

CASTLE SUPPORT SERVICES plc

Annual Report and Accounts 2007



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Chairman's Statement

Introduction

Following the change of name from Castle Acquisitions plc to Castle Support Services plc ("Castle") and the completion of the acquisition of DM Technical Services Limited ("DMTS") on 19 June 2007, it is particularly pleasing to be able to report good progress with a significant improvement in the trading of DMTS as well as the successful commencement of the unlocking of the pension fund surplus.

The acquisition of DMTS was in line with the previously announced investment strategy to acquire a company as a means of introducing new members into the pension scheme operated by Castle's subsidiary and to thereby unlock the inherent value from the surplus of such pension fund for the benefit of shareholders.

Acquisition

At an EGM held on 18 June 2007, the company's shareholders approved the acquisition of the entire issued ordinary and preference share capital of DMTS to be satisfied by way of the issue of 118,179,750 new ordinary shares and cash consideration of £29.7 million.

DMTS is a well-established business that has been successfully reorganised over the last few years and is engaged principally in the provision of specialist maintenance and repair services encompassing: power generator and electric motor repair; mechanical repair; mechanical and electrical site work; condition monitoring services; and electronic and calibration services. This acquisition allows Castle to unlock the inherent value of its principal asset, its pension scheme surplus, to the benefit of all stakeholders, whilst also providing significant benefits to the DMTS pension scheme.

The board believes that the enlarged group is now in a stronger position to enable it to proactively market DMTS's current and new services to its key target sectors. We look forward to growing the business further, both organically and potentially via complementary acquisitions, and thereby continuing to enhance shareholder value.

Pensions

We have made good progress in our aim of unlocking the inherent value in the Castle pension scheme. I am pleased to report that the assets and liabilities of DMTS's pension scheme were successfully transferred into the Castle pension scheme on 20 August 2007.

On an FRS 17 basis the surplus reported as at 30 June 2007 in the combined pension scheme was £17,745,000, of which £14,650,000 has been recognised in these financial statements. This surplus will act as a buffer against market volatility and permit the group and the pension scheme trustees to operate an investment strategy which carries potentially higher returns over the longer-term.

The current costs of the scheme are based on the pre-merger situation; the group and the trustees expect to commence discussions over the future cost of the scheme within the next year, although the outcome may not be known until the next actuarial valuation is completed by November 2009.

Results

The financial statements are for the ten-month period ended 30 June 2007 following the acquisition of DMTS and associated change in the company's accounting year end to 30 June and change of name to Castle Support Services plc, all of which were approved at the EGM held on 18 June 2007.

In accordance with UK GAAP, the financial statements have been prepared on the basis of reverse acquisition accounting and therefore include the results of DMTS as if it was the acquirer, from 1 September 2006 and the results of Castle, as if it was the acquired company, from 19 June 2007.

The results for the ten-month period ended 30 June 2007 show turnover of £87.3 million and profit before tax of £22.0 million. These results include an operating profit before the gain on pension settlement of £10.1 million, together with the following non-trading items:



Chairman's Statement

- a gain on pension settlement of £3.5 million;
- a £5.6 million profit on the disposal of fixed assets; and
- a net benefit of £1.7 million relating to the waiver on acquisition of interest payable to the preference shareholders of DMTS.

As this period's results and the comparative figures are both for incomplete accounting years, we have compared the annualised figures based on the ten months ended 30 June 2007 with the twelve months ended 31 August 2006 as set out in Appendix II of the Admission Document published on 25 May 2007, which is available to download from www.castlesupportservices.com/accounts.html. On this basis, the annualised turnover for 2007 is 9 per cent ahead, and operating profits have improved by 20 per cent. The growing demand for power has resulted in increased levels of activity in the UK, USA, and Australia within the principal sectors of power generation, coal, oil, gas, and petrochemicals as well as across the wider customer base due to the requirement for the efficient use of energy.

Non-adjusting events after the balance sheet date

On 31 August 2007, one of the group's subsidiary companies completed the disposal of a vacant freehold property in Weedon, Northamptonshire.

The gross proceeds from the sale were £2.4 million: this compares to a book value within the subsidiary of £0.8 million. The book profit of £1.6 million less £0.1 million of disposal costs will be recorded in the financial statements of the subsidiary for the financial year ending 30 June 2008. It is not anticipated that there will be any capital gains tax liability arising from this transaction. At a consolidated level, the book value of the property was £1.9 million and therefore a book profit of £0.5 million less £0.1 million of disposal costs will be recorded in the consolidated financial statements for the financial year ending 30 June 2008.

Board

The following directors of DMTS: Tudor Davies, Tim Barrett, David Banks, Guy Naggar and Colin Keith were appointed to the board at the EGM held on 18 June 2007.

At the same meeting, both Michael Wilson and Richard Wilkinson resigned as directors of the company and James Hughes resigned as Company Secretary. I wish all of them well and thank each of them for their support and dedication over the last two years in assisting the company to achieve its key objective.

Proposed share buy-back authority

The 2007 Annual Report & Accounts will be posted to shareholders in the week commencing 8 October 2007. The Annual General Meeting is scheduled to take place on 27 November 2007 at 11 a.m. At this meeting, the company will seek approval from shareholders for the buy-back of shares up to a limit of 10% of the company's existing issued ordinary share capital. Following approval of this resolution, the company intends to offer a free share dealing service to shareholders in order to provide a cost-effective disposal opportunity to those with small shareholdings who may wish to exit. The company welcomes shareholders regardless of the size of their holding.

Outlook

The group continues to experience encouraging levels of activity and is well placed to benefit from maintenance and repair services resulting from the growing demand for power generation and the requirement for efficient use of energy by its wider customer base.

Over the coming year, we will continue with our plans to develop the business both organically and potentially via complementary acquisitions.

Trading so far has been ahead of last year (excluding the non-trading gains mentioned above) and remain in line with our expectations.

I look forward to updating shareholders further in March 2008 on our progress for the first half.

