

CASTLE SUPPORT SERVICES plc

Annual Report and Accounts 2009



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Chairman's Statement

Introduction

I am pleased to report a continuing trend of improvement in trading for the year ended 30 June 2009. These results represent a very good performance and particularly since they have been achieved during a global economic downturn. Revenue for the year increased by approximately 8% to £125.5 million, with an improvement in EBITDA of 8% to £19.8 million and an operating profit improvement of 10% to £17.4 million.

The ongoing improvement in the group's trading performance demonstrates the strength of our market position and well-established operations in UK, USA, Australasia and Middle East providing specialist maintenance and repair services for generators and motors. During the year being reported on we have benefited from leveraging our considerable expertise into overseas territories capitalising on our reputation for quality work and speed of response. We have carried out projects in more than 50 countries throughout the world in the key international sectors of energy generation, oil, gas, resources and shipping, and the success in these areas has compensated for some weaker demand in some other parts of our business.

Results

The results for the year ended 30 June 2009 show a continuing improvement in revenue, which increased by 8% to £125.5 million (2008: £116.3 million).

EBITDA increased by 8% to £19.8 million (2008: £18.4 million) and operating profit increased by 10% to £17.4 million (2008: £15.8 million).

Net interest payable was £1.44 million (2008: £1.95 million), the reduction reflecting both lower borrowings and interest rates in the UK; net interest receivable was £0.47 million (2008: £0.45 million) and treasury income was £0.12 million (2008: £0.79 million).

Profit before other finance income increased to £16.6 million (2008: £15.1 million), however, after accounting for a reduced level of other finance income, which solely relates to an IAS accounting adjustment for pensions, profit before tax reduced slightly to £18.4 million (2008: £18.5 million).

In common with many other UK companies, our taxation charge has been adversely impacted by a change in the treatment of Industrial Buildings Allowances introduced in the 2008 Finance Act. This has increased the group's taxation charge by £1.8 million to £6.3 million. If the impact of this one time write-off is excluded the effective tax rate would have been approximately 24.6%.

As a result of the change to other finance income and the increase in the tax charge, the improvement in operating profit is not reflected in the profit after tax of £12.1 million (2008: £12.9 million) and the resultant earnings per share of 9.49p (2008: 10.04p).

Borrowings

Cash generation during the year has been good and amounts to £12.6 million. Borrowings have reduced by £4.7 million over the period; this is after expending £3.7 million in a share buy back programme and after making payments of £4.2 million to the group's defined benefit pension scheme over and above the normal service costs. Group borrowings at the year end were £5.8 million (net of cash balances of £16.1 million) and with bank facilities of £28 million the business has funds of approximately £22 million available for expansion and acquisitions.

Expansion

The group's strategic plan envisages growing the business throughout the world to capitalise on our long standing reputation and expertise in servicing key global sectors such as energy generation, oil, gas, resources and shipping.

We intend achieving our growth plans through proactive marketing and potentially through complementary acquisitions and/or joint ventures and trade alliances. As a well established market leader in a very



Chairman's Statement

fragmented marketplace and with few competitors capable of providing the group's scale and range of services, the board believes that there is considerable scope for consolidation and expansion.

In 2008 we completed a strategic move into the Middle East in order to meet the increasing opportunities in this region and consequently we are in the early stages of formulating a plan for the expansion of our facilities in Dubai on surplus land within our existing site in the Jebel Ali Free Zone.

During the course of the current year we have commenced two expansion projects to meet the growth in demand for our services at existing operations in USA and in Australia. In the US we have commissioned a new service facility in Gillette, Wyoming, a region where we have been experiencing considerable growth in the resources and power sectors. Similar growth in Brisbane, Australia has resulted in the group outgrowing its existing facility, and the board has therefore approved an extension increasing the workshop space by *circa* 40%.

Share buy back

During June 2009 we took the opportunity to buy back 7,918,689 shares at a cost to the company of £3.7 million, reducing the number of ordinary shares trading on AIM to 118,083,186, with 7,975,214 ordinary shares being held in treasury.

Pension scheme

In common with most defined benefit pension schemes, the deterioration in the world's financial markets has had a considerable impact on the group's pension scheme during the course of the last year. Although markets staged a partial recovery during April, May and June, the pension deficit under IAS19 was £21.0 million gross and £15.1 million net of deferred tax at the year end (2008: surplus of £7.3 million gross and £5.3 million net of deferred tax).

Following the finalisation of the triennial valuation as at 23 April 2008, we reached agreement with the scheme Trustees resulting in a requirement for £12.1 million of additional contributions over and above current service costs to be paid over a period to the next triennial valuation on 23 April 2011; of this, £4.2 million was paid during the 2009 financial year.

The board considers that against a background of increasing contributions and factors outside its control, such as longevity and the continuing growth in benefits, its primary responsibility should be to safeguard members' accrued benefits. We have therefore commenced a consultation exercise with all the active members of the scheme to consider a proposed closure of the scheme to future accrual and to replace the scheme with a defined contribution plan.

The following initiatives have been undertaken since the year end: the buyout of £27 million of pensioners' liabilities with a major insurance company; the commencement of a transfer value exercise for deferred members; and the transfer from equities into bonds to better match the income requirements of retiring members. It is the directors' intention to continue to monitor and review opportunities to invest in different asset classes, hedge risks and buyout liabilities as and when market conditions are favourable.

Outlook

Overall, the pattern of trading is similar to last year's, and on that basis, we are experiencing encouraging levels of activity with continuing levels of larger overseas business compensating for some patchiness in parts of our UK business.

The group is a financially strong, resilient and cash generative business that has performed well through these difficult global economic times and remains well placed to benefit from the board's expansion plans, as well as from any improvements in the economic environment or any consolidation opportunities that may arise.

Christopher Mills

Non-executive Chairman
30 September 2009

Board of Directors

Christopher Mills (56)
Non-executive Chairman

Joined the company in February 2005. He is Chief Investment Officer of J O Hambro Capital Management Limited and Chief Executive of North Atlantic Smaller Companies Investment Trust plc.

Tudor Davies (57)
Executive Director

Joined the Dowding & Mills group as Executive Chairman in November 2002. Appointed to the board of Castle Support Services plc in June 2007. He was a non-executive director and subsequently Chairman of Stratagem plc from 2000 to 2002. From 1990 to 1999 he was Chief Executive and subsequently Chairman of Hicking Pentecost plc. He is currently also a non-executive Director of Zytronic plc.

Timothy Barrett ACMA (36)
Finance Director

Joined the Dowding & Mills group in December 1997, served as Group Financial Controller from September 2000 and was appointed as Finance Director of the Dowding & Mills group in September 2004. He was appointed to the board of Castle Support Services plc in June 2007.

David Banks MA (Cantab), FCA (56)
Non-executive Director

Chairman of the Audit Committee
Chairman of the Remuneration Committee
Chairman of the Nomination Committee
Senior Independent Non-executive Director

Appointed to the Dowding & Mills board in October 2004 and to the board of Castle Support Services plc in June 2007. Currently Finance Director at Romag Holdings plc and a non-executive Director at Zytronic plc, both of which are listed on AIM.

J Colin Keith BA (Oxon) (65)
Non-executive Director

Member of the Audit Committee
Member of the Remuneration Committee
Member of the Nomination Committee

Appointed to the Dowding & Mills board in November 2004 and to the board of Castle Support Services plc in June 2007. He was Chairman of Denison International plc from 1993 to 2004 and Chairman of Horace Small plc from 1992 to 2000.

Company Secretary:
Simon Balem ACA

Report of the Directors

The directors present their report and the financial statements of the group and parent company for the year to 30 June 2009.

Principal activities and business and financial review

The group has subsidiaries in a number of countries, all of which are principally engaged in the provision of high quality electro-mechanical inspection, maintenance, and repair services and encompassing: power generator and electric motor repair; mechanical repair; mechanical and electrical site work; condition monitoring services; and electronic and calibration services.

The trading performance has been robust, with the business generating a strong level of cash. The key indicators of operational success in the business are operating profit before profit on disposal — ‘operating profit’ and operational cash flow. For the year to 30 June 2009, operating profit was £17,206,000 and operational cash flow was £16,084,000 (year to 30 June 2008, operating profit £15,378,000 and operational cash flow £18,072,000).

Revenue within the group increased by 8% in 2009, representing increased activity and a full year’s contribution from the group’s recently acquired business in the Middle East.

Operating profit before profit on disposal in 2009 has increased by 12% from £15,378,000 for the year to 30 June 2008 to £17,206,000 for the year to 30 June 2009. Operating profit as a percentage of revenue has increased from 13.2% in 2008 to 13.7% in 2009. These improvements are primarily as a result of increased revenue.

The funding valuation of the group’s UK defined benefit pension scheme as at 23 April 2008 disclosed a deficit of £10,543,000. The deficit disclosed was in line with the group’s expectations and the ongoing funding commitment to the scheme did not materially change as a result of the valuation. On an IAS19 basis,

following the deterioration in equity markets and other investment performance combined with strengthening mortality assumptions, the deficit has increased to £21,038,000 at 30 June 2009. Further details are contained within note 24.

As announced on 4 June 2009, the company undertook a programme of buying back up to 9% of its issued share capital in the market. The company purchased 7,918,689 shares at an average price of 46.7p (excluding associated costs) per share during June, representing 6.3% of the issued share capital.

The group has reviewed a range of non-financial indicators but due to the wide range of activities and work carried out at the various locations the board do not view them as key to an understanding of the group as a whole.

The results of the group for the period are set out in detail on pages 12 to 15.

Business strategy and risks affecting the group

The strategy of the group remains unchanged, being to grow its business both organically and potentially via complementary acquisitions where opportunities present themselves to create value for shareholders. The group aims to further develop its business in the Far East, as well as in each of the other continents in which it currently has facilities.

The nature of the business means that it faces a number of minor risks, but there are no risks which are individually significant to the business.

Financial risk management objectives and policies

Policies, objectives and strategies

The group seeks to manage financial risks by the use of financial instruments for which clear parameters have been established. The group does not undertake any trading activity in financial instruments.

