised this year on the grounds of the positive base case headroom. The Company will continue to monitor the performance of Chloride España S.A.U. over the next 12 months.

13 OTHER INTANGIBLE ASSETS

	Software costs £000	Acquired intangibles £000	Total £000
COST:			
At 1 April 2008	7,433	9,697	17,130
Additions	542	–	542
Acquisition of subsidiary	40	13,287	13,327
Exchange differences	1,249	3,033	4,282
Disposals	(12)	–	(12)
At 1 April 2009	9,252	26,017	35,269
Additions	543	–	543
Acquisition of subsidiary	57	15,085	15,142
Exchange differences	(25)	842	817
Disposals	(340)	(2)	(342)
AT 31 MARCH 2010	**9,487**	**41,942**	**51,429**
AMORTISATION:			
At 1 April 2008	4,313	3,251	7,564
Charge for the year	927	3,829	4,756
Exchange differences	850	583	1,433
Eliminated on disposal	(12)	–	(12)
At 1 April 2009	6,078	7,663	13,741
Charge for the year	1,048	5,555	6,603
Exchange differences	(118)	205	87
Eliminated on disposal	(339)	(3)	(342)
AT 31 MARCH 2010	**6,669**	**13,420**	**20,089**
CARRYING AMOUNT:			
At 31 March 2009	3,174	18,354	21,528
AT 31 MARCH 2010	**2,818**	**28,522**	**31,340**

Acquired intangibles are stated at fair value and represent intellectual property, customer relationships and the value of trade names acquired with businesses, see note 28.

14 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £000	Fixtures and equipment £000	Total £000
COST OR VALUATION:			
At 1 April 2008	17,297	23,613	40,910
Additions	776	4,080	4,856
Acquisition of subsidiary	2,023	871	2,894
Exchange differences	3,653	4,086	7,739
Transfers	405	(405)	–
Disposals	(132)	(1,269)	(1,401)
At 1 April 2009	24,022	30,976	54,998
Additions	392	3,533	3,925
Acquisition of subsidiary	27	972	999
Exchange differences	(415)	(590)	(1,005)
Disposals	(52)	(2,150)	(2,202)
AT 31 MARCH 2010	**23,974**	**32,741**	**56,715**
ACCUMULATED DEPRECIATION:			
At 1 April 2008	5,090	16,011	21,101
Charge for the year	624	3,007	3,631
Exchange differences	961	2,873	3,834
Transfers	142	(142)	–
Disposals	(106)	(1,136)	(1,242)
At 1 April 2009	6,711	20,613	27,324
Charge for the year	713	3,554	4,267
Exchange differences	(138)	(486)	(624)
Disposals	(46)	(1,901)	(1,947)
AT 31 MARCH 2010	**7,240**	**21,780**	**29,020**
CARRYING AMOUNT:			
At 31 March 2009	17,311	10,363	27,674
AT 31 MARCH 2010	**16,734**	**10,961**	**27,695**

Notes

a) In the above table, the net book value for the Group includes £363,000 (2009: £348,000) in respect of tangible fixed assets held under finance leases, and the depreciation charge for the year includes £87,000 (2009: £29,000) in respect of these assets.

b) The tangible fixed assets of the Group comprise plant and machinery, including motor vehicles and office equipment.

c) At 31 March 2010 the Group had entered into contracts to acquire £337,000 of property plant and equipment (2009: £569,000).

15 INTERESTS IN ASSOCIATE AND JOINT VENTURES

	2010 £000	2009 £000
CARRYING VALUE:		
At 1 April	**522**	3,576
Additions	**–**	729
Share of profit/(losses) in the period	**699**	(8)
Dividend received	**(149)**	–
Transfer out	**–**	(3,520)
Exchange differences	**99**	(255)
Value at 31 March	**1,171**	522
SUMMARISED INFORMATION IN RESPECT OF ASSOCIATE AND JOINT VENTURES:		
Total assets	**8,038**	4,652
Total liabilities	**5,159**	3,271
Revenue	**20,281**	11,631
Profit	**1,775**	575
Group share	**699**	(8)

The above investments relate to equity stakes in Chloride Phoenixtec Electronics Limited (50%) and Chloride Russia (26%).

16 INVESTMENTS

	£000
At 1 April 2009	25
Additions	1,312
AT 31 MARCH 2010	**1,337**

The additions relate to 10% of the equity share capital of Newtech Technology Holdings Limited acquired in May 2009. The investments above represent unquoted equity interests, and are carried at cost as the fair value is not reliably determinable. The directors are of the opinion that the carrying value is a fair approximation of the fair value.

17 INVENTORIES

	2010 £000	2009 £000
Raw materials and components	**14,047**	15,027
Work in progress	**10,607**	9,252
Finished goods	**26,120**	19,765
	50,774	44,044

Inventory is stated after provisions for obsolescence of £7.2 million (2009: £6.1 million).

18 TRADE AND OTHER RECEIVABLES

	2010 £000	2009 £000
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade debtors	101,092	95,588
Amounts provided for doubtful debts	(5,140)	(5,100)
	95,952	90,488
Other receivables	12,305	10,926
Prepayments and accrued income	5,932	7,387
	114,189	108,801
AMOUNTS DUE AFTER ONE YEAR		
Trade debtors	1,318	1,091
Amounts provided for doubtful debts	(73)	–
	1,245	1,091
Other receivables	582	590
Prepayments and accrued income	139	56
	1,966	1,737
	116,155	110,538

The directors consider that the carrying value of trade and other receivables approximates their fair value.

The average consolidated term for trade debtors was 71 days (2009: 76 days). Included in the Company's trade debtors are debtors with a carrying value of £22,807,000 (2009: £15,350,000) which were past their due date at the reporting date, for which the Company has not recognised an allowance for impairment. As there has been no overall change in the underlying credit risk associated with these debts, the Company believes that these are recoverable. The average term by which these debtors exceed their due date is 21 days (2009: 15 days).

Trade receivables are not normally interest bearing, although the Company may exercise the right to charge interest on overdue accounts.

Allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Movement in the allowance for doubtful accounts is as follows:

	2010 £000	2009 £000
Balance at beginning of year	5,100	3,790
Exchange differences	(70)	644
Income statement charge	406	566
Acquisitions	221	583
Utilisation	(444)	(483)
Balance at end of year	5,213	5,100

18 TRADE AND OTHER RECEIVABLES CONTINUED

CREDIT RISK

The Company's principal financial assets are bank balances and cash, trade and other receivables and investments.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Bank balances and cash comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The Company trades mainly with other companies with strong credit ratings and there is a good history of collection and cash generation with a limited history of impairment.

19 CASH AND CASH EQUIVALENTS

	2010 £000	2009 £000
Cash at bank and in hand	**23,864**	36,192
Short-term deposits	**6,422**	1,953
CASH AND CASH EQUIVALENTS	**30,286**	38,145

20 TRADE AND OTHER PAYABLES

	2010 £000	2009 £000
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade payables	**49,032**	45,679
Value added, payroll and other taxes	**12,794**	10,599
Other creditors	**15,502**	14,493
Accruals	**16,792**	18,291
	94,120	89,062
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Other payables	**563**	341

21 BORROWINGS

	2010 £000	2009 £000
CURRENT LIABILITIES		
Bank overdrafts	**1,059**	952
Bank loans	**10,459**	43,077
	11,518	44,029
NON-CURRENT LIABILITIES		
Bank loans	**59,366**	9,088

Of the non-current loans shown above £18.5 million is repayable within one to two years (2009: £0.2 million) and £40.9 million is repayable within two to three years (2009: £8.9 million).

Included in the above are loans of £15.0 million and £0.2 million, which carry fixed interest rates of 4.935% and 2.4% per annum respectively. These loans are repayable in July 2012 and July 2010. The Company has also entered into an interest rate swap for €10 million at 1.95%. This swap will run from 6 May 2010 for three years. All other borrowings are at floating rates. A 1% change in the effective borrowing rate would change interest payable by £0.6 million (2009: £0.5 million).

Analysis of borrowings by currency:

	Sterling £000	Euro £000	Other £000	Total £000
YEAR ENDED MARCH 2010				
Bank overdrafts	**–**	**–**	**1,059**	**1,059**
Bank loans	**43,500**	**26,044**	**281**	**69,825**
	43,500	**26,044**	**1,340**	**70,884**
Year ended March 2009				
Bank overdrafts	–	–	952	952
Bank loans	44,000	7,918	247	52,165
	44,000	7,918	1,199	53,117

The weighted average interest rate on the borrowings above was 2.4% (2009: 5.09%).

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

At 31 March 2010 the Company had £150.0 million of committed facilities (2009: £110.0 million), of which £79.0 million (2009: £58.0 million) was unutilised. Of this amount, £10.0 million expires within one year (2009: £50.0 million), £50.0 million expires within one to two years (2009: £10.0 million) and £90.0 million (2009: £50.0 million) expires after two years.

In addition to this the Company has £16.0 million of overdraft facilities (2009: £7.0 million) of which £1.1 million were drawn (2009: £1.0 million).