Christopher Mills

Chairman

27 September 2007

Board of Directors

Christopher Mills (54)

Non-executive Chairman

Joined the company in February 2005. He is Chief Investment Officer of JO Hambro Capital Management and Chief Executive of North Atlantic Smaller Companies Investment Trust PLC.

Tudor Davies (55)

Executive Director

Joined the Dowding & Mills group in November 2002 and was 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 A.C.M.A. (34)

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 M.A. (Cantab), F.C.A. (54)

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 companies are listed on AIM.

Guy Naggar (66)

Non-executive Director

Joined the DM Technical Services board in January 2006 and was appointed to the board of Castle Support Services plc in June 2007. He is Chairman of Dawnay, Day International Limited.

J Colin Keith B.A. (Oxon) (63)

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.

Secretary:

Simon Balem A.C.A.

Report of the Directors

The directors present their report and the financial statements of the group and company for the period from 1 September 2006 to 30 June 2007.

Principal activities and business and financial review

The group's main activity was that of investment until 19 June 2007, when it acquired DM Technical Services Limited and its subsidiaries. At that date, the company changed its name from Castle Acquisitions plc to Castle Support Services plc ("Castle").

The Dowding & Mills group, of which DM Technical Services Limited ("DMTS") is the ultimate holding company, has subsidiaries in a number of countries (as set out in note 21), all of which are principally engaged 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.

The purchase of DMTS has been treated as a reverse acquisition in these financial statements, and accordingly the profit and loss account shows the results of the DMTS group from 1 September 2006 to 30 June 2007, with the results of Castle included from 19 June 2007. Further details of this are set out in Note 1.

The principal asset of Castle, prior to the acquisition of DMTS, was the pension fund operated by its wholly owned subsidiary. As part of the acquisition process, agreement was reached with the trustees of both the Castle and DMTS pension schemes to merge them. This merger occurred on 20 August 2007. The combined effect of this merger of the pension schemes is set out in the pensions note on page 33.

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 and operational cash flow. For the 10 months to 30 June 2007, operating profit was £10,109,000 and operational cash flow was £8,467,000.

On an annualised basis (see below), turnover within the Dowding & Mills group increased by 9 per cent in 2007. Generally, all group locations reported increased activity but in particular the group experienced increased activity within the UK and international power generation industries, and also the oil and gas industries based within the North Sea. Turnover within the group's UK subsidiaries increased by 7.3 per cent year on year, within the Australian subsidiaries by 20.1 per cent and within the group's US subsidiary by 8.2 per cent.

Operating profit before costs associated with change of control of £2,918,000 in 2006 and the £3,488,000 gain on pension settlement in 2007 has increased on an annualised basis (see below) by 20 per cent from £10,076,000 in the year to 31 August 2006 to £10,109,000 for the ten-month period to 30 June 2007. Operating profit as a percentage of turnover has increased from 10.5 per cent in 2006 to 11.6 per cent in 2007. These improvements are primarily as a result of increased turnover.

All of the above comparisons are on an annualised basis as the period reported for 2007 covers 10 months and, in order to aid comparability to the 12 month period reported in 2006, it is necessary to gross them up by a factor of 12/10. The 2006 results for the Dowding & Mills group are contained within the Admission Document published by Castle on 25 May 2007.

During 2007, the Dowding & Mills group completed an offer to the deferred members of its defined benefit pension scheme whereby deferred members were given the option to transfer all of their assets and benefits out of the pension scheme at a reduced transfer value reflecting the scheme deficit as calculated by the scheme actuary and to receive a cash augmentation to the reduced transfer value, payable by the group. Approximately 320 members accepted this offer. The scheme actuary has calculated a £5,404,000 actuarial gain in respect of those members that chose to transfer out of the scheme, and this amount, net of the augmentation costs and related professional fees, has been credited to the profit

Report of the Directors

and loss account as a £3,488,000 gain on pension settlement. In addition to the benefit of the gain on settlement, the directors also consider that the group will benefit from a reduction in the risks associated with the defined benefit scheme as the assets and liabilities have reduced accordingly.

During 2007 the Dowding & Mills group completed the sale and leaseback of seven of its UK properties. The sale of six of the properties was concluded in December 2006 and they have been leased back on a 15-year term without break options. The sale of the seventh property was concluded in September 2006 and has been leased back on a 12-year term with break options afforded to Dowding & Mills at years 5, 8 and 10; no break options are afforded to the lessor. In relation to the seventh property the directors consider it important to retain sufficient flexibility to enable the group to unlock the benefits of relocating the facility to a more appropriate site than is currently occupied. The rental terms attributed to the seven leases are considered to be at market rates. The net proceeds generated by these transactions was *circa* £14,700,000 and a £5,610,000 profit on disposal of fixed assets was credited to the profit and loss account.

On 31 August 2007, the group completed the disposal of its vacant freehold property in Weedon, Northamptonshire.

The gross proceeds from the sale were £2.4 million: this compares to a book value of £1.9 million. The book profit of £0.5 million less £0.1 million of disposal costs will be recorded in the financial statements for the financial year ending 30 June 2008. It is not anticipated that there will be any capital gains tax liability arising from this transaction.

As at 31 August 2006, the DMTS group reported an £11,197,000 defined benefit pension scheme deficit. However, as a result of increased employer contribution levels, an actuarial gain in respect of the deferred members project as detailed above, improving equity market valuations, and the availability of a surplus within Castle's pension scheme, the group is reporting a £10,548,000

surplus as at 30 June 2007. Further details are contained within note 22 on page 33.

In June 2007, the group completed a refinancing and the directors report that sufficient headroom remains within the new facilities to enable progress to be achieved in relation to its stated business strategy (see below). Further information is contained within note 16 on page 27.

The group has reviewed a range of non-financial indicators and the board does not believe any of them to be key to the understanding of the business.

The results of the group for the period are set out in detail on pages 13 to 17.