Report of the Directors

The Finance Director monitors the group's exposure to interest rates and currency translation exposures and reports the impact to the board on a regular basis as necessary.

Interest rate risk

The company finances its operations through the initial funds provided by its shareholders.

The group finances its operations through loans from its bankers. The loans are divided between fixed and floating rates, as set out in note 19. This provides the business with an appropriate level of risk in relation to its borrowings.

The interest rate swap taken out at the time of the group's refinancing in June 2007 exchanges variable rate borrowings for a fixed rate and this has been used to reduce the risk of the impact on the group of an increase in borrowing rates.

Liquidity risk

The company, which acts primarily as a holding company, has very limited operations and the group facilities are sufficient to sustain the operation of the company for the foreseeable future.

The group seeks to manage liquidity risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Forecasts are prepared and facilities arranged by the group to ensure sufficient funding is available for all of the operating subsidiaries. Continuity of funding is ensured through a constant dialogue with the group's banks and ensuring that appropriate funding is available. The banking arrangements within the group were renegotiated during 2007 and the group continues to operate within all of its banking covenants.

Currency risk

The company has not entered into any foreign currency transactions.

Transaction risk in the group is principally managed by seeking to ensure that both sales

and purchases are made in the same currency and, if material imbalances are predicted to arise, a decision is made on whether to hedge the exposure.

In relation to translation risk, the group's current policy is not to hedge the net asset values of the overseas investments although, where appropriate and cost effective facilities are available, local borrowings are utilised to reduce the translation risk.

Credit risk

The group's principal financial assets are bank balances and cash, and trade and other receivables. The credit risk is primarily attributable to its trade receivables where the amounts presented in the balance sheet are net of impairments. Bank balances and cash comprise cash held by the group where the carrying amounts approximate to their fair value.

The group has no significant concentration of credit risk, with exposure spread over a large number of customers and reputable banks. The group has a good history of cash collection from its customers with a limited history of impairment. The credit risk on liquid funds are limited because the counter-parties are banks with high credit ratings assigned by international credit rating agencies.

Capital management

The group's capital management objectives are to ensure the group has the ability to continue as a going concern and enhance shareholder value. The group may maintain or adjust its capital structure by adjusting the amount of dividends paid to shareholders, returning capital to shareholders, issuing new shares or selling assets.

Share capital

The total number of shares in issue at the start of the year was 126,058,400, with 56,525 held in treasury, leaving 126,001,875 listed on AIM.

Report of the Directors

At the Annual General Meeting held on 16 December 2008, shareholders approved the buy back of shares up to a limit of 10% of the company's share capital. The company purchased 7,918,689 shares in the open market in June 2009 at an average price of 46.7p. The company now holds 7,975,214 shares in treasury and has 118,083,186 shares remaining listed on AIM.

Further details of the issued share capital are set out in note 21.

Dividends

The directors current intention is to retain and re-invest the earnings arising from the group's activities to fund further development.

Directors

The following directors served the company during the year:

C H B Mills	(Non-executive Chairman)
T G Davies	(Executive Director)
T I Barrett	(Finance Director)
D E Banks	(Senior Independent Non-executive Director and Chairman of the Audit, Remuneration and Nomination Committees)
J C Keith	(Independent Non-executive Director)
G A Naggar	(Non-executive Director, retired 1 August 2008)

Biographical details of the current directors are set out on page 3.

None of the directors has had a material interest in any contract or arrangement of significance to which the company or any of its subsidiaries was a party during the year.

Employee involvement

The directors believe that it is important to maintain good working relations with employees

by the use of clear channels of communication. The group's business operates through a network of branches covering the major industrial areas of the UK and through subsidiaries located overseas. In practice, the responsibility for communicating with the workforce rests with the manager for each location.

It is the policy of the group to give full and fair consideration to applications for employment made by disabled persons, having regard to their aptitudes and abilities. It is also the practice of the group, whenever possible, to continue the employment of those employees who become disabled during the course of their employment.

The company's annual report and financial statements are made available to all branches at the same time as they are sent to shareholders.

Environmental policy

The group recognises its duty to minimise environmental harm and nuisance and endeavours to adopt the best practicable means to reduce or eliminate polluting releases to the environment or in the disposal of waste products. It is the group's policy to comply with environmental legislative requirements and to integrate environmental consideration into all of its operations, use of materials and practices.

Payments to suppliers

All group companies agree terms and conditions for business transactions with suppliers and payment is then made with regard to these terms.

The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services.

Trade creditors within the parent company of £100,000 (note 6) represent 41 days of average daily purchases (2008: £37,000, 21 days).

Report of the Directors

International Financial Reporting Standards

These accounts are prepared by the group in compliance with International Financial Reporting Standards.

Substantial shareholdings

The following organisations had advised the company as at 21 September 2009 that they are interested, either on behalf of investment clients or beneficially, in more than 3% of the issued ordinary share capital:

	No. of Ordinary Shares	% of issued Share Capital
J O Hambro interests:		
North Atlantic Smaller Companies Investment Trust	31,000,000	26.2%
North Atlantic Value Discretionary Clients	27,483,344	23.3%
Other J O Hambro Interests	5,404,935	4.6%
<hr/>		
Total J O Hambro Interests	63,888,279	54.1%
The Klimt family	21,745,190	18.4%
The Naggar family	19,052,772	16.1%

Charitable donations

During the year, the group gave £5,995 for charitable purposes in the UK. No political donations were made.

Auditors

Grant Thornton UK LLP have expressed willingness to continue in office. In accordance with section 489(4) of the Companies Act 2006 a resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting.

By order of the board

Simon Balem

Company Secretary

30 September 2009

Statement of Directors' Responsibilities

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 have elected to prepare the parent company financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the parent company and the group, and of the profit or loss of the group for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and International Financial Reporting Standards, as adopted by the European Union, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

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

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

By order of the board
Simon Balem
Company Secretary
30 September 2009

Corporate Governance

The Combined Code

As an AIM listed company, Castle Support Services plc is not governed by the Listing Rules of the UK Listing Authority and is therefore not required to comply with the corporate governance principles contained in the Combined Code. However, the board acknowledges the importance of good governance as being in the best interests of the company, its shareholders and its employees, and has therefore sought to comply with the QCA's Corporate Governance Guidelines for AIM Companies in all material respects.

The main features of the company's corporate governance procedures are as follows:

The Board

The board currently comprises two executive and three Non-executive directors and is chaired by Christopher Mills.

The senior independent Non-executive director is David Banks. Colin Keith is also considered independent. Both independent directors have no impairments to their independence.

The board meets regularly to review the operations and performance of the group and additional meetings are convened to discuss matters that require urgent consideration. The board has defined a schedule of matters specifically reserved to it for decision. The board has also established a procedure for all directors to take independent professional advice, if necessary, at the company's expense.

Committees of the Board

The Audit Committee meets at least twice a year with the company's external auditors present and has been given specific terms of reference, including the review of the financial statements, internal controls and the scope and cost of the audit. The executive directors may also be invited to attend its meetings, where the Committee considers it to be appropriate.

The Remuneration Committee is responsible for making recommendations to the board on remuneration policy for directors, including the setting of salaries, incentive payments and for the granting of share options and making adequate provisions for pensions.

The Nomination Committee meets as required to recommend to the board the appointment or removal of a director, including the appointment of suitable Non-executive directors.

Investor Relations

The board communicates a balanced and understandable assessment of the group's performance and prospects to all investors, and additional briefings are given when appropriate, consistent with the company's obligation to advise shareholders generally of significant events. The Annual General Meeting is regarded by the board as an important opportunity to meet and communicate with individual shareholders, who have an opportunity in that forum to question the board on any matter affecting the performance of the group.

In addition to the financial results and other information that the company is under a legal or regulatory requirement to publish, the company regularly announces business developments through appropriate media. Further information is published on the group's website at www.castlesupportservices.com.

Internal Control

The board is ultimately responsible for the group's system of internal controls, including financial, operational and compliance control and risk management, and for reviewing and monitoring its effectiveness. These systems have been aimed at assessing and managing risk in a responsible manner and can provide only a reasonable and not absolute assurance against material misstatement or loss.

The group's system of internal control is designed to assist achievement of business objectives, safeguard the group's assets, ensure compliance with regulation, and provide reliable financial information. Regular management meetings review all aspects of the group's businesses including any inherent or identified risks. Executive management has reviewed the significant risks affecting the business and the policies and procedures by which these risks are managed.

The board has delegated responsibility for the continuous review and monitoring of risk



Corporate Governance

management to executive directors, and has received regular reports on risk issues from them during the period. The executive directors' plans have been reviewed by and discussed with the Chairman of the Audit Committee. Through this process, risks are identified and assessed according to their potential impact and likelihood of occurrence and appropriate actions are assigned.

Internal financial control is operated within a clearly defined organisational structure with clear control responsibilities and a practice, throughout the group's operations, of regular management and board meetings to review the performance of the group's various businesses, including those aspects where there is a potential risk to the group. Key procedures include planning, budgeting and investment appraisal.

The board has reserved, for its own approval, those major decisions considered significant to the strategy and operation of the group as a whole, and has devised a structure of responsibilities throughout the group to ensure that at least two appropriate levels of authorisation are required for other decisions which have a major financial implication for the businesses concerned.

For each branch there are monthly reports, which contain both written reports and financial statements. The financial statements include profit and loss accounts, balance sheets and cash flow statements for the period under review, and they are compared with results for the previous year. The financial statements also contain a range of operational and financial ratios. These statements and financial reports are reviewed at meetings of executive management and by the board. Detailed procedures and reporting formats are set out in a group control manual.

Monitoring of the systems of internal control is conducted by management and by internal audit which independently reviews the operation of controls.

The external auditors, who are engaged to express an opinion on the group financial statements, also consider the systems of internal financial control to the extent necessary to express that opinion. Internal and external auditors report on the results of their work to management, including executive members of the board and the Audit Committee.