The directors have considered the Company’s internal forecasts and projections that take into account reasonably possible changes in trading performance on covenant compliance. Chloride has significant headroom in terms of both available facilities and in terms of its operation within existing covenants.

Based on the above, and after making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate facilities to continue in operational existence for the foreseeable future.

22 OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2010 £000	2009 £000	**2010 £000**	2009 £000
Amounts payable under finance leases:				
Within one year	**94**	121	**77**	89
Over one and under five years	**296**	351	**239**	291
Over five years	**95**	132	**66**	95
	485	604	**382**	475
Less: future finance charges	**(103)**	(129)	**–**	–
Present value of lease charges	**382**	475	**382**	475
Amounts shown in current liabilities			**77**	89
Amounts shown in long-term liabilities			**305**	386

23 FINANCIAL INSTRUMENTS

SUMMARY

The Company uses derivative contracts to hedge future transactions and cash flows. At the balance sheet date the fair value of these contracts was:

	2010			2009		
	Assets £000	**Liabilities £000**	**Net £000**	Assets £000	Liabilities £000	Net £000
Currency derivatives	**171**	**(455)**	**(284)**	371	(103)	268
Interest rate swaps	**–**	**(76)**	**(76)**	–	–	–
	171	**(531)**	**(360)**	371	(103)	268

Of these amounts £54,000 has been debited to the hedging reserve (2009: £24,000). Net gains of £146,000 (2009: £72,498) were transferred from the hedging reserve to the income statement during the period.

Other than the interest swap which is due for net settlement between 0 and 4 years (2009: £nil), all derivatives are due for settlement within one year.

23 FINANCIAL INSTRUMENTS CONTINUED

FINANCIAL ASSETS AND LIABILITIES

	Loans and receivables £000	Available for sale £000	Amortised cost £000	Fair value through profit or loss: Designated hedging relationships £000	Fair value through profit or loss: Trading £000	Total carrying value £000	Fair value £000
AT 31 MARCH 2010							
INVESTMENTS	–	1,337	–	–	–	1,337	1,337
TRADE AND OTHER RECEIVABLES							
Non-derivative assets	110,086	–	–	–	–	110,086	110,086
Derivative assets	–	–	–	46	125	171	171
	110,086	1,337	–	46	125	111,594	111,594
Cash and cash equivalents	30,286	–	–	–	–	–	30,286
	140,372	1,337	–	46	125	141,880	141,880
FINANCIAL LIABILITIES							
TRADE AND OTHER PAYABLES							
Non-derivative liabilities	(77,891)	–	–	–	–	–	(77,891
Derivative liabilities	–	–	–	(100)	(431)	(531)	(531)
	(77,891)	–	–	(100)	(431)	(78,422)	(78,422)
Bank overdrafts	–	–	(1,059)	–	–	(1,059)	(1,059)
BANK AND OTHER LOANS							
Current	–	–	(10,459)	–	–	(10,459)	(10,459)
Non-current	–	–	(59,366)	–	–	(59,366)	(59,366)
Obligation under finance leases	–	–	(382)	–	–	(382)	(382)
	(77,891)	–	(71,266)	(100)	(431)	(149,688)	(149,688)
	62,481	1,337	(71,266)	(54)	(306)	(7,808)	(7,808)
Net financial liabilities in functional currency of operations							(3,965)
Net financial liabilities in other currencies							(3,843)

23 FINANCIAL INSTRUMENTS CONTINUED

	Loans and receivables £000	Available for sale £000	Amortised cost £000	Fair value through profit or loss: Designated hedging relationships £000	Fair value through profit or loss: Trading £000	Total carrying value £000	Fair value £000
AT 31 MARCH 2009							
INVESTMENTS	–	25	–	–	–	25	25
TRADE AND OTHER RECEIVABLES							
Non-derivative assets	103,095	–	–	–	–	103,095	103,095
Derivative assets	–	–	–	111	260	371	371
	103,095	25	–	111	260	103,491	103,491
Cash and cash equivalents	38,145	–	–	–	–	38,145	38,145
	141,240	25	–	111	260	141,636	141,636
FINANCIAL LIABILITIES							
TRADE AND OTHER PAYABLES							
Non-derivative liabilities	(71,112)	–	–	–	–	(71,112)	(71,112)
Derivative liabilities	–	–	–	(87)	(16)	(103)	(103)
	(71,112)	–	–	(87)	(16)	(71,215)	(71,215)
Bank overdrafts	–	–	(952)	–	–	(952)	(952)
BANK AND OTHER LOANS							
Current	–	–	(43,077)	–	–	(43,077)	(43,077)
Non-current	–	–	(9,088)	–	–	(9,088)	(9,088)
Obligation under finance leases	–	–	(475)	–	–	(475)	(475)
	(71,112)	–	(53,592)	(87)	(16)	(124,807)	(124,807)
	70,128	25	(53,592)	24	244	16,829	16,829
Net financial assets in functional currency of operations							17,627
Net financial liabilities in other currencies							(798)

FAIR VALUE HIERARCHY

The different levels of valuation methods of financial instruments carried at fair value have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial assets and liabilities recognised by the Group at fair value can be classified as value using Level 2.

These comprise derivative assets at fair value of £171,000 (2009: £371,000) and derivative liabilities at fair value of £531,000 (2009: £103,000).

23 FINANCIAL INSTRUMENTS CONTINUED

CURRENCY RISK

The Group has used a sensitivity analysis technique that measures the estimated change to the fair value of the Company's financial instruments, to the income statement and to equity of a 10% strengthening or weakening in sterling against all other currencies, from the rates applicable at 31 March 2010, with all other variables remaining constant. A 10% variation in the valuation of sterling at the balance sheet date would have an approximate impact of £380,000 (2009: £8,000). All of this would be taken to the income statement.

The amounts generated from the sensitivity analysis are estimates of the impact of market risk assuming that specified changes occur. Actual results in the future may differ materially from these results due to developments in the global financial markets which may cause fluctuations in exchange rates to vary from the hypothetical amounts disclosed in the following table, which therefore should not be considered a projection of likely future events and losses.

LIQUIDITY RISK

Detailed commentary on the Company's liquidity position is set out on page 27 of the financial review. Undiscounted contractual liabilities related to the Company's non-derivative financial liabilities are:

	Within one year £000	Between one and two years £000	Between two and five years £000	Over five years £000	Total £000
2010					
Bank overdrafts	**1,059**	**–**	**–**	**–**	**1,059**
Bank and other loans:	**10,459**	**18,500**	**40,866**	**–**	**69,825**
Related interest	**1,804**	**1,517**	**290**	**–**	**3,611**
Finance lease obligations	**77**	**88**	**125**	**92**	**382**
Trade and other payables	**77,446**	**561**	**–**	**–**	**78,007**
Derivative liabilities	**455**	**–**	**76**	**–**	**531**
TOTAL	**91,300**	**20,666**	**41,357**	**92**	**153,415**
2009					
Bank overdrafts	952	–	–	–	952
Bank and other loans:	43,077	184	8,904	–	52,165
Related interest	704	164	39	–	907
Finance lease obligations	121	134	217	132	604
Trade and other payables	70,771	341	–	–	71,112
Total	115,625	823	9,160	132	125,740

The Company's core borrowings comprise three-year committed facilities with a number of banks. Typically the Company draws under these facilities for periods between one week and three months and the interest rates applicable, LIBOR (or equivalent), are determined at the outset of each drawing. The above table is drawn up on the assumption that the Company will continue to draw on these loans until the expiry of the facility and that interest rates have been set at the rate applicable at 31 March. Note 21 shows further details on the availability of credit facilities and the respective interest rates.

The Company holds financial assets which mature within one year of £140,053,000 (2009: £139,955,000) and £1,827,000 (2009: £1,681,000), due between one and two years.

24 DEFERRED TAX

Deferred tax comprises:

	At 1 April 2008 £000	Recognised in income £000	Recognised in equity £000	Other movements £000	At 31 March 2009 £000	Recognised in income £000	Recognised in equity £000	Other movements £000	**At 31 March 2010 £000**
Post-employment benefits	(612)	(456)	(868)	(78)	(2,014)	861	(2,304)	(68)	**(3,525)**
Other provisions	(5,106)	(403)	887	1,015	(3,607)	(1,522)	(450)	575	**(5,004)**
Accelerated tax depreciation	(535)	(82)	–	28	(589)	2	–	43	**(544)**
Intangibles	1,892	(295)	–	5,592	7,189	(1,137)	–	5,506	**11,558**
Tax losses	(1,991)	2,275	–	(284)	–	–	–	–	**–**
	(6,352)	1,039	19	6,273	979	(1,796)	(2,754)	6,056	**2,485**

	2010 £000	2009 £000
Deferred tax liabilities	**12,553**	6,718
Deferred tax assets	**(10,068)**	(5,739)
	2,485	979

Other movements during the year total £6,056,000 (2009: £6,273,000) including deferred tax liabilities of £5,284,000 in respect of intangibles of subsidiaries acquired (2009: £5,087,000), deferred tax assets of £350,000 in respect of temporary differences other than intangibles of subsidiaries acquired (2009: £nil), less transfers to current tax of other provisions of £773,000 (2009: £1,570,000) plus exchange translation and other movements of £313,000 (2009: less £384,000).