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 develop its business in the Middle East and Far East, as well as in each of the three 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.

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.

Report of the Directors

The group finances its operations through loans from its club banks. The loans are divided between fixed and floating rates, as set out in note 16. This provides the business with an appropriate level of risk in relation to its borrowings.

Liquidity risk

The company, which acts primarily as a holding company, has very limited operations and the cash subscribed is sufficient to sustain the operation of the company for the foreseeable future. The company does not provide parent company guarantees.

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, details of which are set out in note 21. 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 have been renegotiated during the year 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.

Share capital

The issued share capital of the company was subject to a number of changes during the year as a result of the process of acquiring the DMTS group and the associated share split. Further

details of the issued share capital are set out in note 18 on page 31. The total number of shares in issue, both at the period end and at 26 September 2007, was 126,058,400.

Dividends

The directors do not believe it would be appropriate for the company to pay a dividend in respect of the period ended 30 June 2007.

Directors

The following directors served the company during the period:

CHB Mills	(Non-executive Chairman)
TG Davies	(Executive Director, appointed 18 June 2007)
TI Barrett	(Finance Director, appointed 18 June 2007)
DE Banks	(Senior Independent Non-executive Director and Chairman of the Audit, Remuneration and Nomination committees, appointed 18 June 2007)
GA Naggar	(Non-executive Director, appointed 18 June 2007)
JC Keith	(Independent Non-executive Director, appointed 18 June 2007)
RJ Wilkinson	(Non-executive Director, resigned 18 June 2007)
MS Wilson	(Non-executive Director, resigned 18 June 2007)

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 period.

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.

Report of the Directors

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.

The parent company is a holding company and has no trade creditors.

Annual General Meeting

The next Annual General Meeting will be held at 11.00 a.m. on 27 November 2007.

International financial reporting standards

The group will be required to issue its 2008 financial statements in accordance with IFRS. A project to assess the impact of IFRS is in progress and the interim accounts for the period to 31 December 2007 will provide an explanation of the impact of IFRS upon the group's reported results.

Substantial shareholdings

The following organisations had advised the company as at 26 September 2007 that they are interested, either on behalf of investment clients or beneficially, in more than 3 per cent 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	24.6%
North Atlantic Value Discretionary Clients	26,465,830	21.0%
Other J O Hambro Interests	<u>8,846,421</u>	<u>7.0%</u>
Total J O Hambro Interests	66,312,521	52.6%
P Klimt and immediate family	22,947,524	18.2%
G Naggar and immediate family	22,947,524	18.2%

Charitable donations

During the period, the group gave £2,569 for charitable purposes in the UK. No political donations were made.

Auditors

Grant Thornton UK LLP were appointed as auditors to the company on 19 June 2007 to fill a casual vacancy, following the resignation of KPMG Audit Plc upon completion of the DMTS acquisition.

In accordance with S385 of the Companies Act 1985, a resolution for the reappointment of Grant Thornton UK LLP as auditors of the company is to be proposed at the next Annual General Meeting.

By order of the board

Simon Balem

Company Secretary

26 September 2007

Statement of Directors' Responsibilities

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

United Kingdom company law requires the directors to prepare financial statements for each financial period. Under that law, the directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing those 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 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of both the group and company 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.

To the extent that financial information is made available on the company's website, the directors confirm that they are responsible for the maintenance and integrity of that information. However, as the Internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of financial statements, the directors can give no undertaking that it meets all requirements in all countries in which it may be considered to be published.

By order of the Board
Simon Balem
Secretary
26 September 2007

Report of the independent auditors to the members of Castle Support Services plc

We have audited the group and parent financial statements (“the financial statements”) of Castle Support Services plc for the period ended 30 June 2007 which comprise the consolidated profit and loss account, the statement of group retained profits, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the company balance sheet, the consolidated cash flow statement and notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company’s members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company’s members those matters we are required to state to them in an auditors’ report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors’ responsibilities for preparing the Report of the directors and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors’ responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether they are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition we report to you if, in our opinion, the company and group have not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors’ remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman’s statement, the Report of the Directors, the Statement of Directors’ Responsibilities, and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group’s and parent company’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Report of the independent auditors to the members of Castle Support Services plc

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 30 June 2007 and of the group's profit for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

GRANT THORNTON UK LLP

Registered Auditors
Chartered Accountants
Leicester
26 September 2007

The maintenance and integrity of the Castle Support Services plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

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 four 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 Finance director and other 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 considers it important to communicate a balanced and understandable assessment of the group's performance and prospects to all investors. The board gives presentations for analysts and institutional shareholders on a regular basis following the announcement of the group's annual and half-yearly results. 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 internet website at www.castlesupportservices.com

Internal Control

The board is ultimately responsible for the group's system of internal controls, including financial, operational, 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



Corporate Governance

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 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.

Consolidated Profit and Loss Account

for the period from 1 September 2006 to 30 June 2007

	Notes	(See note 1) For the period 1 Sept 2006 to 30 June 2007 Total £'000	(See note 1) For the period 17 Nov 2005 to 31 Aug 2006 Total £'000
Turnover	2	87,259	56,152
Cost of sales		(62,637)	(40,935)
Gross profit		24,622	15,217
Selling and distribution costs		(3,535)	(2,386)
Administration expenses		(10,978)	(7,909)
Operating profit before gain on pension settlement		10,109	4,922
Gain on pension settlement		3,488	—
Operating profit		13,597	4,922
Profit on disposal of fixed assets		5,610	—
		19,207	4,922
Net interest payable on bank overdrafts and loans	6	(206)	(640)
Interest payable in respect of cumulative preference shares of subsidiary	6	(2,263)	(1,650)
Gain realised from waiver of interest due on cumulative preference shares of subsidiary	6	3,913	—
Other finance income	22	1,346	338
Profit on ordinary activities before tax	3	21,997	2,970
Tax on ordinary activities	7	(3,621)	(1,856)
Profit for the period	20	18,376	1,114
Earnings per share (EPS) — basic and diluted	8	15.51	0.94

There are no discontinued operations.