The board has adopted the Share Dealing Code for the purpose of compliance with Rule 21 of the AIM Rules and takes steps to ensure compliance with that rule by the group's employees.

Through the procedures outlined above, the board has considered all significant aspects of control during the period under review and to date.

Going Concern

Having considered the position of the group, the board believes that the group has appropriate and adequate resources to continue its strategy and operations for the foreseeable future. For this reason they continue to adopt a going concern basis in preparing the financial statements.



Independent auditor's report to the members of Castle Support Services plc

We have audited the consolidated financial statements of Castle Support Services plc for the year ended 30 June 2009 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated statement of recognised income and expense, the consolidated cash flow statement, and notes 1 to 29. 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.

This report is made solely to the company's members, as a body, in accordance with Sections 495 and 496 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 auditor's 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 Statement of Directors' Responsibilities, the directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the consolidated 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

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP

Opinion on financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the group's affairs as at 30 June 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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.

Other matter

We have reported separately on the parent company financial statements of Castle Support Services plc for the year ended 30 June 2009.

Paul Houghton

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
East Midlands
30 September 2009

Consolidated Income Statement

for the year ended 30 June 2009

	Notes	12 months to 30 June 2009 £'000	12 months to 30 June 2008 £'000
Revenue	2	125,459	116,270
Cost of sales		(90,080)	(83,717)
Gross profit		35,379	32,553
Selling and distribution costs		(4,633)	(4,471)
Administration expenses		(13,540)	(12,704)
Operating profit before profit on disposal		17,206	15,378
Profit on disposal of property, plant and equipment	28	233	454
Operating profit	2/3	17,439	15,832
Net interest payable on bank overdrafts and loans	5	(1,440)	(1,948)
Net interest receivable on bank balances	5	470	453
Treasury management income		117	787
Other finance income — pensions	24	1,822	3,371
Profit before tax		18,408	18,495
Income tax expense	7	(6,328)	(5,643)
Profit for the period		12,080	12,852
Profit attributable to minority interests		179	202
Profit attributable to equity shareholders		11,901	12,650
		12,080	12,852
Earnings per share (EPS) — basic and diluted — pence	8	9.49	10.04

There are no discontinued operations.

Consolidated Balance Sheet

as at 30 June 2009

	Notes	30 June 2009 £'000	30 June 2008 £'000
Assets			
Non-current assets			
Goodwill	9	17,032	17,032
Other intangible assets	9	55	67
Property, plant and equipment	10	24,871	24,604
Retirement benefit assets	24	—	7,306
Deferred tax assets	17	4,088	—
Total non-current assets		46,046	49,009
Current assets			
Inventories	13	9,883	10,333
Trade and other receivables	14	23,864	22,657
Cash and cash equivalents	18	16,124	12,886
Total current assets		49,871	45,876
Total assets		95,917	94,885
Liabilities			
Current liabilities			
Trade and other payables	15	(7,156)	(7,651)
Short-term liabilities	16	(11,953)	(12,783)
Short-term provisions	20	(588)	—
Tax liabilities	17	(151)	(2,040)
Bank loans and short-term borrowings	19	(6,590)	(1,612)
Total current liabilities		(26,438)	(24,086)
Non-current liabilities			
Long-term borrowings	19	(15,321)	(21,770)
Derivative financial instruments	19	(939)	(175)
Retirement benefit liabilities	24	(21,038)	—
Long-term provisions	20	(4,794)	(4,280)
Deferred tax liabilities	17	—	(2,483)
Total non-current liabilities		(42,092)	(28,708)
Total liabilities		(68,530)	(52,794)
Net assets			
Shareholders' equity			
Share capital	21	25,212	25,212
Reverse acquisition reserve	23	(13,057)	(13,057)
Foreign currency translation reserve	23	3,995	2,117
Other reserves	23	(3,770)	(50)
Profit and loss account	23	14,549	27,404
Equity shareholders' funds	23	26,929	41,626
Minority interests — equity	22	458	465
Total equity		27,387	42,091

The financial statements on pages 12 to 42 were approved on behalf of the Board of Directors and signed by T G Davies and T I Barrett on 30 September 2009.

Consolidated Statement of Recognised Income and Expense

for the year ended 30 June 2009

	12 months to 30 June 2009 £'000	12 months to 30 June 2008 £'000
Retained profit for the period	12,080	12,852
Income/(expense) recognised directly in equity:		
Currency translation differences arising in the period	1,878	1,874
Actuarial loss on retirement benefit plan	(34,384)	(12,345)
Taxation on actuarial loss on retirement benefit plan	9,628	3,456
Total recognised income and expense for the period	(10,798)	5,837
Attributable to minority interests	179	202
Attributable to equity shareholders	(10,977)	5,635
	(10,798)	5,837

Consolidated Cash Flow Statement

for the year ended 30 June 2009

	Notes	12 months to 30 June 2009 £'000	12 months to 30 June 2008 £'000
Profit before tax		18,408	18,495
Adjustments for:			
Depreciation, impairment and amortisation	3	2,368	2,579
Profit on sale of property, plant and equipment	3	(233)	(454)
Interest payable on bank overdrafts and loans	5	1,440	1,948
Interest receivable on bank balances	5	(470)	(453)
Interest rate swaps	26	765	(787)
Other finance income	24	(1,822)	(3,371)
Decrease/(increase) in inventories		695	(1,133)
Increase in trade and other receivables		(778)	(1,783)
(Decrease)/increase in trade and other payables		(1,167)	3,327
Increase in provisions		1,097	1,334
Contributions to pension schemes in excess of service cost		(4,219)	(1,630)
Cash generated from operations		16,084	18,072
Interest paid	5	(1,440)	(1,948)
Income taxes paid		(5,336)	(2,977)
Net cash generated from operating activities		9,308	13,147
Cash flows from investing activities			
Acquisition of businesses		—	(1,826)
Net debt and debt equivalents acquired with businesses		—	(8)
Purchase of property, plant, equipment and software	9/10	(2,542)	(2,213)
Sale of property, plant and equipment		1,024	2,386
Interest received	5	470	453
Dividends paid to minority interests	6	(273)	(8)
Net cash used in investing activities		(1,321)	(1,216)
Cash flows from financing activities			
Buy-back of shares	21	(3,720)	(50)
Repayments of amounts borrowed		(1,500)	(1,500)
Net cash used in financing activities		(5,220)	(1,550)
Increase in cash and cash equivalents		2,767	10,381
Cash and cash equivalents at beginning of period		12,864	1,644
Translation differences		493	839
Cash and cash equivalents at end of period	18	16,124	12,864

1. Basis of preparation

These consolidated financial statements are for the twelve months ended 30 June 2009.

They have been prepared under the historical cost convention, except for revaluation of certain financial instruments. They have been prepared in accordance with the accounting policies set out below and are based on IFRS in issue as adopted by the European Union and in effect at 30 June 2009.

The accounting policies have been applied consistently throughout the group for the purposes of preparation of these consolidated financial statements.

Castle Support Services plc is registered in England with company number 5351402. The registered office is Camp Hill, Birmingham, B12 0JJ.

Critical accounting estimates and judgements

The preparation of financial statements in accordance with generally accepted accounting principles under IFRS requires the group to make estimates, judgements and assumptions that may affect the reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities in the financial statements.

The business is one which where, by its nature, the results are not subject to critical accounting judgements. As examples of this, revenue recognition is performed in a manner which is not subjective and individual customers and contracts are not material to the success of the group. The group does not hold material assets for the purposes of sale and any judgements relating to the level of inventories would not be material to the group. There are certain areas which are significant, but not critical, where judgement is applied, as listed below:

Intangibles

The basis for the carrying value of intangibles is an assessment of the expected discounted future cash flows of the relevant cash-generating unit. This is not considered critical as the total carrying value of intangible assets is less than twice the annual cash flow of the group.

Impairment of assets

The judgement of whether an asset or group of assets requires impairment is based upon both an analysis of prior performance and the expected future performance for the cash-generating unit. Assets are impaired if either the past performance or the predicted future performance indicates impairment is required. This is not considered critical as there are no assets which are individually material to the group and the nature of the business allows for the redeployment of assets within the group without material costs arising.

On an ongoing basis estimates are evaluated using historical experience, consultation with experts and other methods that are considered reasonable in the particular circumstances to comply with IFRS. Actual results may differ from these estimates, the effect of which is recognised in the period in which the facts that give rise to the revision become known. An analysis of the key sources of estimation uncertainty is provided below:

Goodwill impairment testing

Capitalised goodwill is tested annually for impairment. Should the carrying value of the goodwill exceed its recoverable amount an impairment loss is recognised. The recoverable amounts are calculated based on an internal discounted cash flow evaluation, the basis of which is set out in note 9.

Provisions

The quantification of certain liabilities within the financial statements have been estimated. Such liabilities depend on the actions of third parties and on the specific circumstances pertaining to each obligation, and as such are subject to inherent uncertainty. The basis of these estimates is set out in note 20.

Retirement benefits

Provisions for defined benefit post-employment obligations are calculated by independent actuaries. The principal actuarial assumptions and estimates are based on independent actuarial advice and include the discount rate and estimates of life expectancy. The basis of these estimates is set out in note 24.

Principal accounting policies

Going concern

The group's business activities and current performance are described in detail in the Chairman's Statement and the Report of the Directors. The group continues to be profitable and cash generative and, as explained in note 18, the group currently holds cash and cash equivalents totalling £16,124,000. Considering this together with profit and cash flow forecasts prepared as part of the group's normal budgeting procedures, the directors are therefore satisfied that the group has more than adequate financial resources to continue in operational existence for the foreseeable future, and on that basis they continue to adopt the going concern basis in preparing these financial statements.

Consolidation

The group financial statements consolidate the accounts of the company and its subsidiaries (some of which are held through intermediate holding companies), which are made up to a date coterminous with the financial year end of the company. Results of companies acquired or disposed in the year are consolidated from the effective date of acquisition or up to the date of disposal.