The Company has tax losses amounting to approximately £17.4 million (2009: £17.8 million) of which £nil (2009: £nil) has been taken into account in calculating deferred tax and the balance relates to losses in countries where it is not possible with reasonable certainty to foresee the timing of their utilisation.

25 PROVISIONS FOR LIABILITIES

	Restructuring £000	Warranty £000	Other £000	Total £000
At 1 April 2009	199	2,395	4,096	6,690
Exchange rate adjustments	–	(69)	29	(40)
Profit and loss account	2,975	475	869	4,319
Acquisition of subsidiaries	–	519	6,551	7,070
Utilised in the year	(146)	(481)	(1,150)	(1,777)
AT 31 MARCH 2010	**3,028**	**2,839**	**10,395**	**16,262**
Current	**3,028**	**288**	**5,930**	**9,246**
Non-current	**–**	**2,551**	**4,465**	**7,016**

Restructuring provisions mainly relate to redundancy payments. Warranties given by the Company depend on the nature of the application sold, and range from between one and five years. Included in other provisions are deferred acquisition payments of £5.7 million together with provisions for contractual and other obligations such as vacant property and routine legal matters.

26 SHARE CAPITAL

	2010 £000	2009 £000
Authorised:		
Equity		
Ordinary shares of 25p each: 329,752,000 (2009: 329,752,000)	**82,438**	82,438
	82,438	82,438
Issued:		
Equity		
Ordinary shares of 25p each 262,998,510 (2009: 261,098,032)	**65,750**	65,275
	65,750	65,275

The increase in the issued ordinary share capital of the Company is due to the exercise during the year of executive and savings-related share options and certain PSP awards over a total of 1,935,478 shares (2009: 3,563,126). As at 31 March 2010, there were 1,691,468 ordinary shares (2009: 3,241,349) under option under executive share option schemes, 1,130,242 (2009: 1,301,686) under option under the Company's savings-related share option schemes and 4,020,711 (2009: 4,028,683) under option under the Company's Performance Share Plan.

The following table shows aggregate option entitlements under the executive share option schemes outstanding at 31 March 2010. It also includes information as to whether performance measures are applicable and, if so, whether they were met at 31 March 2010.

		Number of shares		Status of
Date of grant	Option price	31 March 2010	31 March 2009	performance measure(s) as at 31 March 2010
1994 SCHEME				
29.10.99	80.25p	–	1,500	met
31.05.00	135.5p	–	3,874	met
31.10.00	206.0p	**16,558**	16,558	met
1996 SCHEME				
26.07.99	78.5p	–	15,000	met
29.10.99	80.25p	–	23,000	met
30.05.00	135.5p	**80,000**	581,126	met
30.10.00	206.0p	**213,442**	238,442	met
2001 SCHEME				
06.06.02	44.5p	**70,000**	85,000	met
05.06.03	35p	**70,000**	80,000	met
27.06.03	43p	**77,000**	97,000	met
27.07.04	45.75p	**101,982**	121,982	met
23.08.04	44p	**47,385**	67,385	met
25.11.04	53p	–	99,046	met
01.06.05	65.875p	**186,442**	858,885	met
28.06.05	64p	**189,663**	189,663	met
15.06.06	90p	**15,000**	35,000	met
15.06.06	98p	**35,000**	35,000	met
07.06.07	166p	**380,996**	484,888	under measurement
04.07.07	169.25p	**103,000**	103,000	under measurement
30.10.07	204.5p	**105,000**	105,000	under measurement
		1,691,468	3,241,349	

26 SHARE CAPITAL CONTINUED

The following table shows entitlements outstanding under the savings-related share option schemes as at 31 March 2010.

Three, five or seven year options	Date of grant	Option price	Number of shares 31 March 2010	Number of shares 31 March 2009	Normal exercise period
1997 Scheme					
Seven year	03.07.02	37.5p	**–**	95,865	01.10.09 to 31.03.10
Seven year	03.07.03	30.5p	**23,270**	23,270	01.10.10 to 31.03.11
Five year	08.07.04	38.0p	**19,194**	130,797	01.10.09 to 31.03.10
Three year	16.12.05	74.54p	**–**	24,834	01.02.09 to 31.07.09
Five year	16.12.05	74.54p	**188,893**	192,645	01.02.11 to 31.07.11
Three year	05.12.06	112.0p	**10,124**	133,469	01.02.10 to 31.07.10
Five year	05.12.06	112.0p	**89,474**	92,398	01.02.12 to 31.07.12
Three year	05.12.07	166.0p	**102,587**	124,791	01.02.11 to 31.07.11
Five year	05.12.07	166.0p	**51,206**	69,422	01.02.13 to 31.07.13
2007 Scheme					
Three year	02.12.08	128.0p	**196,050**	233,100	01.02.12 to 31.07.12
Five year	02.12.08	128.0p	**171,935**	181,095	01.02.14 to 31.07.14
Three year	01.12.09	132.0p	**160,183**	–	01.02.13 to 31.07.13
Five year	01.12.09	132.0p	**117,326**	–	01.02.15 to 31.07.15
			1,130,242	1,301,686	

The following table shows aggregate option entitlements under the Performance Share Plan outstanding at 31 March 2010. It also includes information as to whether performance measures are applicable and, if so, whether they have yet been met.

Date of grant	Number of shares 31 March 2010	Number of shares 31 March 2009	Status of performance measure(s) as at 31 March 2010
01.06.05	**–**	18,443	met
28.06.05	**–**	31,611	met
09.06.06	**48,584**	1,527,541	met
12.06.07	**984,451**	1,048,909	under measurement
01.07.07	**34,040**	34,040	under measurement
30.10.07	**15,000**	15,000	under measurement
10.06.08	**1,137,391**	1,202,320	under measurement
01.08.08	**26,272**	26,272	under measurement
07.11.08	**–**	23,678	under measurement
01.12.08	**100,869**	100,869	under measurement
03.06.09	**1,674,104**	–	under measurement
	4,020,711	4,028,683	

27 MINORITY INTEREST

	2010 £000	2009 £000
Opening minority interest	**8,811**	–
Minority share on acquisition of subsidiary	**–**	7,138
Acquisition of minority interests	**(6,540)**	–
Share of profit for the year	**18**	454
Dividend	**(219)**	–
Foreign exchange	**(436)**	1,219
Balance at 31 March 2010	**1,634**	8,811

28 ACQUISITION OF SUBSIDIARIES

A) AUTOMATISME ENERGIE ELECTRONIQUE SYSTEMES SAS ("AEES")

On 23 December 2009 the Company acquired the entire issued share capital of AEES, a French secure power company focused on the Energy and Infrastructure market, for a cash consideration of £19.1 million, with a further payment of £1.8 million deferred for one year.

The purchase has given rise to acquisition goodwill of £9.9 million and other intangibles (customer lists and trade name) of £8.8 million.

	Book value £000	Accounting policy adjustments £000	Fair value adjustments £000	Fair value £000
NET ASSETS ACQUIRED				
Property, plant and equipment	595	–	–	595
Other intangible assets – customer lists and trade name	197	–	8,770	8,967
Investments	18	–	(18)	–
Deferred tax asset	–	408	–	408
Inventories	2,837	–	(90)	2,747
Trade and other receivables	4,676	–	(32)	4,644
Cash and cash equivalents	2,145	–	–	2,145
Trade creditors and other payables	(3,238)	(443)	(77)	(3,758)
Deferred taxation liability	–	–	(3,466)	(3,466)
Provisions	(448)	–	(478)	(926)
Post-employment benefits	(43)	(238)	–	(281)
	6,739	(273)	4,609	11,075
Goodwill				9,869
Total consideration				**20,944**
SATISFIED BY:				
Cash payment				18,979
Deferred acquisition costs				1,795
Directly attributable costs				170
Total consideration				**20,944**
Cash payment and costs				19,149
Less: cash acquired				(2,145)
Cash flow on acquisition				**17,004**

Goodwill substantially represents the expertise and technical knowledge of AEES's staff together with synergistic benefits. Included in the Company's results for the 12-month period to 31 March 2010 are sales of £5.2 million and profits of £0.6 million.

28 ACQUISITION OF SUBSIDIARIES CONTINUED

B) CUSTOM POWER

On 15 June 2009 the Company acquired the trade and certain assets of Custom Power, a manufacturer and supplier of critical power protection services to the US energy sector for a cash consideration of £2.9 million, with a further payment of £2.1 million deferred for two years.

The purchase has given rise to acquisition goodwill of £3.0 million and other intangibles (customer lists and trade name) of £2.6 million.