Statement of Group Retained Profits

	(See note 1) Period from 1 Sept 2006 to 30 June 2007		(See note 1) Period from 17 Nov 2005 to 31 Aug 2006	
	£'000	£'000	£'000	£'000
At 31 August 2006		1,301		—
Retained profit for the period		18,376		1,114
Defined benefits pension plan:				
Actual return less expected return on pension scheme assets	8,715		(1,218)	
Experience gains and losses on pension scheme liabilities	156		132	
Restriction upon recognition of pension scheme surplus (see note 22)	(464)		—	
Changes in assumptions underlying the present value of the scheme liabilities	3,858		1,851	
	12,265		765	
Deferred tax	(3,434)		(230)	
Change in deferred tax rate from 30% to 28%	(320)		—	
		8,511		535
Currency translation differences on overseas investments		227		(348)
At 30 June 2007		28,415		1,301

Consolidated Statement of Total Recognised Gains and Losses

	(See note 1) Period from 1 Sept 2006 to 30 June 2007		(See note 1) Period from 17 Nov 2005 to 31 Aug 2006	
	£'000	£'000	£'000	£'000
Retained profit for the period		18,376		1,114
Defined benefits pension plan:				
Actual return less expected return on pension scheme assets	8,715		(1,218)	
Experience gains and losses on scheme liabilities	156		132	
Restriction upon recognition of pension scheme surplus (see note 22)	(464)		—	
Changes in assumptions underlying the present value of the scheme liabilities	3,858		1,851	
	12,265		765	
Deferred tax	(3,434)		(230)	
Change in deferred tax rate from 30% to 28%	(320)		—	
		8,511		535
Currency translation differences on overseas investments		227		(348)
Total recognised gains and losses in the period		27,114		1,301

Consolidated Balance Sheet

as at 30 June 2007

	Notes	30 June 2007		31 August 2006	
		£'000	£'000	£'000	£'000
NET ASSETS EMPLOYED					
Fixed assets					
Intangible assets	9		14,436		15,105
Tangible assets	10		25,335		35,381
			39,771		50,486
Current assets					
Stocks	13	8,610		7,214	
Debtors	14	20,872		21,429	
Cash at bank and in hand		5,387		8,567	
		34,869		37,210	
Creditors — Amounts falling due within one year	15	(21,203)		(18,353)	
Net current assets			13,666		18,857
Total assets less current liabilities			53,437		69,343
Creditors — Amounts falling due after more than one year	16	(23,195)		(48,578)	
Provisions for liabilities	17	(2,920)		(3,117)	
			(26,115)		(51,695)
Net assets excluding defined benefit pension scheme surplus/(deficit)			27,322		17,648
Defined benefit pension scheme surplus/(deficit)	22		10,548		(11,197)
Net assets	2		37,870		6,451
REPRESENTED BY					
Called up share capital	18		25,212		5,150
Reverse acquisition reserve	25		(15,757)		—
Profit and loss account	19		28,415		1,301
Shareholders' funds	20		37,870		6,451

The financial statements on pages 13 to 38 were approved on behalf of the Board of Directors and signed by TG Davies and TI Barrett on 26 September 2007.

Company Balance Sheet

as at 30 June 2007

	Notes	30 June 2007		30 September 2006	
		£'000	£'000	£'000	£'000
NET ASSETS EMPLOYED					
Fixed assets					
Investments in subsidiaries	21		24,901		1,576
Current assets					
Debtors	14	188		—	
Cash at bank and in hand		16		50	
<hr/>					
Creditors — Amounts falling due within one year	15	204		50	
		(92)		(68)	
<hr/>					
Net current assets/(liabilities)			112		(18)
<hr/>					
Total assets less current liabilities and net assets			25,013		1,558
<hr/>					
REPRESENTED BY					
Called up share capital	18		25,212		1,576
Profit and loss account	19		(199)		(18)
<hr/>					
Shareholders' funds			25,013		1,558

The financial statements on pages 13 to 38 were approved on behalf of the Board of Directors and signed by TG Davies and TI Barrett on 26 September 2007.

Consolidated Cash Flow Statement

for the period ended 30 June 2007

	Notes	For the period from 1 Sept 2006 to 30 June 2007		For the period from 17 Nov 2005 to 31 Aug 2006	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	24		8,467		5,603
Returns on investments and servicing of finance					
Interest received		742		206	
Interest paid		(948)		(846)	
			(206)		(640)
Tax paid			(934)		(827)
Capital expenditure					
Purchase of fixed assets		(1,574)		(1,225)	
Sale of fixed assets		14,808		16	
			13,234		(1,209)
Acquisitions and disposals					
Acquisition of businesses	25	(1,865)		(25,257)	
Net cash and cash equivalents acquired with businesses	25	1,050		4,988	
			(815)		(20,269)
Cash flow before financing			19,746		(17,342)
Financing					
Issue of ordinary share capital		—		4,290	
Issue of preference share capital		—		21,838	
Acquisition of preference shares in subsidiary		(29,700)		—	
New borrowings		25,000		—	
Repayments of amounts borrowed		(21,969)		(219)	
			(26,669)		25,909
(Decrease)/increase in cash			(6,923)		8,567
Reconciliation of net cash flow to movement in net debt					
(Decrease)/increase in cash during the period			(6,923)		8,567
Debt acquired with businesses			—		(22,188)
Preference shares issued — classified as financial liabilities			—		(27,000)
Cash (inflow)/outflow from net movement in amounts borrowed			(3,031)		219
Translation differences			215		—
Preference shares eliminated on consolidation			27,000		—
Movement in net debt in the period	24		17,261		(40,402)
Net debt at beginning of period	24		(40,402)		—
Net debt at end of period	24		(23,141)		(40,402)

1. Principal Accounting Policies

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable UK accounting standards (United Kingdom Generally Accepted Accounting Practice), up to and including FRS 28, except for the adoption of reverse acquisition accounting described below which constitutes a true and fair override departure from Accounting Standards. The directors confirm that the accounting policies used by the company and the group are the most appropriate, consistently applied and adequately disclosed. A summary of the group's accounting policies is set out below.