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, 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 and liabilities and contingent liabilities that meet the conditions for recognition under IFRS3 are recognised at their fair value at the acquisition date.

In June 2007 the company successfully completed the acquisition of DM Technical Services Limited whereby the shareholders of DM Technical Services exchanged their existing ordinary share holding in DM Technical Services for ordinary shares in Castle Support Services plc on a 22.948 for 1 basis.

Due to the relative values of the companies, the former DM Technical Services shareholders became majority shareholders with 93.75% of the enlarged ordinary share capital in Castle Support Services plc, and the executive management of DM Technical Services group became that of Castle Support Services. As a result of this, reverse acquisition accounting has been used for this combination. The acquisition method of accounting has been used for companies acquired by the DM Technical Services group.

The group owns 25% of AGW Benelux Holdings b.v. This is treated as an investment in these financial statements as the group does not have significant influence over the operating and financial policies of that company.

In January 2008 the group, through one its subsidiaries, acquired 50% of Intersel FZE which was then converted into Intersel Dowding and Mills FZCO. This is treated as a subsidiary in these accounts as the group exercises control over the operating and financial policies of that company.

In April 2008 the group acquired 100% of the issued share capital of E.M.R. (North East) Limited.

Minority interests

Minority interests represent the portion of shareholders' earnings and equity attributable to third party shareholders not belonging to the group.

Goodwill

Goodwill arising on the acquisition of subsidiaries and related companies had been amortised under UK GAAP against earnings over its useful economic life which, on the acquisitions made to date, was 20 years. The group has elected not to apply IFRS3 Business Combinations retrospectively to business combinations which occurred before the transition date. Any goodwill arising under IFRS on business combinations is no longer amortised but the carrying value is tested by annual impairment reviews.

Impairment testing of goodwill, other intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination.

Goodwill, other individual assets or cash-generating units that include goodwill and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market value less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment. Depreciation is calculated to write down the cost less estimated residual value of all property, plant and equipment (other than

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freehold land) by equal annual instalments over their estimated useful economic life. Freehold and long leasehold buildings are depreciated at the higher of 2% per annum or a rate calculated by reference to the unexpired term of the lease. Plant, equipment and motor vehicles are depreciated at rates between 8% and 30% per annum on a straight-line basis. Computer hardware and software licences are depreciated at the rate of 20% per annum on a straight-line basis. No material residual values are expected to arise, except for on freehold land and buildings.

Disposal of assets

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds, net of associated disposal costs and the carrying amount of the asset and is recognised in the income statement.

Inventories

The basis of valuation of raw materials and work in progress is the lower of cost and net realisable value. Cost is made up of the actual cost of material (on a first in, first out basis), direct labour and associated costs, and an allowance for indirect costs based on ordinary levels of activity.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial assets, liabilities and equity

Financial assets, liabilities and equity are classified according to the substance of the contractual arrangements entered into.

All of the share capital of the parent company is made up of ordinary shares and is shown as equity. Dividends and distributions relating to equity are debited direct to the relevant equity account.

Financial assets

Financial assets currently consist of trade and other receivables, and cash and cash equivalents. The designation of financial assets is re-evaluated at every reporting date. On initial recognition financial assets are recognised at fair value plus transaction costs. All financial assets are recognised when the group becomes a party to the contractual provisions of the instrument.

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade and other receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement. An assessment for impairment is undertaken at least at each balance sheet date. Impaired assets are reassessed for objective evidence that the impairment no longer exists, in which case the impairment is reversed.

Provision against trade receivables is made when there is objective evidence that the group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is sold. The group does not engage in the creation or purchase of financial assets for transfer to third parties.

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the group becomes a party to the contractual provisions of the instrument. Financial liabilities categorised as at fair value through profit or loss are recorded initially at fair value; all transaction costs are recognised immediately in the income statement. All other financial liabilities are recorded initially at fair value, net of direct issue costs.

Financial liabilities categorised as at fair value through profit or loss are remeasured at each reporting date at fair value, with changes in fair value being recognised in the income statement. All other financial liabilities are recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Interest rate swaps are derivatives which are accounted for at fair value through the income statement.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

Provisions for liabilities

Provisions (other than provisions for pension costs and deferred taxation) are recognised when the group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be estimated reliably. If the effect of discounting is material, provisions are determined by discounting the expected value of future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of certain discounts are recognised as a finance charge in the income statement.

A contingent liability arises where the group has a possible obligation as a result of past events, or where the group has a present obligation as a result of past events, but where the transfer of economic benefit to settle the obligation is not probable, or the amount of the liability cannot be measured with sufficient reliability. Contingent liabilities are disclosed in the notes to the financial statements.

Revenue

Group revenue represents the net amounts chargeable to customers for goods and services supplied in respect of ordinary activities, excluding intra-group transactions and value added tax. Revenue is only recognised when the amount of revenue, the associated costs and the stage of completion can be measured reliably. The following conditions have to be met before revenue is recognised:

- The group has transferred to the buyer the risks and rewards of ownership of the complete package of goods and services and effective control over them; and
- The amount of revenue and the costs incurred in respect of the transaction can be measured reliably; and
- It is probable that the economic benefits associated with the transaction will flow to the group.

There is only one revenue stream in the group, that being the provision of engineering services, in which all companies within the group are engaged.

Leases

Payments made under operating leases are charged to the income statement as incurred. Where a rent-free period or other such incentive is received the value of the incentive is released to the income statement on a straight-line basis over the term of the lease. In accordance with IAS17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability.

Taxation

Current tax is the tax payable within twelve months based on the taxable profit for the period reported.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement or are reflected in equity if temporary differences relate to equity movements.

Pension Costs

The UK group operated two funded pension schemes providing benefits based on final pensionable earnings, which have been combined formally into one scheme since August 2007. The assets of the scheme are held separately from those of the group, the majority being invested with Legal & General Investment Management Limited.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2009

The group operates various other defined contribution pension arrangements established in accordance with local conditions and practices in the countries concerned. For these defined contribution schemes, the pension costs charged against operating profits are the contributions payable to the scheme in respect of the accounting period.

IAS19 has been adopted for all schemes.

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The gross surplus or deficit is presented separately from other net assets on the consolidated balance sheet. The related deferred tax is shown with other deferred tax balances. A gross surplus is recognised only to the extent that it is recoverable by the group.

The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included in other finance costs. Actuarial gains and losses are recognised immediately through the statement of recognised income and expense. The current service cost is charged through cost of sales and administration expenses.

Foreign Currency

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the income statement in the period in which they arise. Exchange differences on non-monetary items are recognised in the statement of recognised income and expenses to the extent that they relate to a gain or loss on that non-monetary item taken to the statement of recognised income and expenses, otherwise such gains and losses are recognised in the income statement.

The assets and liabilities in the financial statements of foreign subsidiaries and related goodwill are translated at the rate of exchange ruling at the balance sheet date. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to the "Foreign currency reserve" in equity.

The group has taken advantage of the exemption in IFRS1 and has deemed cumulative translation differences for all foreign operations to be nil at the date of transition to IFRS. The gain or loss on disposal of these operations excludes translation differences that arose before the date of transition to IFRS and includes later translation differences.

Treasury Shares

Castle Support Services shares which have been purchased by the company and not cancelled are held as treasury shares and deducted from shareholders' equity.

Exceptional items

Where the disposal of one or more assets results in a material profit or loss upon disposal, this is reported separately on the face of the income statement and details are disclosed in note 28.

Standards, amendments and interpretations to existing Standards that are not yet effective

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing Standards have been published but are not yet effective. The group has not early-adopted any of these pronouncements. The new standards, amendments and interpretations that are expected to be relevant to the group's consolidated financial statements are as follows:

IAS1 Presentation of Financial Statements (revised 2007, effective from 1 January 2009, i.e. for reporting periods beginning on or after this date)

This amendment affects the presentation of other changes in equity and introduces a statement of comprehensive income. Preparers will have the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of other comprehensive income). This amendment does not affect the financial position or results of the group but will give rise to additional disclosures. Management is currently assessing the detailed impact of this amendment on the group's consolidated financial statements.

IFRS8 Operating Segments (effective from 1 January 2009)

This IFRS specifies how an entity should report information about its operating segments in its consolidated financial statements. Generally, financial information is required to be reported on the same basis as is used internally

for evaluating operating segment performance and deciding how to allocate resources to operating segments. Implementation of this Standard is not expected to increase the number of reportable segments for the group.

IFRS3 Business Combinations (revised 2008) and IAS27 Consolidated and Separate Financial Statements (revised 2008) — effective from 1 July 2009

The revised Standards introduce major changes to the accounting requirements for business combinations, transactions with non-controlling interests (a new term for “minority interests”) and loss of control of a subsidiary. Management is currently assessing the detailed impact of this amendment on the group’s consolidated financial statements.

IFRS7 Improving Disclosures about Financial Instruments (effective from 1 January 2009)

The aims of the amendments to IFRS7 are to:

- explain more clearly how entities determine the fair value of their financial instruments; and
- improve the disclosure of liquidity risk.

The amendments to IFRS7 are part of the IASB’s response to the credit crisis.

The revised Standards will be adopted in the group’s consolidated financial statements for the period beginning 1 July 2009.

Other new Standards and Interpretations have been issued, but are not expected to have a material impact on the group’s consolidated financial statements.

2. Segmental Reporting

Segment information is presented in respect of the group's geographical settlement. The analysis is for the twelve months to 30 June 2009 and twelve months to 30 June 2008. No secondary segmental information has been provided as in the view of the directors, the group operates in only one segment, being in the provision of high quality electro-mechanical maintenance and repair services to industry and encompassing: power generator and electric motor repair; mechanical repair; mechanical and electrical site work; condition monitoring services; and electronic and calibration services. These are considered to be subject to the same risks and returns.