	Book value £000	Fair value adjustments £000	Fair value £000
NET ASSETS ACQUIRED			
Property, plant and equipment	149	(30)	119
Other intangible assets – customer lists and trade name	–	2,648	2,648
Inventories	852	(426)	426
Other payables	(122)	(122)	(244)
Long-term provisions	–	(91)	(91)
Deferred taxation liability	–	(857)	(857)
Total	879	1,122	2,001
Goodwill			2,988
Total consideration			**4,989**
SATISFIED BY:			
Cash			2,738
Deferred acquisition payment			2,129
Directly attributable costs			122
Total consideration			**4,989**
Cash flow on acquisition			**2,860**

Goodwill substantially represents the expertise and technical knowledge of Custom Power's staff together with synergistic benefits. Included in the Company's results for the 12-month period to 31 March 2010 are sales of £3.5 million and profits of £0.2 million.

28 ACQUISITION OF SUBSIDIARIES CONTINUED

C) EMERGENCY POWER SYSTEMS PLC ("EPS")

On 16 October 2009, Chloride Electronics Limited purchased the shares of Emergency Power Systems Limited ("EPS") for a cash consideration of £2.7 million with a further payment of £1.0 million deferred for up to 24 months.

The purchase has given rise to acquisition goodwill of £2.2 million and other intangibles (intellectual property, customer lists and trade name) of £2.3 million.

	Book value £000	Fair value adjustments £000	Fair value £000
NET ASSETS ACQUIRED			
Property, plant and equipment	327	(87)	240
Other intangible assets – customer lists and trade name	–	2,293	2,293
Inventories	1,513	(405)	1,108
Trade and other receivables	1,570	(72)	1,498
Cash and cash equivalents	161	–	161
Trade creditors and other payables	(1,259)	(111)	(1,370)
Current taxation	(113)	–	(113)
Loans	(1,482)	–	(1,482)
Deferred taxation liability	–	(782)	(782)
Provisions	–	(24)	(24)
	717	812	1,529
Goodwill			2,162
Total consideration			**3,691**
SATISFIED BY:			
Cash payment			2,532
Deferred acquisition costs			1,000
Directly attributable costs			159
Total consideration			**3,691**
Cash payment and costs			2,691
Less: cash acquired			(161)
Cash flow on acquisition			**2,530**

Goodwill substantially represents the expertise and technical knowledge of EPS's staff together with synergistic benefits. Included in the Company's results for the 12-month period to 31 March 2010 are sales of £3.7 million and profits of £0.4 million.

D) DB POWER ELECTRONICS (PVT) LTD

On 20 July 2009 the Company acquired a further 41% 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 £12.5 million. This brings Chloride's total investment in the Company to 90%.

The interest in the controlling interest has been accounted for as a transaction between equity holders, and the difference of £6.0 million between the consideration and the minority interest acquired has been charged directly to reserves.

28 ACQUISITION OF SUBSIDIARIES CONTINUED

E) OTHER

The Company purchased the trade and certain assets of Malcolm Power Systems and Alternative Engineering Services on 9 April 2009 and 15 December 2009 respectively. These purchases gave rise to other intangibles (customer lists) of £1.0 million.

	Book value £000	Fair value adjustments £000	Value acquired £000
NET ASSETS ACQUIRED			
Intangible assets – customer lists	126	1,108	1,234
Property, plant and equipment	94	(49)	45
Inventory	14	(9)	5
Sundry creditors	–	(50)	(50)
Provisions	(36)	–	(36)
Deferred tax	–	(273)	(273)
Total	198	727	925
Goodwill			–
Total consideration			**925**
SATISFIED BY:			
Cash			641
Deferred acquisition payment			182
Directly attributable costs			102
Total consideration			**925**
Cash flow on acquisition			**743**

Included in the Company's results for the 12-month period to 31 March 2010 are sales of £1 million and profits of £0.2 million in relation to these purchases.

The Company also made payments of £0.2 million in respect of acquisitions made in prior periods.

If these acquisitions had been made on 1 April 2009, Group revenue would have been £357.2 million and Group profit attributable to equity holders of the parent would have been £21.2 million.

29 OPERATING LEASE ARRANGEMENTS

	2010 £000	2009 £000
Operating lease payments recognised as an expense in the year	**5,364**	4,582
Minimum lease payments on leases falling due		
Within one year	**3,475**	3,171
In the second to fifth years	**6,619**	5,410
After five years	**11,239**	11,525
	21,333	20,106

30 ANALYSIS OF NET DEBT

	At 1 April 2009 £000	Cash flow £000	Acquisition of subsidiary £000	Exchange translation difference £000	**At 31 March 2010 £000**
Cash and cash equivalents	38,145	(8,058)	–	199	**30,286**
Bank overdrafts	(952)	(4)	–	(103)	**(1,059)**
	37,193	(8,062)	–	96	**29,227**
Debt due within one year	(43,077)	32,909	–	(291)	**(10,459)**
Debt due after more than one year	(9,088)	(48,944)	(1,482)	148	**(59,366)**
Finance lease obligations	(475)	101	–	(8)	**(382)**
Net debt	(15,447)	(23,996)	(1,482)	(55)	**(40,980)**

31 RELATED PARTY TRANSACTIONS

NON-WHOLLY OWNED SUBSIDIARIES

Sales, purchases and balances outstanding were:

	2010 £000	2009 £000
Sales	**488**	636
Purchases	**316**	126
Receivables	**203**	220
Payables	**49**	121

ASSOCIATES AND JOINT VENTURES

Sales, purchases and balances outstanding with associates were:

	2010 £000	2009 £000
Sales	**2,700**	3,714
Purchases	**11,788**	2,385
Receivables	**182**	802
Payables	**1,609**	1,888

The Company has also provided guarantees of US$2.6 million (2009: US$3.1 million) to provide security for the debt of one of these companies.

MINORITY INVESTMENTS

Sales and balances outstanding with minority investments were:

	2010 £000	2009 £000
Sales	**898**	600
Receivables	**408**	100

REMUNERATION OF KEY MANAGEMENT (THE EXECUTIVE DIRECTORS)

The remuneration of the directors who are the key management personnel of the Company is provided in the audited part of the Remuneration Committee report on page 49. In addition, the share-based payment charge arising in relation to key management was £368,067 (2009: £330,974).

32 POST-EMPLOYMENT BENEFITS

The Company has a number of pension or retirement benefit arrangements, which are established to meet local legal requirements and practices in the countries in which it operates. These arrangements comprise both defined contribution and defined benefit schemes. At 31 March 2010, the Company had a net deficit of £17.6 million (2009: £12.6 million) in respect of its obligations under these arrangements.

Total retirement benefit costs of £3.1 million were charged in the period (2009: £2.8 million), of which £2.2 million related to defined contribution schemes (2009: £1.9 million).

The principal defined benefit schemes are operated in the UK and Germany, and in Italy the Company participates in the statutory Trattamento di Fine Rapporto (TFR) scheme. The bases of these schemes are as follows:

UK

In the UK the Company operates a hybrid pension scheme with both defined benefit and defined contribution sections (the Chloride 1996 Scheme). At 31 March 2006 the defined contribution section of the scheme was separately identified within the scheme, with a separate investment pool. The disclosures below for 2010 therefore represent only the defined benefits element. The defined benefit section of the Chloride 1996 Scheme has been closed to new members since 1 April 1998. Funding is set after formal funding valuations carried out every three years by independent actuaries. During the year the scheme entered into a buy-in arrangement, whereby the obligations relating to the pensioners in payment are exactly matched by an insurance contract.

The expected level of contribution over the next financial year will be £1.9 million.

GERMANY

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

ITALY

In Italy the Company participates in the statutory TFR scheme which, in accordance with local practice, was unfunded. With effect from 1 January 2007 the administration of the scheme was changed so that entitlements for future service are funded and cease to be classified as defined benefits. Provision for past service, for which the employee has not elected to take payment, continues to be accounted for as a defined benefit obligation.

FINANCIAL ASSUMPTIONS

	2010			2009		
	UK	**Germany**	**Italy**	UK	Germany	Italy
	%	**%**	**%**	%	%	%
Rate of increase in salaries	**4.80**	**2.50**	**n/a**	4.45	2.50	3.50
Rate of increase in pension payments	**3.50**	**2.55**	**n/a**	2.80	1.75	n/a
Discount rate	**5.60**	**5.25**	**4.75**	6.50	6.00	5.00
Inflation	**3.50**	**2.55**	**2.00**	2.80	1.25	2.00

The Company uses certain mortality rate assumptions when calculating scheme liabilities. These are as follows:

UK:	PxA92 YOB MC Min improvement 1% pa (prior year PA92 C2020MC)
Germany:	RT 2005 G (Prof. Heubeck)
Italy:	2006 (ISTAT) tables

	2010				2009			
	UK	**Germany**	**Italy**	**Total**	UK	Germany	Italy	Total
	%	**%**	**%**	**%**	%	%	%	%
LONG-TERM EXPECTED RATE OF RETURN ON ASSETS								
Equities	**7.50**	**n/a**	**n/a**	**n/a**	7.75	n/a	n/a	n/a
Fixed-rate bonds	**n/a**	**n/a**	**n/a**	**n/a**	5.30	n/a	n/a	n/a
Index-linked bonds	**n/a**	**n/a**	**n/a**	**n/a**	3.60	n/a	n/a	n/a
Insurance contracts	**5.60**	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a	n/a
Other	**4.50**	**n/a**	**n/a**	**n/a**	2.00	n/a	n/a	n/a

The overall expected return on assets is calculated as the weighted average of the expected return on each individual asset class. The return on insurance policies is determined by the funding cost of the retirement obligations to which they relate.