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. The financial statements of all group companies are adjusted, where necessary, to ensure the use of consistent accounting policies. Results of companies acquired or disposed in the period are consolidated from the effective date of acquisition or disposal. The acquisition method of accounting has been used for companies acquired by the DM Technical Services group.

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.

The Companies Act 1985, FRS 6 – Acquisitions and mergers, and FRS 7 – Fair values in acquisition accounting would normally require the group's consolidated accounts to follow the legal form of the business combination, in which case the pre-acquisition results would be those of Castle Support Services and its subsidiary undertakings, and would exclude DM Technical Services and its subsidiaries. The results of DM Technical Services and its subsidiaries would be included in the group from 19 June 2007. However, this would portray the combination as an acquisition of DM Technical Services by Castle Support Services and would, in the opinion of the directors, fail to give a true and fair view of the substance of the business combination. Accordingly, the directors have adopted reverse acquisition accounting as the basis of consolidation in order to provide a true and fair view.

In invoking the true and fair override the directors note that reverse acquisition accounting is endorsed under International Financial Reporting Standard 3 – Business combinations. Furthermore, the Urgent Issues Task Force of the UK's Accounting Standards Board considered the subject and concluded that there are instances where it is right and proper to invoke the true and fair override in such a way.

As a consequence of applying reverse acquisition accounting the current period figures shown consist of the results of DM Technical Services and its subsidiaries for the entire ten month period and incorporate those of Castle Support Services plc from 19 June 2007. The comparative results are those of DM Technical Services and its subsidiaries only, and relate to the period from 17 November 2005 to 31 August 2006. DM Technical Services acquired the Dowding & Mills group on 19 January 2006 and its results have been included from that date. The results disclosed in respect of the parent company (see note 19) are those for Castle Support Services plc.

Further information in respect of the acquisition and the impact of adopting reverse acquisition accounting is disclosed in note 25.

Goodwill

Goodwill arising on the acquisition of subsidiaries and related companies has been amortised against earnings over its useful economic life which, on the acquisitions made to date, is 20 years. Any remaining goodwill will be charged/credited to the profit and loss account on subsequent disposal of the business to which it relates. Goodwill is reviewed for impairment at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable. The merger reserve has been used where appropriate.

Negative goodwill is written back to the profit and loss account to match the recovery of the identifiable non-monetary assets acquired.

Tangible Fixed Assets

Tangible fixed assets are 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 tangible fixed assets (other than 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% on a straight-line basis. Computer hardware and software licences are depreciated at the rate of 20% p.a. on a straight-line basis. Tangible fixed assets are reviewed for impairment in accordance with FRS 11.

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.

Stocks

The basis of valuation of stocks is the lower of cost and net realisable value. Cost is the value of material, direct labour and associated costs, and an allowance for indirect costs based on ordinary levels of activity.

Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax on the defined benefit pension scheme surplus/(deficit) is adjusted against that surplus/(deficit).

Turnover

group turnover 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.

Operating Leases

Payments made under operating leases are charged to the profit and loss account as incurred. Where a rent free period or other such incentive is received the value of the incentive is released to profit on a straight-line basis over the term of the lease.

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 the period end. The assets of the schemes are held separately from those of the group, being invested with Legal & General Investment Management Limited.

The group operates various other 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.

For those schemes that operate on a defined benefit basis FRS 17 – Retirement benefits has been adopted.

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 net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the consolidated balance sheet. A net 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 reported in the statement of total recognised gains and losses.

Notes to the Financial Statements

for the period from 1 September 2006 to 30 June 2007

Foreign Currency

Financial results of the subsidiaries which are expressed in currencies other than sterling are translated at the rates of exchange at 30 June 2007 in respect of both the balance sheet and the profit and loss account.

Exchange differences arising on the translation of the opening balances of subsidiaries at period end rates of exchange are taken directly to reserves. Where exchange differences result from the translation of foreign currency borrowings raised to acquire foreign assets they are taken to reserves and offset against the differences arising from the translation of those assets.

The group enters into forward currency contracts for the purchase and/or sale of foreign currencies in order to hedge its exposure to fluctuations in currency rates. Unrealised gains and losses on currency contracts are not accounted for until the maturity of the contract.

Financial instruments

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

Where the contractual obligations of a class of share capital are equivalent to a similar debt instrument, that share capital is classed as a financial liability. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where there are no such contractual terms, share capital is shown as equity. Dividends and distributions relating to equity are debited direct to the relevant equity account.

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 any discount is recognised as a finance charge in the profit and loss account.

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.

2. Segmental Reporting

Geographical analysis	Period from 1 Sept 2006 to 30 June 2007		Period from 17 Nov 2005 to 31 August 2006		30 June 2007	31 August 2006
	Turnover £'000	Profit before tax £'000	Turnover £'000	Profit before tax £'000	Net assets £'000	Net assets £'000
Europe	65,475	15,751	43,007	2,903	50,174	33,329
Australia	11,847	1,519	6,796	1,106	5,661	8,334
United States of America	9,937	1,937	6,349	913	5,176	5,190
Continuing operations	87,259	19,207	56,152	4,922	61,011	46,853
Net interest payable	—	1,444	—	(2,290)	—	—
Other finance income	—	1,346	—	338	—	—
Group net debt facility	—	—	—	—	(23,141)	(40,402)
Total	87,259	21,997	56,152	2,970	37,870	6,451

Turnover by destination is not materially different from the turnover by origin shown above.