Twelve months to 30 June 2009	Analysis of revenue and results by geographical settlement					Total Operations £'000
	Europe £'000	Australia £'000	USA £'000	UAE £'000	Elimination £'000	
Revenue						
Revenue to external customers	89,105	20,061	13,579	2,714	—	125,459
Inter-segment revenue	381	—	—	—	(381)	—
Total revenue	89,486	20,061	13,579	2,714	(381)	125,459
Result						
Segment result	12,480	1,923	2,311	492	—	17,206
Net gain on disposals	233	—	—	—	—	233
Operating profit	12,713	1,923	2,311	492	—	17,439
Assets and liabilities					Unallocated	
Total segment assets	53,122	10,903	8,328	3,351	20,213	95,917
Total segment liabilities	(40,238)	(3,322)	(1,289)	(679)	(23,002)	(68,530)
Total net assets	12,884	7,581	7,039	2,672	(2,789)	27,387
Other segment information						
Total capital expenditure	1,295	307	815	125	—	2,542
Depreciation and impairment	1,462	402	357	123	—	2,344
Amortisation of intangible assets	24	—	—	—	—	24

The unallocated assets and liabilities column primarily comprises income tax liabilities, deferred tax assets and liabilities, and any interest-bearing assets and liabilities.

2. Segmental Reporting

continued

Twelve months to 30 June 2008	Analysis of revenue and results by geographical settlement					Total Operations £'000
	Europe £'000	Australia £'000	USA £'000	UAE £'000	Elimination £'000	
Revenue						
Revenue to external customers	85,453	17,031	12,389	1,397	—	116,270
Inter-segment revenue	269	—	—	—	(269)	—
Total revenue	85,722	17,031	12,389	1,397	(269)	116,270
Result						
Segment result	10,640	2,101	2,241	396	—	15,378
Net gain on disposals	454	—	—	—	—	454
Operating profit	11,094	2,101	2,241	396	—	15,832
Assets and liabilities					Unallocated	
Total segment assets	62,603	10,224	6,111	3,062	12,885	94,885
Total segment liabilities	(19,843)	(2,779)	(1,280)	(812)	(28,080)	(52,794)
Total net assets	42,760	7,445	4,831	2,250	(15,195)	42,091
Other segment information						
Total capital expenditure	1,489	294	462	714	—	2,959
Depreciation and impairment	1,793	424	290	47	—	2,554
Amortisation of intangible assets	25	—	—	—	—	25

The unallocated assets and liabilities column primarily comprises income tax liabilities, deferred tax assets and liabilities, and any interest-bearing assets and liabilities.

3. Operating Profit

The analysis of the components of operating profit is shown below:

	12 months to 30 June 2009		12 months to 30 June 2008	
	£'000	£'000	£'000	£'000
Profit on disposal of property, plant and equipment — exceptional item		(233)		(454)
Depreciation and impairment of property, plant and equipment		2,344		2,554
Amortisation of intangible assets		24		25
Fees payable to the company's auditors for the audit of the annual accounts	15		15	
Fees payable to the company's auditors and associates for other services:				
— the audit of the company's subsidiaries, pursuant to legislation	125		123	
— other services provided pursuant to legislation	12		10	
— other services relating to taxation	15		15	
— all other services including the transition to IFRS	4		29	
		171		192
Lease rentals on group properties		2,185		2,244
Lease rentals on other assets		616		450

4. Employees and Directors

The average number of persons employed by the group (including executive directors) was:

	12 months to 30 June 2009 Number	12 months to 30 June 2008 Number
Production	1,252	1,164
Sales	88	88
Administration	236	209
	1,576	1,461

The costs incurred in respect of these employees were:

	12 months to 30 June 2009 £'000	12 months to 30 June 2008 £'000
Wages and salaries	46,105	42,336
Social security costs	4,031	3,914
Other pension costs	2,210	1,999
	52,346	48,249

Included in the above analysis are redundancy costs of £28,000 (2008: £73,000).

Key management compensation

	12 months to 30 June 2009 £'000	12 months to 30 June 2008 £'000
<i>Payments made to board directors</i>		
Aggregate fees and emoluments	874	790

Employer's national insurance of £93,000 (2008: £83,000) was paid on the board director's aggregate fees and emoluments.

Total emoluments include the following amounts in respect of the highest paid director:

	12 months to 30 June 2009 £'000	12 months to 30 June 2008 £'000
Salary and benefits	517	491

5. Net Interest

	12 months to 30 June 2009 £'000	12 months to 30 June 2008 £'000
Interest payable on bank overdrafts and loans	(1,440)	(1,948)
Less bank interest receivable	470	453
Net interest payable on bank overdrafts and loans	(970)	(1,495)

6. Dividends

A dividend of £273,000 was paid in the year to 30 June 2009 to a minority interest in Intersel Dowding and Mills FZCO (2008: £8,000).

7. Income Tax Expense

	12 months to 30 June 2009 £'000	12 months to 30 June 2008 £'000
Current taxation		
UK corporation tax at 28% (2008: 30%)	— Current period — Prior period	2,304 (1)
Overseas taxation	— Current period — Prior period	1,819 (20)
Total current tax	4,903	4,102
Deferred tax	— Current period — Prior period	1,497 44
Total deferred tax	1,425	1,541
Income tax expense	6,328	5,643

7. Income Tax Expense

continued

The difference between the profit on ordinary activities at the corporation tax rate of 28% (2008: 30%) ruling in the UK and the actual current tax shown above is explained below:

	12 months to 30 June 2009 £'000	12 months to 30 June 2008 £'000
Profit on ordinary activities before taxation	18,408	18,495
Tax on profit on ordinary activities at a standard rate of 28% (2008: 30%)	5,154	5,549
Factors affecting tax charge for the period:		
Disallowable expenses	282	242
Non-taxable income	—	(256)
Non-taxable provision movement	(857)	—
Tax losses not recognised	—	34
Foreign tax charged at higher rates	77	181
Tax effect on fair value adjustment on subsidiary	(199)	(133)
Tax effect on change of legislation relating to industrial buildings	1,796	67
Tax effect of foreign exchange conversion on overseas profits	135	66
Non-taxable income on sale of industrial building	—	(82)
Tax rate adjustment	—	(48)
Adjustments to prior years	(60)	23
	6,328	5,643

Factors affecting current and future tax charges

The Finance Bill 2008 was passed in July 2008 announcing the phasing out of Industrial Building Allowances by 31 March 2011. Due to the July 2008 date, this had not been substantively enacted as at 30 June 2008, therefore, no accounting entries were made in respect of this change in the prior year. In the year to 30 June 2009 an additional deferred tax liability of £1,796,000 has been recognised and as a consequence this has impacted upon the group's effective tax rate.

8. Earnings Per Share

Basic earnings per share is calculated by dividing the retained profit attributable to ordinary equity holders of the company by the weighted average number of ordinary shares outstanding during the period.

	12 months to 30 June 2009 £'000	12 months to 30 June 2008 £'000
Profit for the period	11,901	12,650
Weighted average number of ordinary shares in issue	125,456,081	126,031,043
Basic and diluted earnings per share (EPS) — pence	9.49	10.04

The weighted average number of ordinary shares in issue excludes treasury shares acquired during the year ended 30 June 2008 and the year ended 30 June 2009 (see note 21). The total of treasury shares held at 30 June 2009 was 7,975,214, with 118,083,186 trading on AIM.

There are no dilutive share arrangements in place.

9. Intangible Assets

	Goodwill £'000	Purchased Software £'000	Total £'000
Cost			
As at 30 June 2007	25,140	370	25,510
Additions through business combinations	1,909	—	1,909
Exchange differences	20	2	22
As at 30 June 2008	27,069	372	27,441
Additions	—	12	12
Exchange differences	1	—	1
As at 30 June 2009	27,070	384	27,454
Amortisation			
As at 30 June 2007	10,030	280	10,310
Charge for the period	—	25	25
Exchange differences	7	—	7
As at 30 June 2008	10,037	305	10,342
Charge for the period	—	24	24
Exchange differences	1	—	1
As at 30 June 2009	10,038	329	10,367
Net book value			
As at 30 June 2009	17,032	55	17,087
As at 30 June 2008	17,032	67	17,099
As at 30 June 2007	15,110	90	15,200

Impairment

No impairment was required for any of the geographical cash-generating segments during the year ended 30 June 2009.

Any goodwill arising under IFRS on business combinations is no longer amortised but replaced by annual impairment reviews. The group tests goodwill annually for impairment, or more frequently if there are any indications that goodwill might be impaired.

Capitalised goodwill is tested annually for impairment. Should the carrying value of the goodwill exceed its recoverable amount for each cash-generating unit an impairment loss is recognised. The recoverable amounts are calculated based on an internal discounted cash flow evaluation. A discount rate of 7% over a period of 12.5 years, which matches the group's useful economic life policy for plant and machinery, with a modest growth rate is used to calculate the recoverable amount.

Apart from the calculations described in determining the value in use of the cash-generating unit above, the group management is not currently aware of any other probable changes that would necessitate changes in its key estimates. It also believes that any reasonably possible change in any of these key assumptions would not cause the aggregate carrying amount of goodwill to exceed the aggregate recoverable amount of each unit.

The carrying amounts of goodwill allocated to geographical cash-generating segments are as follows:

	2009 £'000	2008 £'000
Geographical unit		
Europe	14,969	14,969
USA	354	354
Australia	110	110
UAE	1,599	1,599
	17,032	17,032

Purchased software is attributed a finite useful life and is amortised over its useful economic life. The amortisation charge for the period is included in the income statement as part of administration expenses.