32 POST-EMPLOYMENT BENEFITS CONTINUED

The net assets/liabilities of all pension schemes including schemes in France, India and Turkey at 31 March 2010 were as follows:

	2010				2009			
	UK £000	Other Europe £000	Other £000	Total £000	UK £000	Other Europe £000	Other £000	Total £000
FAIR VALUE OF ASSETS								
Equities	**9,961**	**–**	**–**	**9,961**	10,323	–	–	10,323
Fixed-rate bonds	**–**	**–**	**–**	**–**	7,736	–	–	7,736
Index-linked bonds	**–**	**–**	**–**	**–**	2,065	–	–	2,065
Insurance policies	**13,164**	**309**	**–**	**13,473**	–	–	–	–
Other	**1,272**	**–**	**149**	**1,421**	94	–	125	219
Total fair value of assets	**24,397**	**309**	**149**	**24,855**	20,218	–	125	20,343
Present value of scheme liabilities	**(34,476)**	**(7,555)**	**(417)**	**(42,448)**	(25,665)	(6,861)	(414)	(32,940)
Net deficit in scheme	**(10,079)**	**(7,246)**	**(268)**	**(17,593)**	(5,447)	(6,861)	(289)	(12,597)
ANALYSIS OF THE AMOUNT CHARGED TO OPERATING PROFIT								
Current service cost	**353**	**537**	**24**	**914**	474	118	55	647
Total operating charge	**353**	**537**	**24**	**914**	474	118	55	647
ANALYSIS OF THE AMOUNT CHARGED/(CREDITED) TO NET FINANCIAL INCOME								
Interest on pension liabilities	**1,654**	**331**	**16**	**2,001**	1,696	320	12	2,028
Expected return on pension scheme assets	**(1,365)**	**–**	**(10)**	**(1,375)**	(1,774)	–	(5)	(1,779)
Net financing charge/(credit)	**289**	**331**	**6**	**626**	(78)	320	7	249
Total charge to the income statement	**642**	**868**	**30**	**1,540**	396	438	62	896
ANALYSIS OF AMOUNT CHARGED/(CREDITED) TO THE STATEMENT OF RECOGNISED INCOME AND EXPENSE								
Difference between expected and actual return on scheme assets	**(290)**	**–**	**(9)**	**(299)**	(6,096)	–	–	(6,096)
% of scheme assets	**(1%)**	**–**	**–**	**(1%)**	(30%)	–	–	(30%)
Experience (losses)/gains on scheme liabilities	**(7,594)**	**(390)**	**45**	**(7,939)**	1,319	313	(49)	1,583
% of scheme liabilities	**22%**	**5%**	**(11%)**	**19%**	(5%)	(5%)	12%	(5%)
Net actuarial (losses)/gains	**(7,884)**	**(390)**	**36**	**(8,238)**	(4,777)	313	(49)	(4,513)

The cumulative amount of actuarial (losses)/gains recognised in the statement of comprehensive income is £(1,564,000) (2009: gain £6,676,000). The actual return on scheme assets in the period was a profit of £1.0 million (2009: loss of £4.3 million).

32 POST-EMPLOYMENT BENEFITS CONTINUED

	2010				2009			
	UK £000	Other Europe £000	Other £000	Total £000	UK £000	Other Europe £000	Other £000	Total £000
MOVEMENT IN PRESENT VALUE OF DEFINED BENEFIT OBLIGATION DURING THE YEAR								
Present value at 1 April	25,665	6,861	414	32,940	26,102	6,122	158	32,382
Current service cost	353	537	24	914	474	118	51	643
Employee contributions	167	–	–	167	179	–	–	179
Benefits paid	(957)	(913)	(12)	(1,882)	(1,467)	(408)	–	(1,875)
Other finance expense	1,654	331	16	2,001	1,696	320	9	2,025
Actuarial loss/(gain)	7,594	390	(45)	7,939	(1,319)	(313)	49	(1,583)
Acquisition	–	593	1	594	–	–	165	165
Exchange	–	(244)	19	(225)	–	1,022	(18)	1,004
Present value at 31 March	34,476	7,555	417	42,448	25,665	6,861	414	32,940
FAIR VALUE OF SCHEME ASSETS								
At 1 April	20,218	–	125	20,343	25,397	–	–	25,397
Expected return on plan assets	1,365	–	10	1,375	1,774	–	5	1,779
Contributions – by employer	3,894	–	26	3,920	433	–	15	448
Contributions – by employee	167	–	–	167	177	–	–	177
Benefits paid	(957)	–	(12)	(969)	(1,467)	–	–	(1,467)
Acquisition	–	346	–	346	–	–	98	98
Actuarial loss	(290)	–	(9)	(299)	(6,096)	–	–	(6,096)
Exchange	–	(37)	9	(28)	–	–	7	7
Scheme assets at 31 March	24,397	309	149	24,855	20,218	–	125	20,343

HISTORY OF EXPERIENCE ADJUSTMENTS

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Present value of scheme liabilities	42,448	32,940	32,382	32,336	31,893
Fair value of scheme assets	24,855	20,343	25,396	26,531	25,592
Deficit in schemes	17,593	12,597	6,986	5,805	6,301
Experience adjustments on scheme liabilities	7,939	1,583	2,704	(980)	2,964
Experience adjustments on scheme assets	(299)	(6,096)	(2,656)	(239)	3,300

33 SHARE-BASED PAYMENTS

The Group operates share-based payment incentive schemes which are available to Board members and certain senior executives. Full details are included in the directors' remuneration report on pages 43 to 51. The Group also operates Save As You Earn share option schemes which are open to all UK employees.

Total expenses recognised in the income statement relating to share-based payment transactions were:

	2010 £000	2009 £000
Charged to income statement	**1,830**	2,212

FAIR VALUE OF SHARE-BASED PAYMENT AWARDS

The fair value of these awards has been determined using the Black-Scholes option pricing model. The assumptions used were as follows:

	2010	2009
Risk-free interest rate	**2.64%**	5.59%
Dividend yield	**3.15%**	3.00%
Volatility	**47.5%**	35.1%
Expected lives of awards granted under:		
Executive share option and award schemes	**Three years**	Three years
Savings-related share option schemes	**Three to five years**	Three to five years
Deferred bonus shares	**Two years**	Two years
Weighted average share price at time of award		
Executive share option and award schemes	**149.00p**	242.95p
Savings-related share option schemes	**171.00p**	136.25p
Deferred bonus shares	**180.00p**	251.50p
Weighted average exercise price of new grants		
Executive share option schemes	**–**	–
Executive share award schemes	**–**	–
Savings-related share option schemes	**132.00p**	128.00p
Deferred bonus shares	**–**	–

Details of share options outstanding during the year are as follows:

	Executive share options		SAYE	
	Number	Weighted exercise price	Number	Weighted exercise price
At 1 April 2008	6,806,110	102.75p	1,461,178	89.36p
Granted	–	–	414,195	128.00p
Exercised	(3,454,761)	95.27p	(390,106)	58.04p
Lapsed	(110,000)	145.56p	(183,581)	136.10p
At 1 April 2009	3,241,349	109.27p	1,301,686	104.51p
Granted	–	–	277,509	132.00p
Exercised	(1,494,881)	93.37p	(352,372)	76.08p
Lapsed	(55,000)	188.22p	(96,581)	147.97p
AT 31 MARCH 2010	**1,691,468**		**1,130,242**	
Exercisable at the end of:				
31 March 2009	2,478,461	92.08p	24,834	74.54p
31 March 2010	1,102,472	121.31p	29,318	119.67p

The weighted average share price at the date of exercise during the year was 172.3p (2009: 246.5p).

33 SHARE-BASED PAYMENTS CONTINUED

EMPLOYEE SHARE AWARDS

Details of employee share awards outstanding during the year are as follows:

	Performance share plan number	Deferred bonus shares number
At 1 April 2008	4,301,209	623,581
Granted	1,593,747	206,375
Exercised	(1,436,423)	(544,496)
Lapsed	(429,850)	(4,790)
At 1 April 2009	4,028,683	280,670
Granted	1,716,108	333,926
Exercised	(1,593,319)	(139,951)
Lapsed	(130,761)	–
AT 31 MARCH 2010	**4,020,711**	**474,645**

34 CONTINGENT LIABILITIES

Contingent liabilities of the Group amounting to £27,865,000 (2009: £19,951,000) are mainly in respect of bank performance bonds, operating leases and other contractual commitments. No losses are expected to arise.