3. Profit on ordinary activities before tax

Profit on ordinary activities before tax is stated after charging/(crediting):

	Period from 1 Sept 2006 to 30 June 2007		Period from 17 Nov 2005 to 31 Aug 2006	
	£'000	£'000	£'000	£'000
(Profit)/loss on disposal of fixed assets — exceptional item		(5,610)		—
— within cost of sales		461		59
Depreciation and impairment of fixed assets		2,021		1,917
Amortisation of goodwill		674		474
Fees payable to the company's auditor for the audit of the annual accounts	15		15	
Fees payable to the company's auditor and its associates for other services:				
— the audit of the company's subsidiaries, pursuant to legislation	108		106	
— other services provided pursuant to legislation	15		—	
— other services relating to taxation	13		16	
— all other services	23		8	
		174		145
Lease rentals on group properties		1,585		599

In addition the auditors received £150,000 in respect of corporate finance services relating to the acquisition by Castle Support Services of DM Technical Services. This amount has been capitalised as acquisition costs by Castle Support Services within the cost of investment in its balance sheet (see notes 21 and 25).

4. Employees

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

	Period from 1 Sept 2006 to 30 June 2007 Number	Period from 17 Nov 2005 to 31 Aug 2006 Number
Production	1,130	1,117
Sales	88	86
Administration	204	206
	1,422	1,409

The costs incurred in respect of these employees were:

	Period from 1 Sept 2006 to 30 June 2007 £'000	Period from 17 Nov 2005 to 31 Aug 2006 £'000
Wages and salaries	33,577	22,503
Social security costs	2,936	1,925
Other pension costs	1,543	707
	38,056	25,135

Included in the above analysis are redundancy costs of £437,000 (2006: £476,000).

Notes to the Financial Statements

for the period from 1 September 2006 to 30 June 2007

5. Directors

	Period from 1 Sept 2006 to 30 June 2007 £'000	Period from 17 Nov 2005 to 31 Aug 2006 £'000
Aggregate fees and emoluments	543	368
Change of control payment	25	—
Compensation for loss of office	100	—
	668	368
Total emoluments include the following amounts in respect of the highest paid director: Salary and benefits	348	244

6. Net Interest

	Period from 1 Sept 2006 to 30 June 2007 £'000	Period from 17 Nov 2005 to 31 Aug 2006 £'000
Interest payable on bank overdrafts and loans	(948)	(846)
Less bank interest receivable	742	206
Net interest payable on bank overdrafts and loans	(206)	(640)
Interest payable in respect of cumulative preference shares of subsidiary	(2,263)	(1,650)
Gain realised from waiver of interest due on cumulative preference shares of subsidiary	3,913	—
	1,444	(2,290)

7. Tax on Profit on Ordinary Activities

		Period from 1 Sept 2006 to 30 June 2007 £'000	Period from 17 Nov 2005 to 31 Aug 2006 £'000
Current Taxation			
UK Corporation Tax at 30%	— Current Period	417	14
	— Prior Period	17	—
Overseas Taxation	— Current Period	1,197	367
	— Prior Period	9	13
Total Current Tax		1,640	394
Deferred Tax			
	— Current Period	1,946	1,462
	— Prior Period	35	—
Total Deferred Tax		1,981	1,462
Tax on Ordinary Activities		3,621	1,856

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

		Period from 1 Sept 2006 to 30 June 2007 £'000	Period from 17 Nov 2005 to 31 Aug 2006 £'000
Profit on ordinary activities before taxation		21,997	2,970
Tax on profit on ordinary activities at a standard rate of 30%		6,599	891
Factors affecting tax charge for the period:			
Adjustments in respect of prior years		26	13
Disallowable expenses		(83)	961
Utilisation of prior year losses		(643)	(691)
Losses not utilised		192	150
Non-taxable profit on disposal of assets		(1,683)	—
Depreciation in excess of capital allowances		(43)	(227)
Other timing differences		(2,850)	(821)
Foreign tax charged at higher rates than UK standard rate		125	118
		1,640	394

8. Earnings Per Share

The weighted average number of ordinary shares in issue has been subject to a number of changes during the period; on 19 June 2007 the share capital of Castle Support Services plc was subject to a 50 : 1 share split and in addition 118,179,750 ordinary shares were issued as part of the reverse acquisition by DM Technical Services Limited.

As reverse acquisition accounting has been adopted as the basis of consolidation, earnings per share has been calculated on a weighted average number of shares of 118,465,774 (2006: 118,179,750); i.e. 118,179,750 for the period 1 September 2006 to 19 June 2007 and 126,058,400 for the period 19 June 2007 to 30 June 2007, and on attributable earnings of £18,376,000 (2006: £1,114,000).

As there are no potential dilutive share arrangements in place, no diluted EPS calculation has been presented in these financial statements.

Notes to the Financial Statements

for the period from 1 September 2006 to 30 June 2007

9. Intangible Assets

Goodwill	2007 £'000	2006 £'000
Cost		
At beginning of period	15,579	—
Acquisitions	—	15,579
Exchange differences	(8)	—
At end of period	15,571	15,579
Amortisation		
At beginning of period	474	—
Charge for the period	674	474
Exchange differences	(13)	—
At end of period	1,135	474
Net Book Value		
At end of period	14,436	15,105

10. Tangible Fixed Assets

	Freehold Property £'000	Leasehold Property £'000	Plant, Machinery & Vehicles £'000	Total £'000
Cost				
At 1 September 2006	34,776	3,437	58,054	96,267
Additions	167	—	1,407	1,574
Exchange differences	10	—	37	47
Reclassification	13	—	55	68
Disposals	34,966 (11,555)	3,437 (1,042)	59,553 (2,065)	97,956 (14,662)
At 30 June 2007	23,411	2,395	57,488	83,294
Depreciation				
At 1 September 2006	7,502	1,818	51,566	60,886
Charge for the period	505	85	1,633	2,223
Impairment	—	—	(202)	(202)
Exchange differences	(15)	—	3	(12)
Reclassification	13	(37)	92	68
Eliminated on disposals	8,005 (3,052)	1,866 (265)	53,092 (1,687)	62,963 (5,004)
At 30 June 2007	4,953	1,601	51,405	57,959
Net Book Value				
At 30 June 2007	18,458	794	6,083	25,335
At 31 August 2006	27,274	1,619	6,488	35,381

The impairment provisions that were acquired with the Dowding & Mills group have been updated to take account of the performance of each branch during 2007.