10. Property, Plant and Equipment and Non-current assets held for sale

	Land and buildings £'000	Plant and equipment £'000	Total £'000	Non-current assets held for sale £'000
Cost				
As at 30 June 2007	23,580	57,118	80,698	2,226
Additions	50	2,163	2,213	—
Acquisitions	228	1,177	1,405	—
Disposals	(59)	(929)	(988)	(2,226)
Exchange differences	911	806	1,717	—
As at 30 June 2008	24,710	60,335	85,045	—
Additions	349	2,181	2,530	—
Disposals	(1,314)	(904)	(2,218)	—
Exchange differences	983	1,334	2,317	—
As at 30 June 2009	24,728	62,946	87,674	—
Depreciation				
As at 30 June 2007	6,142	51,126	57,268	364
Charge for the period	651	1,899	2,550	—
Acquisitions	106	554	660	—
Eliminated on disposals	(8)	(909)	(917)	(364)
Impairment	9	(5)	4	—
Exchange differences	197	679	876	—
As at 30 June 2008	7,097	53,344	60,441	—
Charge for the period	619	1,806	2,425	—
Eliminated on disposals	(657)	(735)	(1,392)	—
Impairment	(71)	(10)	(81)	—
Exchange differences	335	1,075	1,410	—
As at 30 June 2009	7,323	55,480	62,803	—
Net book value				
As at 30 June 2009	17,405	7,466	24,871	—
As at 30 June 2008	17,613	6,991	24,604	—
As at 30 June 2007	17,438	5,992	23,430	1,862

Plant and equipment also includes fixtures and fittings and motor vehicles.

The impairment provisions that were acquired with the DM Technical Services group have been updated to take account of the performance of each branch during 2009.

During the year ended 30 June 2008 a property held under assets held for sale was disposed of for the sum of £2,425,000, with a profit on disposal of £454,000.

In the table above, the net book value for the group includes £789,000 (2008: £855,000) in respect of plant and equipment held under finance leases. The depreciation charge for the year includes £190,000 (2008: £164,000) in respect of these assets. Leased assets are pledged as security for the related finance lease liabilities.

11. Future Capital Commitments

Contracted for but not provided in these financial statements

2009 £'000	2008 £'000
120	92

12. Leasing Commitments

Future minimum payments under operating leases are as follows:

On leases which expire:

in one year or less

in more than one year, but not more than five years

in more than five years

2009 Property £'000	2008 Property £'000	2009 Other £'000	2008 Other £'000
102	146	136	153
1,300	714	1,211	494
12,576	14,492	—	—
13,978	15,352	1,347	647

The property lease commitment includes £2,247,000 (2008: £2,121,000) included in a provision for costs associated with onerous leases (note 20).

The business leases a number of commercial properties from which it operates. All leases were taken at the open market rent for the property prevailing at the outset of the lease. Lease renewals in respect of property are governed by the laws of the countries in which the leases are held. There are no purchase rights to any of the leased properties and no contingent rents are payable. None of the leases imposes financial or operating restrictions upon the business other than those associated with planning laws.

13. Inventories

Raw materials

Work in progress

2009 £'000	2008 £'000
2,503	2,369
7,380	7,964
9,883	10,333

No inventories were pledged as security for liabilities.

14. Trade and Other Receivables

	2009 £'000	2008 £'000
Trade receivables	23,390	21,270
Amounts provided for doubtful debts	(2,455)	(1,761)
Other receivables	946	1,328
Prepayments	1,983	1,820
	23,864	22,657

Due to their short-term nature the carrying value of trade and other receivables approximates to their fair value.

Trade receivables that have not been received within the agreed payment terms are classified as overdue. The ageing of amounts due as at 30 June excluding impairment is as follows:

	2009 £'000	2008 £'000
Not yet due	20,123	17,927
Past due but not more than 30 days	1,176	1,652
Past due more than 30 days but not more than 60 days	671	225
Past due more than 60 days	1,420	1,466
	23,390	21,270

No material concentration of credit risk exists as the group has no individually material trade debt. The group trades mainly with other companies with strong credit ratings and there is a strong history of collection and cash generation.

Movement in the provision for doubtful debts is as follows:

	2009 £'000	2008 £'000
Balance at beginning of year	1,761	1,994
Income statement charge/(income)	654	(243)
Exchange adjustment	40	10
Balance at end of year	2,455	1,761

15. Trade and Other Payables

	2009 £'000	2008 £'000
Trade and other payables	7,156	7,651

Due to their short-term nature the carrying value of trade and other payables approximates to their fair value.

16. Short-term Liabilities

	2009 £'000	2008 £'000
Other payables	1,220	1,711
Other taxation and social security	2,428	2,764
Accruals	8,305	8,308
	11,953	12,783

Other payables include HP liabilities of £363,000 (2008: £653,000).

17. Tax Liabilities and Deferred Taxation

Tax liabilities

	2009 £'000	2008 £'000
Tax liabilities	151	2,040

Deferred taxation

Provision for deferred taxation consists of the following amounts:

	2009 £'000	2008 £'000
Accelerated capital allowances	2,954	1,159
Tax losses being carried forward	(113)	(40)
Other temporary differences	(1,038)	(682)
	1,803	437
Pension scheme (asset)/liability	(5,891)	2,046
Deferred tax (asset)/liability	(4,088)	2,483

Deferred tax not recognised in the group is as follows:

	2009 £'000	2008 £'000
Excess management charges	189	189
Eligible unrelieved foreign tax	356	207
	545	396

18. Cash and Cash Equivalents

	2009 £'000	2008 £'000
Cash and cash equivalents	16,124	12,886

Cash and cash equivalents		
	2009 £'000	2008 £'000
UK sterling	11,514	9,899
Australian dollars	1,736	592
US dollars	1,957	2,088
Euros	34	32
AE dirhams	883	275
Balance sheet	16,124	12,886
Bank overdraft	—	(22)
Per cash flow statement	16,124	12,864

Cash and cash equivalents receive interest at the floating rate and are carried on the balance sheet at a value approximate to their fair values.

The group has no material concentration of credit risk.

Analysis of net debt

	2009 £'000	2008 £'000
Term loans	12,000	13,500
Bank loans	10,090	10,090
Bank overdraft	—	22
Cash at bank and in hand	(16,124)	(12,886)
Prepaid facility fee	(179)	(230)
	5,787	10,496
Interest rate swaps	939	175
	6,726	10,671

Net debt of £6,726,000 (2008: £10,671,000) includes the fair value of the interest rate swap taken out with effect from 18 June 2007 (see note 19).

19. Borrowings

a) Short-term borrowings

	2009 £'000	2008 £'000
Bank loans	6,590	1,590
Bank overdraft	—	22
	6,590	1,612

b) Long-term borrowings

	2009 £'000	2008 £'000
Term loans	10,500	12,000
Bank loans	5,000	10,000
Prepaid facility fee	(179)	(230)
	15,321	21,770
The term loans are repayable:		
in more than one year, but less than two years	2,000	1,500
in more than two years, but not more than five years	8,500	6,000
in more than five years	—	4,500
	10,500	12,000
The bank loans are repayable:		
in more than one year, but less than two years	—	5,000
in more than two years, but not more than five years	5,000	5,000
	5,000	10,000

In 2007 DM Technical Services Limited replaced its existing bank facilities with a new term loan payable over a seven year period for £15,000,000 and a new bank loan in the form of a three year revolving loan for £5,000,000 and a five year revolving loan for £5,000,000. All loans are with Halifax Bank of Scotland.

Castle Support Services plc together with its UK subsidiaries has entered into joint and several guarantees with its bankers to cover UK bank borrowings. Gross UK facilities covered by this guarantee totalled £22,529,000 (2008: £23,715,000).

19. Borrowings

continued

c) Derivative financial instruments

The objectives, policies, and strategies associated with the use of derivative financial instruments are discussed in the "Financial Risk Management Objectives and Policies" section of the Report of the Directors.

Fair values of financial assets and liabilities

With the exception of the interest rate swaps, the book value of the group's financial instruments approximate to their fair value. The rate of interest used for computing the fair value of the fixed interest rate swaps is based on amounts valued at 30 June 2009 by our loan providers and is considered to be market rate.

	2009 Book value £'000	2009 Fair value £'000	2008 Book value £'000	2008 Fair value £'000
Interest rate swaps	939	939	175	175

Interest rate risk

The UK sterling liabilities shown take into account interest rate swaps which have been used to manage the interest rate profile of the group. These exclude short-term payables which approximate to their fair value at the balance sheet date.

An interest rate swap taken out with effect from 18 June 2007 for a notional amount of £12,500,000 exchanges variable rate borrowings for a fixed rate of 6.25%; this amount is shown as a fixed rate liability. This arrangement decreases in line with the term loan and expires in March 2014.

Financial liabilities (excluding short-term payables)	Total £'000	Floating rate £'000	Fixed rate £'000	WA* fixed interest rates (%)	WA* period for which rate is fixed (Years)
UK sterling	22,850	11,850	11,000	6.25	4.75
Total	22,850	11,850	11,000		

* Weighted average

The floating rates are determined with reference to the following rates:

UK sterling — UK bank base rates

Sensitivity analyses have been calculated on the exposure to interest rates at the balance sheet date and have been determined against floating rate liabilities. A 10% increase/decrease in interest rates, assuming all other variables remained constant, would result in profit before tax being £6,000 lower/higher than reported.

The financial assets shown, exclude prepayments, and receive interest at the floating rate and are carried on the balance sheet approximate to their fair values.

Financial assets	2009 £'000	2008 £'000
Trade and other receivables	21,881	20,837
Cash and cash equivalents	16,124	12,886
	38,005	33,723

19. Borrowings

continued

Maturity analysis of financial liabilities

The following disclosures show the maturity profile of financial liabilities excluding accruals and the fair value of the interest rate swaps as at 30 June 2009:

Maturity of financial liabilities	Total £'000	UK term loans £'000	Other bank loans £'000	Trade and other payables £'000	Other payables £'000	Other taxation and social security £'000
In one year or less	17,394	6,500	90	7,156	1,220	2,428
Between one and two years	2,000	2,000	—	—	—	—
Between two and five years	13,321	8,500	4,821	—	—	—
	32,715	17,000	4,911	7,156	1,220	2,428

Forward contracts

Forward contracts are used to hedge foreign exchange exposures arising on forecast payments in foreign currencies. This is consistent with the group policy on managing currency risk. No forward contracts were outstanding as at 30 June 2009 or 30 June 2008.

Currency risk

The group has used a sensitivity technique that measures the estimated change to the fair value of the group's financial instruments of a 10% strengthening or weakening in sterling against all other currencies, from the closing rates as at 30 June 2009, with all other variables remaining constant. A 10% variation would have an impact on the balance sheet of £715,000. All of this would be taken to the income statement.