FINANCIAL GLOSSARY

TERM USED	MEANING
Adjusted earnings per share	Basic earnings per share before acquired intangible amortisation and restructuring costs
Adjusted operating cash flow	Operating cash flow before restructuring and other exceptional payments
Adjusted operating cash flow conversion	Adjusted operating cash flow as a percentage of adjusted operating profit
Adjusted operating profit	Operating profit before amortisation of acquired intangibles and restructuring costs
Adjusted profit before tax	Profit before tax before amortisation of acquired intangibles and restructuring costs
Constant exchange rates ("CER")	The Company produces its accounts in sterling. To give the reader better visibility of the performance of Group entities it also produces certain measures at constant exchange rates. This information is calculated by applying the exchange rates used in the translation of consolidated results for the prior year to re-translate the results for the current year
Dividend cover	Adjusted earnings per share divided by total dividend per share
EURIBOR	The interbank offered rate for euro deposits
LIBOR	The London interbank offered rate
Net debt	Short- and long-term borrowing and finance lease obligations less cash and cash equivalents
Operating margin	Adjusted operating profit as a percentage of sales
Operating profit	Profit before tax before finance costs and finance income
Restructuring costs	Restructuring costs relate to exceptional charges arising from strategic change initiatives and mainly comprise redundancy costs
Total shareholder return ("TSR")	The increase in share price in the period plus the value of reinvested dividends in that period divided by the price at the beginning of the period

FIVE-YEAR SUMMARY FOR THE YEAR ENDED 31 MARCH

	Notes	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Revenue		**335,953**	326,747	267,645	204,438	179,242
Operating profit before amortisation of acquired intangibles and exceptional items (Adjusted Operating Profit)		**44,699**	46,405	36,069	23,485	17,482
Acquired intangible amortisation		**(5,555)**	(3,829)	(2,201)	(700)	(91)
Exceptional items		**(5,936)**	–	–	–	–
Profit on ordinary activities before interest		**33,208**	42,576	33,868	22,785	17,391
Net finance income and expense		**(3,308)**	(2,750)	(2,751)	(1,786)	(1,853)
Profit on ordinary activities before taxation		**29,900**	39,826	31,117	20,999	15,538
Tax on profit on ordinary activities		**(10,340)**	(12,755)	(6,487)	(5,546)	(4,223)
Attributable to minority interests		**(18)**	(454)	–	–	–
Profit for the period from continuing operations		**19,542**	26,617	24,630	15,453	11,315
Loss for the period from discontinued operations		**–**	–	–	–	(256)
Profit for the financial year		**19,542**	26,617	24,630	15,453	11,059
Capital expenditure		**4,460**	5,438	5,191	3,152	2,627
Adjusted operating cash flow	1	**48,473**	43,007	30,043	24,332	16,444
Cash conversion %	2	**108%**	93%	83%	104%	94%
Assets employed						
Non-current assets		**157,235**	127,034	99,111	85,717	70,035
Current assets less liabilities	3	**16,247**	30,741	17,125	(341)	4,862
Net assets employed	3	**173,482**	157,775	116,236	85,376	74,897
Source of finance						
Equity shareholders' funds		**130,868**	133,517	94,528	64,102	57,972
Minority interests		**1,634**	8,811	–	–	–
Net borrowings		**40,980**	15,447	21,798	21,274	16,925
Source of finance	3	**173,482**	157,775	116,326	85,376	74,897
Debt: equity ratio	4	**30.9%**	11.6%	23.1%	33.2%	29.2%
Earnings per 25p ordinary share						
Adjusted		**11.0p**	11.5p	9.5p	6.6p	4.8p
Basic		**7.7p**	10.6p	10.0p	6.4p	4.7p
Diluted		**7.6p**	10.5p	9.9p	6.3p	4.7p
Net dividend per ordinary share		**4.8p**	4.3p	3.3p	2.6p	2.3p
Return on net assets	5	**54.9%**	68.2%	79.2%	72.1%	54.4%

Notes
1 Operating cash flow before exceptional payments.
2 Adjusted operating cash flow as a percentage of adjusted operating profit.
3 For the purpose of this summary: a) current assets less liabilities comprise current assets, less cash balances and other creditors and provisions for liabilities and charges b) net borrowings, which comprise bank overdrafts and bank loans less cash balances, have been excluded from net assets employed and treated as a source of finance.
4 Debt: equity represents net borrowings as a percentage of shareholders' funds.
5 This represents the profit on ordinary activities before interest excluding exceptional items and goodwill amortisation expressed as a percentage of the average of the net assets employed excluding net debt and goodwill.

COMPANY STATEMENT OF FINANCIAL POSITION AT 31 MARCH

	Notes	2010 £000	2009 £000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	**923**	977
Investments	5	**148,686**	148,686
Deferred tax assets	6	**5,085**	3,043
		154,694	152,706
CURRENT ASSETS			
Trade and other receivables	7	**104,216**	70,475
		104,216	70,475
TOTAL ASSETS		**258,910**	223,181
LIABILITIES			
CURRENT LIABILITIES			
Bank overdrafts and other loans	9	**45,447**	58,363
Trade and other payables	8	**29,818**	42,669
Provisions	10	**1,574**	1,223
		76,839	102,255
NON-CURRENT LIABILITIES			
Bank and other loans	9	**59,366**	8,900
Trade and other payables	8	**76**	–
Post-employment benefits	12	**10,079**	5,447
		69,521	14,347
TOTAL LIABILITIES		**146,360**	116,602
NET ASSETS		**112,550**	106,579
EQUITY			
Issued capital		**65,750**	65,275
Share premium		**8,980**	7,843
Own shares		**(9,167)**	(10,992)
Retained earnings		**47,063**	44,453
Hedge reserve account		**(76)**	–
TOTAL EQUITY		**112,550**	106,579

Approved by the Board on 24 May 2010

T R COBBOLD DIRECTOR N W WARNER DIRECTOR

The information on pages 98 to 108 inclusive forms part of these accounts.

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH

	Share capital £000	Share premium £000	Own shares £000	Hedging reserve £000	Retained earnings £000	Total £000
At 1 April 2008	64,384	5,502	(12,063)	–	50,754	108,577
Profit after tax	–	–	–	–	9,990	9,990
Actuarial loss	–	–	–	–	(4,777)	(4,777)
Tax on items recognised in equity	–	–	–	–	67	67
Total comprehensive income	–	–	–	–	5,280	5,280
Dividends paid	–	–	–	–	(10,690)	(10,690)
Shares issued	891	2,341	–	–	–	3,232
Movements in respect of own shares	–	–	1,071	–	(3,103)	(2,032)
Share-based payments	–	–	–	–	2,212	2,212
At 31 March 2009	65,275	7,843	(10,992)	–	44,453	106,579
At 1 April 2009	**65,275**	**7,843**	**(10,992)**	**–**	**44,453**	**106,579**
Profit after tax	**–**	**–**	**–**	**–**	**20,921**	**20,921**
Actuarial loss	**–**	**–**	**–**	**–**	**(7,884)**	**(7,884)**
Tax on items recognised in equity	**–**	**–**	**–**	**–**	**2,640**	**2,640**
Losses on cash flow hedges	**–**	**–**	**–**	**(76)**	**–**	**(76)**
Total comprehensive income	**–**	**–**	**–**	**(76)**	**15,677**	**15,601**
Dividends paid	**–**	**–**	**–**	**–**	**(12,114)**	**(12,114)**
Shares issued	**475**	**1,137**	**–**	**–**	**–**	**1,612**
Movements in respect of own shares	**–**	**–**	**1,825**	**–**	**(2,783)**	**(958)**
Share-based payments	**–**	**–**	**–**	**–**	**1,830**	**1,830**
AT 31 MARCH 2010	**65,750**	**8,980**	**(9,167)**	**(76)**	**47,063**	**112,550**

COMPANY CASH FLOW STATEMENT YEAR ENDED 31 MARCH

	2010 £000	2009 £000
OPERATING ACTIVITIES		
Operating loss	**(2,455)**	(5,891)
Depreciation of property, plant and equipment	**415**	344
Impairment of investments and loans receivable	**–**	(211)
Reversal of book loss on sale of property, plant and equipment	**–**	13
Non-cash charge for employee share schemes	**1,830**	1,670
Post-employment benefits	**(3,541)**	43
Increase/(decrease) in other provisions	**351**	(38)
OPERATING CASH FLOW BEFORE WORKING CAPITAL MOVEMENTS	**(3,400)**	(4,070)
(Increase) in trade and other receivables	**(36,436)**	(17,820)
(Decrease) in trade and other payables	**(11,062)**	(861)
CASH USED BY OPERATIONS	**(50,898)**	(22,751)
Income taxes received	**4,771**	174
Finance costs paid	**(3,422)**	(2,622)
Investment income	**23,820**	16,140
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	**(25,729)**	(9,059)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(361)**	(231)
Sale of property, plant and equipment	**–**	40
Purchase of shares in subsidiaries	**–**	(4,819)
NET CASH USED IN INVESTING ACTIVITIES	**(361)**	(5,010)
FINANCING ACTIVITIES		
Share capital issued	**1,612**	3,232
Purchase of own shares	**(958)**	(2,032)
(Decrease)/increase in short-term borrowings	**(32,510)**	32,146
Increase/(decrease) in long-term borrowings	**50,466**	(22,300)
Equity dividend paid	**(12,114)**	(10,690)
NET CASH FROM FINANCING ACTIVITIES	**6,496**	356
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	**(19,594)**	(13,713)
Overdrafts and cash equivalents at beginning of year	**(15,853)**	(2,140)
NET OVERDRAFTS AND CASH EQUIVALENTS AT END OF YEAR	**(35,447)**	(15,853)

1 SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF ACCOUNTING

The separate financial statements are presented in conformity with the Companies Act 2006 and are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The principal accounting policies and basis of accounting are the same as set out in notes 1 and 2 of the consolidated financial statements.