11. Future Capital Commitments

Contracted for but not provided in these financial statements

2007 £'000	2006 £'000
279	82

12. Leasing Commitments

Payments due in the twelve months following the balance sheet date are:

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

2007 Property £'000	2006 Property £'000	2007 Other £'000	2006 Other £'000
76	99	130	79
433	423	518	356
1,599	504	—	—
2,108	1,026	648	435

The annual property lease commitment includes £498,000 included in a provision for costs associated with onerous leases (note 17).

13. Stocks

Stock
Work in progress

2007 £'000	2006 £'000
2,028	2,104
6,582	5,110
8,610	7,214

Notes to the Financial Statements

for the period from 1 September 2006 to 30 June 2007

14. Debtors

	2007 Group £'000	2006 Group £'000	2007 Company £'000	2006 Company £'000
Trade debtors	17,202	17,678	—	—
Other debtors	963	952	125	—
Prepayments	1,906	2,186	63	—
Deferred taxation asset	801	613	—	—
	20,872	21,429	188	—

Deferred taxation

Provision for deferred taxation consists of the following amounts:

	2007 £'000	2006 £'000
Accelerated capital allowances	(252)	1,145
Tax losses being carried forward	(238)	(996)
Other timing differences	(311)	(762)
	(801)	(613)

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

Deferred tax not recognised in the group is as follows:

	2007 £'000	2006 £'000
Trading losses	—	3
Excess management charges	193	—
Eligible unrelieved foreign tax	207	221
	400	224

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

	2007 £'000	2006 £'000
Excess management charges	193	22

15. Creditors — Amounts falling due within one year

	2007 Group £'000	2006 Group £'000	2007 Company £'000	2006 Company £'000
Bank loans (see note 16)	1,590	391	—	—
Bank overdrafts	3,743	—	—	—
Trade creditors	6,049	6,997	—	—
Other creditors	694	1,003	—	—
Other taxation and social security	2,097	1,732	—	—
Accruals	6,178	6,438	92	—
Amounts due to subsidiaries	—	—	—	68
Cumulative preference shares of subsidiary — interest	—	1,650	—	—
Taxation payable	852	142	—	—
	21,203	18,353	92	68

Bank loans and overdrafts due within one year are: group £5,333,000 and company £Nil.

16. Creditors — Amounts falling due after more than one year

	2007 Group £'000	2006 Group £'000	2007 Company £'000	2006 Company £'000
Bank loans — UK	10,000	3,000	—	—
Term loans — UK — sterling	13,500	7,836	—	—
— UK — US dollars	—	10,442	—	—
(Prepaid)/provision for facility fee — UK	(305)	300	—	—
Cumulative redeemable preference shares	—	27,000	—	—
	23,195	48,578	—	—
The term loans are repayable:				
in more than one year, but less than two years	1,500	2,500	—	—
in more than two years, but not more than five years	5,500	15,778	—	—
in more than five years	6,500	—	—	—
	13,500	18,278	—	—
The bank loans are repayable:				
in more than one year, but less than two years	—	—	—	—
in more than two years, but not more than five years	10,000	3,000	—	—
in more than five years	—	—	—	—
	10,000	3,000	—	—

Notes to the Financial Statements

for the period from 1 September 2006 to 30 June 2007

16. Creditors — Amounts falling due after more than one year

continued

The UK facilities of Dowding & Mills plc were refinanced in 2003 and included term loans totalling £30,000,000, payable over a seven year period; bank loans of £8,000,000 in the form of a three year revolving loan; and a £2,000,000 overdraft facility payable on demand. Of the term loans, \$20,000,000 was denominated in US dollars and the remainder, £18,234,000, denominated in sterling. In 2005 due to the strength of the balance sheet and the need to accommodate working capital, Dowding & Mills plc increased its overdraft facility to £4,000,000.

£19,200,000 was financed from HSBC; £16,000,000 from Bank of Scotland; and £4,800,000 from Svenska Handelsbanken.

In 2007 DM Technical Services Limited replaced these 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 Bank of Scotland.

Cumulative redeemable preference shares of £1 each totalling £27,000,000 were issued in 2006 by DM Technical Services Limited in order to part finance the acquisition of Dowding & Mills plc. The coupon rate applicable to these shares is 10% per annum until 31 January 2009 and accordingly £1,650,000 was charged to interest payable during the year to 31 August 2006 and £2,263,000 was charged to interest payable during the ten month period ended 30 June 2007. In June 2007 the shares were acquired by Castle Support Services plc as part of the reverse acquisition of Castle Support Services plc by DM Technical Services Limited. On acquisition the preference shareholders waived the cumulative interest due to them of £3,913,000.

Overall net debt as at 30 June 2007 stood at £23,141,000.

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 £29,023,000.

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

Interest rate risk

Financial liabilities	Total £'000	Floating Rate £'000	Fixed Rate £'000	WA* fixed interest rates (%)	WA* period for which rate is fixed (Years)
UK sterling	28,528	16,028	12,500	6.25	7.00
Total	28,528	16,028	12,500		

*-Weighted average.

The above table excludes short term creditors.

16. Creditors — Amounts falling due after more than one year

continued

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

UK sterling UK bank base rates

The UK sterling liabilities shown in the table above take into account interest rate swaps which have been used to manage the interest rate profile of the group.

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 assets	Total £'000	Floating Rate £'000	Fixed Rate £'000
UK sterling	137	137	—
Australian dollars	4,200	4,200	—
US dollars	1,044	1,044	—
Euros	6	6	—
Total	5,387	5,387	—

The above table excludes short term debtors.