	2009 £'000	10% £'000
Financial assets	38,005	950
Financial liabilities	(32,715)	(235)
	5,290	715

20. Provisions

	Restructuring £'000	Service benefits £'000	Pension £'000	Long service £'000	Total £'000
As at 30 June 2007	2,916	—	5	—	2,921
Charged to income statement	1,794	—	—	—	1,794
Acquired	—	25	—	—	25
Utilised during the period	(460)	—	—	—	(460)
As at 30 June 2008	4,250	25	5	—	4,280
Charged to income statement	771	28	—	—	799
Exchange differences	—	5	2	—	7
Utilised during the year	(521)	—	—	—	(521)
Reclassified	—	—	—	817	817
As at 30 June 2009	4,500	58	7	817	5,382

	Restructuring £'000	Service benefits £'000	Pension £'000	Long service £'000	Total £'000
Short-term	588	—	—	—	588
Long-term	3,912	58	7	817	4,794
Total	4,500	58	7	817	5,382

Restructuring

£2,247,000 of the remaining restructuring provision relates to onerous property leases. As a result of the UK restructuring the group has several leased properties that it no longer occupies, some of which have been sub-let to third parties. Application of IAS37 requires provision for all irrecoverable costs on onerous leases. Additional amounts would become payable only if any/all of the sub-lessees default on the contractual terms of the sub-lease. Cash expenditure relating to these leases is expected to be £1,148,000 over the next two years.

As at 30 June 2009, the group, based on best estimates, holds provisions of £2,253,000 in order to cover any future environmental costs, but, due to their nature, it is not possible to predict precisely when these provisions will be utilised.

Service benefits

Certain employees at the group's recently acquired subsidiary, Intersel Dowding and Mills FZCO, are due additional service payments on termination of their contract of employment. These are provided for as liabilities accrue.

Pension

This represents amounts provided for future pension obligations in overseas companies.

Long service

This represents the amounts due to Australian employees whereby staff receive 13 weeks' long service leave for every 15 years' service.

21. Share Capital

There has been no movement in share capital during the year to 30 June 2009.

Authorised	2009 Thousands	2009 £'000
Ordinary Shares of £0.20 each at end of year	250,000	50,000
<hr/>		
Issued, called up and fully paid	Thousands	£'000
Ordinary Shares of £0.20 each at end of year	126,059	25,212

Under the authority granted to it by its shareholders at its AGM on 16 December 2008, the company contracted to purchase its own ordinary shares as follows:

Shares acquired Date	Shares acquired Number	Share price £	Consideration (including costs) £
4 June 2009	5,524,550	0.46	2,558,002
10 June 2009	2,369,139	0.48	1,148,825
19 June 2009	25,000	0.51	12,626
Total	7,918,689		3,719,453

The total consideration and associated costs has been classified as other reserves in the balance sheet totalling £3,770,000 (2008: £50,000).

22. Minority Interests

	12 months to 30 June 2009 £'000	12 months to 30 June 2008 £'000
As at 1 July 2008	465	—
Acquisitions	—	263
Share of profit for the year	179	202
Foreign currency translation reserve	87	—
Dividends	(273)	—
As at 30 June 2009	458	465

23. Reconciliation of Movement in Equity

	Share capital £'000	Reverse acquisition reserve £'000	Foreign translation reserve £'000	Other reserves £'000	Profit and loss account £'000	Total equity £'000
At 30 June 2007	25,212	(13,057)	243	—	23,651	36,049
Changes in equity for the period						
Actuarial loss on retirement benefit plan	—	—	—	—	(12,345)	(12,345)
Taxation on actuarial loss on retirement benefit plan	—	—	—	—	3,456	3,456
Currency translation differences	—	—	1,874	—	—	1,874
Net income recognised directly in equity	—	—	1,874	—	(8,889)	(7,015)
Profit for the period	—	—	—	—	12,650	12,650
Total recognised income and expense	—	—	1,874	—	3,761	5,635
Dividends paid	—	—	—	—	(8)	(8)
Purchase of own shares	—	—	—	(50)	—	(50)
Balance at 30 June 2008	25,212	(13,057)	2,117	(50)	27,404	41,626
Changes in equity for the period						
Actuarial loss on retirement benefit plan	—	—	—	—	(34,384)	(34,384)
Taxation on actuarial loss on retirement benefit plan	—	—	—	—	9,628	9,628
Currency translation differences	—	—	1,878	—	—	1,878
Net income recognised directly in equity	—	—	1,878	—	(24,756)	(22,878)
Profit for the period	—	—	—	—	11,901	11,901
Total recognised income and expense	—	—	1,878	—	(12,855)	(10,977)
Purchase of own shares	—	—	—	(3,720)	—	(3,720)
Balance at 30 June 2009	25,212	(13,057)	3,995	(3,770)	14,549	26,929

24. Employee Benefit Obligations

The group has accounted for pensions in accordance with IAS19 as set out below.

UK Schemes

During the period the group operated a defined benefit scheme for some of its UK employees. The schemes' assets are held separately from those of the group and are administered by the trustees and managed professionally.

The scheme was subject to full actuarial valuation as at 23 April 2008 by an independently qualified actuary and updated to 30 June 2009.

The anticipated employer contribution to the scheme in the coming year is £3,600,000 (2008: £2,900,000).

The key assumptions used in the IAS19 valuations are:

Criteria	Assumptions at 30 June 2009	Assumptions at 30 June 2008
Valuation method	Projected unit	Projected unit
Discount rate	6.30%	6.50%
Increase to pensions in payment		
— to 6 April 1997 (dependent upon category of membership)	0%/3%	0%/3%
— between 6 April 1997 and 1 June 2004	3.20%	3.70%
— between 1 June 2004 and 5 April 2005	3.00%	3.50%
— after 5 April 2005	2.50%	2.50%
Salary increases	3.00%	3.50%
Demographic assumptions		
— Pre-retirement	SAPS	PA92
— Post-retirement	Heavy YOB	2010+2
— Future mortality	SAPS	PA92
	Heavy YOB	2007+2
	Long cohort, 1% underpin	Short cohort

The value of assets in the schemes and the expected rate of return were:

	Long-term rate of return expected at 30 June 2009	Market value at 30 June 2009 £'000	Long-term rate of return expected at 30 June 2008	Market value at 30 June 2008 £'000
Equities	7.60%	69,958	8.20%	85,497
Bonds	5.37%	24,785	5.75%	24,546
Secured annuities	6.60%	10,035	6.50%	12,063
Other	3.10%	6,085	6.70%	4,037
Total market value of assets		110,863		126,143
Present value of scheme liabilities		(131,901)		(118,837)
(Deficit)/surplus		(21,038)		7,306
Deferred tax asset/(liability)		5,891		(2,046)
Net pension (deficit)/surplus		(15,147)		5,260

24. Employee Benefit Obligations

continued

The amounts recognised in the balance sheet are as follows:

	30 June 2009 £'000	30 June 2008 £'000	30 June 2007 £'000
Present value of funded obligations	(131,901)	(118,837)	(125,679)
Fair value of scheme assets	110,863	126,143	143,424
	(21,038)	7,306	17,745
Restriction of surplus	—	—	(3,095)
(Liability)/asset in the balance sheet	(21,038)	7,306	14,650
Deferred tax asset/(liability)	5,891	(2,046)	(4,102)
Net (liability)/asset in the balance sheet	(15,147)	5,260	10,548

The amounts recognised in the income statement are as follows:

	30 June 2009 £'000	30 June 2008 £'000
Current service cost	1,373	1,292
Included in operating profit	1,373	1,292
Interest on obligation	7,689	7,089
Expected return on scheme assets	(9,511)	(10,460)
Included in net financing costs	(1,822)	(3,371)

Cumulative actuarial gains and losses recognised in equity are as follows:

	30 June 2009 £'000	30 June 2008 £'000
As at start of period	3,863	16,208
Net actuarial losses recognised in the period	(34,384)	(15,440)
Movement in restriction on recognition of surplus	—	3,095
As at 30 June	(30,521)	3,863

24. Employee Benefit Obligations

continued

Reconciliation of the present value of scheme liabilities and assets

	30 June 2009 £'000	30 June 2008 £'000
Change in the present value of the defined benefit obligation		
Opening defined benefit obligation	118,837	125,679
Service cost	1,373	1,292
Interest cost	7,689	7,089
Employees' contributions	1,204	1,126
Actuarial losses/(gains)	6,633	(6,460)
Benefits paid	(3,835)	(9,889)
Closing defined benefit obligation	131,901	118,837
Change in the fair value of scheme assets		
Opening fair value of scheme assets	126,143	143,424
Expected return	9,511	10,460
Actuarial losses	(27,751)	(21,900)
Contributions by the employer	5,591	2,922
Contributions by employees	1,204	1,126
Benefits paid	(3,835)	(9,889)
Closing fair value of scheme assets	110,863	126,143

History of experience gains and losses

	30 June 2009 £'000	30 June 2008 £'000	30 June 2007 £'000	31 August 2006 £'000
Fair value of scheme assets	110,863	126,143	143,424	115,334
Present value of the defined benefit obligation	(131,901)	(118,837)	(125,679)	(131,330)
Restriction of surplus	—	—	(3,095)	—
Surplus/(deficit) in the plan	(21,038)	7,306	14,650	(15,996)
Experience gains and (losses) on scheme assets	(27,751)	(21,900)	8,715	(1,218)
Experience gains and (losses) on scheme liabilities	(318)	729	156	132

The valuation performed at 23 April 2008 showed the market value of assets in the Castle Support Services scheme (including annuities purchased for pensioners at a notional market value) was £130,061,000 and that their actuarial value, taken as equal to their market value, represented 93% of the benefits that had accrued to members after allowing for assumed future increases in earnings. The funding rate was set at 14.6% from 23 April 2008.

Certain UK employees are members of company defined contribution and stakeholder pension schemes. Contributions to the schemes in the period were £56,000 (2008: £56,000) with no outstanding contributions at the period end.