2 PROFIT FOR THE YEAR

As permitted by section 408 of the Companies Act 2006, the income statement of the Company is not presented as part of these accounts. Of the Group consolidated profit for the financial year, a profit of £20,921,000 (2009: £9,990,000) is dealt with in the accounts of the Company.

	2010 £000	2009 £000
Operating profit is stated after charging the following:		
Depreciation of property, plant and equipment	**415**	344
Net foreign exchange gains/(losses)	**469**	(407)
Statutory audit of the Company – remuneration of the auditor	**135**	123
All other services	**137**	22

Non-audit fees paid to Deloitte LLP are disclosed in note 5 to the Group consolidated financial statements.

3 TAXATION

	2010 £000	2009 £000
CURRENT TAX:		
UK corporation tax (relief) at statutory rate	**(850)**	(1,819)
Foreign tax	**81**	105
Adjustment in respect of prior years	**(1,720)**	281
Current taxation	**(2,489)**	(1,433)
DEFERRED TAXATION		
Origination and reversal of temporary differences – current year	**(117)**	(616)
– prior year	**(59)**	47
Total deferred tax	**(176)**	(569)
TOTAL TAX (RELIEF)	**(2,665)**	(2,002)

The table below reconciles the total tax credit with the UK corporation tax rate:

	2010 £000	2009 £000
Profit before tax	**18,256**	7,988
Tax on profit arrived at by applying the standard rate of UK tax 28% (2009: 28%)	**5,112**	2,237
Impairment reversal not subject to tax	**(27)**	(59)
Dividends from Group companies not subject to tax	**(6,670)**	(4,571)
Movement in short-term timing and other differences	**–**	(42)
Foreign tax suffered on earnings	**81**	105
Tax (over)/under-provided in prior years	**(1,779)**	328
Expenses not allowable for tax	**618**	–
TOTAL TAX CREDIT	**(2,665)**	(2,002)

The foreign tax charge includes amounts withheld from remittances to the UK of £81,000 (2009: £105,000).

NOTES TO THE ACCOUNTS (COMPANY)

4 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £000	Fixtures and equipment £000	Total £000
COST OR VALUATION:			
At 1 April 2008	409	3,033	3,442
Additions	18	213	231
Disposals	–	(152)	(152)
At 1 April 2009	427	3,094	3,521
Additions	–	361	361
AT 31 MARCH 2010	**427**	**3,455**	**3,882**
ACCUMULATED DEPRECIATION:			
At 1 April 2008	251	2,048	2,299
Charge for the year	23	321	344
Credit on disposal	–	(99)	(99)
At 1 April 2009	274	2,270	2,544
Charge for the year	25	390	415
AT 31 MARCH 2010	**299**	**2,660**	**2,959**
CARRYING AMOUNT:			
At 31 March 2009	153	824	977
AT 31 MARCH 2010	**128**	**795**	**923**

At 31 March 2010 the Company had entered into contracts to acquire £nil of property plant and equipment (2009: £nil).

5 INVESTMENTS

	2010 £000	2009 £000
INVESTMENT IN SUBSIDIARIES		
At 1 April	**148,686**	143,870
Purchase of shares in subsidiaries	**–**	4,819
Impairment	**–**	(3)
At 31 March	**148,686**	148,686

Investments in Group companies are carried at cost less provision for impairment of £14,566,000 (2009: £14,566,000).

5 INVESTMENTS CONTINUED

Details of the Company's subsidiaries at 31 March 2010 are as follows:

Company	Company of incorporation	Principal activity
AST Services Electronique SARL	France	Sales and service, power protection solutions
CHLD Singapore Pte Limited	Singapore	Sales and service, power protection solutions
Chloride Electronics Limited	England	Sales and service, power protection solutions
Chloride España S.A.U	Spain	Sales and service, power protection solutions
Chloride France S.A.	France	Manufacture, sales and service, power protection solutions
Chloride Power Protection Pty Limited	Australia	Sales and service, power protection solutions
Chloride Masterguard Power Systems Limited	China	Sales and service, power protection solutions
Chloride Portugal – Artigos Electronicos, Limitada	Portugal	Sales and service, power protection solutions
Chloride Power Protection Limited	Thailand	Sales and service, power protection solutions
Chloride Power Protection Polska Sp z.o.o.	Poland	Sales and service, power protection solutions
Chloride S.p.A.	Italy	Manufacture, sales and service, power protection solutions
DB Power Electronics (Pvt) Ltd	India	Manufacture, sales and service, power protection solutions
Masterguard do Brasil Limitada	Brazil	Sales and service, power protection solutions
Masterguard GmbH	Germany	Sales and service, power protection solutions
Masterguard Güç Kaynaklari Limited Sirketi	Turkey	Sales and service, power protection solutions
Masterpower Electronics Limited	Scotland	Sales and service, power protection solutions
Oneac Corporation	USA	Manufacture, sales and service, power protection solutions
Power & Electronic Services Limited	Ireland	Sales and service, power protection solutions
UP Systems, Incorporated	USA	Sales and service, power protection solutions
AEES SAS	France	Manufacture, sales and service, power protection solutions
Emergency Power Systems Plc	UK	Manufacture, sales and service, power protection solutions

Notes
1 The results of each subsidiary undertaking are included in the consolidated Group results for 2009/2010.
2 Except in the case of Chloride Power Protection Pty Limited, which has a class of preference shares in issue, shares in these principal subsidiary undertakings are ordinary shares or their local equivalent.
3 With the exception of DB Power Electronics (Pvt) Ltd, which is 90% owned, the entire ordinary share capital of these principal subsidiary undertakings is held directly by the Company, or indirectly by one of the Company's subsidiaries.

6 DEFERRED TAX

Deferred tax comprises:

	At 1 April 2008 £000	Recognised in income £000	Recognised in equity £000	Other movement £000	At 1 April 2009 £000	Recognised in income £000	Recognised in equity £000	Other movement £000	**At 31 March 2010 £000**
Post-employment benefits	(197)	(371)	(957)	–	(1,525)	910	(2,207)	–	**(2,822)**
Other provisions	(3,450)	(107)	890	1,570	(1,097)	(1,128)	(432)	773	**(1,884)**
Accelerated tax depreciation	(330)	(91)	–	–	(421)	42	–	–	**(379)**
	(3,977)	(569)	(67)	1,570	(3,043)	(176)	(2,639)	773	**(5,085)**

Other movements during the year are in respect of transfers to current tax of other provisions of £773,000 (2009: £1,570,000).

NOTES TO THE ACCOUNTS (COMPANY)

7 FINANCIAL ASSETS

TRADE AND OTHER RECEIVABLES

	2010 £000	2009 £000
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Due from subsidiary undertakings	**101,256**	64,782
Other receivables	**531**	229
Prepayments and accrued income	**612**	2,090
Derivative assets	**171**	220
Current taxation receivable	**1,646**	3,154
TOTAL DEBTORS	**104,216**	70,475

8 FINANCIAL LIABILITIES

TRADE AND OTHER PAYABLES

	2010 £000	2009 £000
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade creditors	**708**	499
Amounts owing to subsidiary undertakings	**25,879**	38,232
Value added and payroll taxes	**697**	126
Other creditors	**–**	230
Accruals	**2,079**	3,328
Derivative liabilities	**455**	254
	29,818	42,669
AMOUNTS FALLING DUE AFTER ONE YEAR		
Derivative liabilities	**76**	–
TOTAL CREDITORS	**29,894**	42,669

9 BORROWINGS

	2010 £000	2009 £000
CURRENT LIABILITIES		
Bank overdrafts	**35,447**	15,853
Bank loans	**10,000**	42,510
	45,447	58,363
NON-CURRENT LIABILITIES		
Bank loans	**59,366**	8,900

Of the non-current loans shown £18,500,000 are repayable between one to two years (2009: £nil) and £40,866,000 between two to three years (2009: £8,900,000).

9 BORROWINGS CONTINUED

Analysis of borrowings by currency:

	Sterling £000	Euro £000	US dollar £000	Total £000
YEAR ENDED 31 MARCH 2010				
Bank overdrafts	**21,351**	**15,237**	**(1,141)**	**35,447**
Bank loans	**43,500**	**25,866**	**–**	**69,366**
	64,851	**41,103**	**(1,141)**	**104,813**
Year ended 31 March 2009				
Bank overdrafts	16,276	(171)	(252)	15,853
Bank loans	44,000	7,410	–	51,410
	60,276	7,239	(252)	67,263

The weighted average interest rate on the borrowings above was 2.3% (2009: 5.07%). A 1% change in the effective borrowing rate would change interest payable by £0.5 million (2009: £0.5 million).

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

Details of the Company's committed facilities are disclosed in note 21 of the Group's consolidated financial statements.

10 PROVISIONS FOR LIABILITIES

	Total £000
At 1 April 2009	1,223
Profit and loss account	656
Utilised in the year	(305)
AT 31 MARCH 2010	**1,574**

These provisions mainly relate to contractual and other obligations such as vacant property and routine legal matters for continuing and disposed businesses. These provisions are expected to be substantially utilised within one year.

11 FINANCIAL INSTRUMENTS

SUMMARY

The Company uses derivative contracts to hedge future transactions and cash flows. At the balance sheet date the fair value of these contracts was:

	2010			2009		
	Assets £000	**Liabilities £000**	**Net £000**	Assets £000	Liabilities £000	Net £000
Currency derivatives	**170**	**(455)**	**(285)**	371	(103)	268
Interest rate swaps	**–**	**(76)**	**(76)**	–	–	–
	170	**(531)**	**(361)**	371	(103)	268

Of these amounts £76,000 has been debited to the hedging reserve (2009: £nil). Net gains of £70,000 (2009: £nil) were transferred from the hedging reserve to the income statement during the period.

The interest rate swap shown above is due for settlement between 0 and 4 years. All other derivative contracts will be settled within one year.

NOTES TO THE ACCOUNTS (COMPANY)

11 FINANCIAL INSTRUMENTS CONTINUED

FINANCIAL ASSETS AND LIABILITIES
AT 31 MARCH 2010

	Loans and receivables £000	**Amortised cost £000**	**Designated hedging relationships £000**	**Trading £000**	**Total carrying value £000**	**Fair value £000**
TRADE AND OTHER RECEIVABLES						
Non-derivative assets	**103,433**	**–**	**–**	**–**	**103,433**	**103,433**
Derivative assets	**–**	**–**	**46**	**125**	**171**	**171**
	103,433	**–**	**46**	**125**	**103,604**	**103,604**
FINANCIAL LIABILITIES						
TRADE AND OTHER PAYABLES						
Non-derivative liabilities	**(27,269)**	**–**	**–**	**–**	**(27,269)**	**(27,269)**
Derivative liabilities	**–**	**–**	**(122)**	**(409)**	**(531)**	**(531)**
	(27,269)	**–**	**(122)**	**(409)**	**(27,800)**	**(27,800)**
Bank overdrafts	**–**	**(35,447)**	**–**	**–**	**(35,447)**	**(35,447)**
BANK AND OTHER LOANS:						
Current	**–**	**(10,000)**	**–**	**–**	**(10,000)**	**(10,000)**
Non-current	**–**	**(59,366)**	**–**	**–**	**(59,366)**	**(59,366)**
	(27,269)	**(104,813)**	**(122)**	**(409)**	**(132,613)**	**(132,613)**
	76,164	**(104,813)**	**(76)**	**(284)**	**(29,009)**	**(29,009)**
Net financial liabilities in sterling						**(5,417)**
Net financial liabilities in other currencies						**(23,592)**

FINANCIAL ASSETS AND LIABILITIES
AT 31 MARCH 2009

	Loans and receivables £000	Amortised cost £000	Designated hedging relationships £000	Trading £000	Total carrying value £000	Fair value £000
TRADE AND OTHER RECEIVABLES						
Non-derivative assets	68,014	–	–	–	68,014	68,014
Derivative assets	–	–	–	371	371	371
	68,014	–	–	371	68,385	68,385
FINANCIAL LIABILITIES						
TRADE AND OTHER PAYABLES						
Non-derivative liabilities	(42,566)	–	–	–	(42,566)	(42,566)
Derivative liabilities	–	–	–	(103)	(103)	(103)
	(42,566)	–	–	(103)	(42,669)	(42,669)
Bank overdrafts	–	(15,853)	–	–	(15,853)	(15,853)
BANK AND OTHER LOANS:						
Current	–	(42,510)	–	–	(42,510)	(42,510)
Non-current	–	(8,900)	–	–	(8,900)	(8,900)
	(42,566)	(67,263)	–	(103)	(109,932)	(109,932)
	25,448	(67,263)	–	268	(41,547)	(41,547)
Net financial liabilities in sterling						(14,040)
Net financial liabilities in other currencies						(27,507)

11 FINANCIAL INSTRUMENTS CONTINUED

FAIR VALUE HIERARCHY

The different levels of valuation methods of financial instruments carried at fair value have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial assets and liabilities recognised by the Group at fair value can be classified as value using Level 2.

These comprise derivative assets at fair value of £171,000 (2009: £371,000) and derivative liability at fair value of £531,000 (2009: £103,000).

CURRENCY RISK

The Company has used a sensitivity analysis technique that measures the estimated change to the fair value of the Group's financial instruments, to the income statement and to equity of a 10% strengthening or weakening in sterling against all other currencies, from the rates applicable at 31 March 2010, with all other variables remaining constant. A 10% variation in the valuation of sterling at the balance sheet date would have an impact of approximately £2.4 million (2009: £2.8 million). All of this would be taken to the income statement.

The amounts generated from the sensitivity analysis are estimates of the impact of market risk assuming that specified changes occur. Actual results in the future may differ materially from these results due to developments in the global financial markets which may cause fluctuations in exchange rates to vary from the hypothetical amounts, which therefore should not be considered a projection of likely future events and losses.

LIQUIDITY RISK

Detailed commentary on the Company's liquidity position is set out on page 27 of the financial review. Contractual liabilities related to the Company's financial non-derivative liabilities are:

	Within one year £000	Between one and two years £000	Between two and five years £000	Total £000
2010				
Bank overdrafts	**35,447**	**–**	**–**	**35,447**
Bank and other loans	**10,000**	**18,500**	**40,867**	**69,367**
Related interest	**1,800**	**1,517**	**289**	**3,606**
Trade and other payables	**27,739**	**–**	**76**	**27,815**
Total	**74,986**	**20,017**	**41,232**	**136,235**
2009				
Bank overdrafts	15,853	–	–	15,853
Bank and other loans	42,510	–	8,900	51,410
Related interest	609	160	39	808
Trade and other payables	39,341	–	–	39,341
Total	98,313	160	8,939	107,412

The Company's core borrowings comprise three-year committed facilities with a number of banks. Typically the Company draws under these facilities for periods between one week and three months and the interest rates applicable, LIBOR (or equivalent), are determined at the outset of each drawing. The above table is drawn up on the assumption that the Company will continue to draw on these loans until the expiry of the facility and that interest rates have been set at the rate applicable at 31 March.

The Company's financial assets mature within one year.

NOTES TO THE ACCOUNTS (COMPANY)

12 POST-EMPLOYMENT BENEFITS

Post-employment benefits represent the Company's net obligation under the Chloride 1996 Pension Scheme. Full disclosure is made under the UK scheme in note 32 to the consolidated financial statements of the Group.

13 RELATED PARTY TRANSACTIONS

At 31 March 2010 the Company had receivable and payable balances with its subsidiaries of £101,256,000 (£2009: £64,782,000) and £25,879,000 (2009: £38,232,000) respectively. During the course of the year the Company received £6,795,000 for service charges and interest (2009: £6,948,000), received dividends of £23,820,000 (2009: £16,967,000), and paid £394,000 in interest (2009: £874,000). The Company's UK affiliates made contributions of £247,000 to the Chloride 1996 Pension Scheme (2009: £486,000). The Company acts as sponsor to this scheme.

REMUNERATION OF KEY MANAGEMENT (THE EXECUTIVE DIRECTORS)

The remuneration of the directors who are the key management personnel of the Company is provided in the audited part of the Remuneration Committee Report on page 49. In addition, the share-based payment charge arising in relation to key management was £368,097 (2009: £331,000).

14 OPERATING LEASE ARRANGEMENTS

	2010 £000	2009 £000
Operating lease payments recognised as an expense in the year	**199**	199
Minimum lease payments on leases falling due		
Within one year	**199**	199
In the second to fifth years	**796**	796
After five years	**81**	280
	1,076	1,275

15 CONTINGENT LIABILITIES

Contingent liabilities amounting to £14,810,000 (2009: £8,643,000) are mainly in respect of guarantees of leases, borrowings, bank performance bonds and other contractual commitments of subsidiary undertakings.

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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