Overseas schemes

The group operates a number of schemes on behalf of employees in overseas subsidiaries. The US and Australian staff are covered by defined contribution schemes in their respective countries. The total cost in the period of these schemes was £654,000 (2008: £581,000). There are no pension arrangements in the Dubai subsidiary.

25. Contingent Liabilities

Bank facilities in the UK are supported by cross-guarantees given by Castle Support Services plc and its subsidiaries. The group has entered into trade and other guarantees in the normal course of business which at 30 June 2009 amounted to £618,000 (30 June 2008: £333,000). The bank facilities include a guarantee for £10,000,000 which commenced in June 2007. This has been granted to the pension scheme in relation to the future contributions payable. This guarantee can only be called upon in the event of default by the group in respect of the schedule of contributions prevailing at the time. No such default occurred in the period. The guarantee reduces by the greater of £166,000 or the actual contribution required by the employer under the schedule of contributions each month. As at 30 June 2009 the guarantee stood at £5,841,000 (30 June 2008: £7,833,000).

26. Reconciliation of movement in net debt

	12 months to 30 June 2009 £'000	12 months to 30 June 2008 £'000
Increase in cash and cash equivalents	2,767	10,381
Debt related cash flows from financing activities	1,500	1,500
Amortisation of facility fee	(50)	(75)
Translation differences	493	839
Movement in interest rate swaps	(765)	787
Net debt at beginning of period	3,945 (10,671)	13,432 (24,103)
Net debt at end of period	(6,726)	(10,671)

27. Acquisitions

No acquisitions were made during the year.

28. Profit on Disposal of Property, Plant and Equipment

On 30 June 2009 the group completed the disposal of its vacant freehold property in Breda, Holland. The gross proceeds before professional costs from the sale were £891,000 resulting in a profit on sale of property, plant and equipment of £233,000.

On 31 August 2007 the group completed the disposal of its vacant freehold property in Weedon, Northamptonshire. The gross proceeds before professional costs from the sale were £2,425,000 resulting in a profit on sale of property, plant and equipment of £454,000.

29. Related party transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

There are no transactions requiring disclosure under the provisions of IAS24 with other related parties.

Independent auditor's report to the members of Castle Support Services plc (Company)

We have audited the parent company financial statements of Castle Support Services plc for the year ended 30 June 2009 which comprise the parent company balance sheet and notes 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Sections 495 and 496 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 auditor's 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 Statements of Directors' Responsibilities, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company 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

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2009;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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 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.

Other matter

We have reported separately on the consolidated financial statements of Castle Support Services plc for the year ended 30 June 2009.

Paul Houghton

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
East Midlands
30 September 2009

Company Balance Sheet

as at 30 June 2009

	Notes	30 June 2009		30 June 2008	
		£'000	£'000	£'000	£'000
NET ASSETS EMPLOYED					
Fixed assets					
Investments in subsidiaries	3		23,452		27,332
Current assets					
Debtors	5	31		49	
Cash at bank and in hand		—		17	
<hr/>					
Creditors — Amounts falling due within one year	6	(802)		66	(310)
<hr/>					
Net current liabilities			(771)		(244)
<hr/>					
Total assets less current liabilities and net assets			22,681		27,088
<hr/>					
REPRESENTED BY					
Called up share capital	7		25,212		25,212
Other reserves	7		(3,770)		(50)
Profit and loss account	2		1,239		1,926
<hr/>					
Shareholders' funds	4		22,681		27,088

The financial statements on pages 44 to 48 were approved on behalf of the Board of Directors and signed by T G Davies and T I Barrett on 30 September 2009.

Notes to the Parent Company Financial Statements

for the year ended 30 June 2009

1. Basis of Preparation

The separate financial statements of the company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law.

The principal accounting policies are summarised below and have been applied consistently in both years presented.

Investments

Investments in subsidiary companies are stated at cost, less provisions for diminution in carrying value, plus amounts outstanding on intra-group balances. The group's residual interest of 25% in its former Continental European businesses has been treated as an investment — the group exerts no significant influence over the operations of these businesses.

Treasury Shares

Castle Support Services shares which have been purchased and not cancelled are held as treasury shares and deducted from shareholders' equity.

2. Profit and Loss Account

The parent company has taken advantage of Section 408 of the Companies Act 2006 allowing it not to publish a separate profit and loss account. The loss for the year ended 30 June 2009 was £687,000 (2008: profit of £2,125,000). Auditors' remuneration for audit services to the company was £15,000 (2008: £15,000). The company has no employees other than the directors whose remuneration was borne by subsidiary undertakings, details of directors emoluments are included at note 4 to the consolidated financial statements.

	2009 £'000
At beginning of year	1,926
Retained loss for the year	(687)
At close of year	1,239

3. Investments in Subsidiaries

	2009 £'000	2008 £'000
Company		
Shares in group companies at cost	35,376	35,376
Shares issued in relation to the reverse acquisition of Castle at nominal value	23,637	23,637
Amounts due to group companies	(35,561)	(31,681)
At 30 June 2009	23,452	27,332

Notes to the Parent Company Financial Statements

for the year ended 30 June 2009

3. Investments in Subsidiaries

continued

	2009 £'000	2008 £'000
Investments at beginning of period	27,332	24,901
Purchase of preference shares in DM Technical Services Limited	—	2,771
Amounts due to group companies	(3,880)	(340)
Investments at end of period	23,452	27,332

Principal subsidiary companies

Subsidiary	Country of incorporation
Lonrho Africa Trade & Finance Limited	England
DM Technical Services Limited	England
Dowding and Mills plc	England
Dowding and Mills (UK) Limited	England
Dowding and Mills (Europe) b.v.	Netherlands
Dowding and Mills (Pacific) Pty Limited	Australia
Dowding and Mills (Australia) Pty Limited	Australia
Equipment Maintenance Services Inc.	USA
Dowding and Mills Gulf Holdings	UAE
Intersel Dowding & Mills FZCO	UAE
E.M.R. (North East) Limited	England

The group owns 25% of AGW Benelux Holdings b.v. This is treated as an investment in these financial statements as the group does not have significant influence over the operating and financial policies of that company. As at 30 June 2009 no amounts were due between the company and AGW Benelux Holdings b.v. (30 June 2008: £nil).

The group owns 50% of Intersel Dowding and Mills FZCO. This is treated as a subsidiary in these accounts as the group exercises control over the operating and financial policies of that company. As at 30 June 2009 no amounts were due between the company and Intersel Dowding and Mills FZCO (30 June 2008: £nil).

All other subsidiary companies at 30 June 2009 were wholly owned. Lonrho Africa Trade & Finance Limited, DM Technical Services Limited, Dowding and Mills plc, Dowding and Mills (Europe) b.v. and Dowding and Mills Gulf Holdings are held as investment holding companies whilst all others provide electro-mechanical maintenance and repair services to industry and commerce. A full list of subsidiary undertakings is filed with the Annual Return at Companies House.

4. Reconciliation of Movements in Shareholders' Funds

	12 months to 30 June 2009 £'000	12 months to 30 June 2008 £'000
(Loss)/profit for the period	(687)	2,125
Purchase of treasury shares	(3,720)	(50)
Opening shareholders' funds	27,088	25,013
Closing shareholders' funds	22,681	27,088

Notes to the Parent Company Financial Statements

for the year ended 30 June 2009

5. Debtors

	2009 £'000	2008 £'000
Other debtors	—	42
Other taxation and social security	24	—
Prepayments	7	7
	31	49

6. Creditors — Amounts falling due within one year

	2009 £'000	2008 £'000
Trade creditors	100	37
Accruals	702	273
	802	310

7. Share Capital

There has been no movement in share capital during the year to 30 June 2009.

Authorised	2009 Thousands	2009 £'000
Ordinary Shares of £0.20 each at end of year	250,000	50,000
Issued, called up and fully paid	Thousands	£'000
Ordinary Shares of £0.20 each at end of year	126,059	25,212

Under the authority granted to it by its shareholders at its AGM on 16 December 2008, Castle contracted to purchase its own ordinary shares as follows:

Shares acquired	Shares acquired Number	Share price £	Consideration (including costs) £
Date			
4 June 2009	5,524,550	0.46	2,558,002
10 June 2009	2,369,139	0.48	1,148,825
19 June 2009	25,000	0.51	12,626
Total	7,918,689		3,719,453

The total consideration and associated costs has been classified as other reserves in the balance sheet totalling £3,770,000 (2008: £50,000).

Notes to the Parent Company Financial Statements

for the year ended 30 June 2009

8. Contingent Liabilities

Bank facilities in the UK are supported by cross-guarantees given by Castle Support Services plc and its subsidiaries.

The group has entered into trade and other guarantees in the normal course of business which at 30 June 2009 amounted to £618,000 (30 June 2008: £333,000).

The bank facilities include a guarantee for £10,000,000 which commenced in June 2007. This has been granted to the pension scheme in relation to the future contributions payable. This guarantee can only be called upon in the event of default by the group in respect of the schedule of contributions prevailing at the time. No such default occurred in the period. The guarantee reduces by the greater of £166,000 or the actual contribution required by the employer under the schedule of contributions each month. As at 30 June 2009 the guarantee stood at £5,841,000 (30 June 2008: £7,833,000).

9. Related Party Transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

10. Deferred Taxation

There is no provision for deferred taxation in the parent company.

Deferred tax not recognised in the parent company is as follows:

	2009 £'000	2008 £'000
Excess management charges	189	189

Registered Office:

Camp Hill, Birmingham, B12 0JJ
Registered in England No. 5351402

Registrars:

Equiniti
The Causeway, Worthing,
West Sussex, BN99 6ZL

Auditors:

Grant Thornton UK LLP

CASTLE SUPPORT SERVICES plc

Castle Support Services plc

Camp Hill

Birmingham

B12 0JJ

United Kingdom

Tel: +44 (0)121 766 6161

Fax: +44 (0)121 766 1717

www.castlesupportservices.com