Maturity analysis

The following disclosures show the maturity profile of financial liabilities as at 30 June 2007.

Maturity of financial liabilities	Total £'000	UK Term Loans £'000	Others £'000
In one year or less	5,333	1,590	3,743
Between one and two years	1,500	1,500	—
Between two and five years	15,500	5,500	10,000
In more than five years	6,195	6,500	(305)
	28,528	15,090	13,438

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 2007.

Notes to the Financial Statements

for the period from 1 September 2006 to 30 June 2007

16. Creditors — Amounts falling due after more than one year

continued

Fair values of financial assets and liabilities

A comparison of current and book values of the group's financial instruments is provided below. Market values have been used to determine fair values. We have assumed a market rate of interest for computing the fair value of the fixed interest arrangement based on the three month LIBOR rate (as at 18 June 2007).

Fair value disclosures

	Book Value £'000	Fair Value £'000
Term loans — UK: sterling	15,000	15,000
Bank loans	10,090	10,090
Cash at bank	(5,387)	(5,387)
Bank overdraft	3,743	3,743
Provision for facility fee	(305)	(305)
Fixed interest arrangements — interest rate swap	—	962
Total	23,141	24,103

In the opinion of the directors, the net amount of monetary assets and liabilities held by each group operation outside its principal functional currency is not significant.

17. Provisions for Liabilities

	Restructuring £'000	Pension £'000	Total £'000
At 31 August 2006	3,112	5	3,117
Charged to profit and loss account	244	—	244
Utilised during the period	(441)	—	(441)
At 30 June 2007	2,915	5	2,920

Restructuring

£2,415,000 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 FRS 12 – Provisions, contingent liabilities and contingent assets 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.

The group is aware that a small number of its sites have environmental issues that may require rectification. Accordingly, as at 30 June 2007, the group, based on best estimates, holds provisions of £500,000 in order to cover any future costs. The full and final liability is subject to inherent uncertainty.

Pension provision

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

18. Share Capital

Following the reverse acquisition of Castle Support Services plc (see note 1 and 25) the share capital reported as at 30 June 2007 represents that of Castle Support Services plc:

Authorised	Thousands	£'000
As at 30 September 2006 — Ordinary Shares of £10 each	500	5,000
Increase in authorised share capital effected on 18 June 2007	4,495	44,950
50 for 1 share split effected on 18 June 2007	244,755	—
Conversion of preference shares on 18 June 2007	250	50
As at 30 June 2007 — Ordinary Shares of £0.20	250,000	50,000
Redeemable Preference Shares of £1 each		
As at 30 September 2006	50	50
Conversion to ordinary shares on 18 June 2007	(50)	(50)
As at 30 June 2007	—	—
Issued, called up and fully paid	Thousands	£'000
As at 30 September 2006 — Ordinary Shares of £10 each	158	1,576
50:1 share split effected on 18 June 2007	7,721	—
Shares issued in respect of the acquisition of DM Technical Services Limited	7,879	1,576
	118,180	23,636
	126,059	25,212

The share capital reported for the group as at 31 August 2006 represents that of DM Technical Services Limited:

Authorised	2006 Thousands	2006 £'000
Ordinary Shares of £1 each		
As at 31 August 2006	5,150	5,150
Issued, called up and fully paid		
Ordinary Shares of £1 each		
As at 31 August 2006	5,150	5,150

There were no movements during the period 1 September 2006 to 30 June 2007.

19. Profit and Loss Account

The parent company has taken advantage of Section 230 of the Companies Act 1985 allowing it not to publish a separate Profit and Loss Account.

	Group £'000	Company £'000
At beginning of period	1,301	(18)
Retained profit/(loss) for the period	18,376	(181)
Defined benefits pension scheme:		
Actuarial return less expected return on pension scheme assets	8,715	—
Experience gains and losses on pension scheme liabilities	156	—
Restriction upon recognition of pension scheme surplus	(464)	—
Changes in assumptions underlying the present value of the scheme liabilities	3,858	—
Deferred tax	(3,434)	—
Change in deferred tax rate from 30% to 28%	(320)	—
Currency translation differences on overseas investments	227	—
At close of period	28,415	(199)

Notes to the Financial Statements

for the period from 1 September 2006 to 30 June 2007

20. Reconciliation of movement in shareholders' funds

Group	Period from 1 Sept 2006 to 30 June 2007 £'000	Period from 17 Nov 2005 to 31 Aug 2006 £'000
Retained profit for the period	18,376	1,114
Other recognised gains and losses relating to the period	8,738	187
Equity subscription during the period	—	5,150
Reverse acquisition adjustments in share capital	20,062	—
Reverse acquisition reserve	(15,757)	—
Opening shareholders' funds	6,451	—
Closing shareholders' funds	37,870	6,451

21. Investments

Company	2007 £'000	2006 £'000
Shares in group companies at cost	32,605	1,576
Shares issued in relation to the reverse acquisition of Castle at nominal value	23,637	—
Amounts due to group companies	(31,341)	—
At 30 June 2007	24,901	1,576

	2007 £'000
Investments at beginning of period	1,576
Purchase of preference shares in DM Technical Services Limited	29,700
Shares issued in relation to the reverse acquisition of Castle at nominal value	23,637
Acquisition costs capitalised in relation to the reverse acquisition of Castle	1,329
Amounts due to group companies	(31,341)
Investments at end of period	24,901

Principal subsidiary companies

Subsidiary	Country of incorporation
Lonrho Africa Trade & Finance Limited	England
DM Technical Services Limited	England
Dowding and Mills Ltd	England
Dowding and Mills (UK) Ltd	England
Dowding and Mills (Europe) b.v.	Netherlands
Dowding and Mills (Pacific) Pty Ltd	Australia
Dowding and Mills (Australia) Pty Ltd	Australia
Equipment Maintenance Services Inc.	USA

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.

All other subsidiary companies at 30 June 2007 were wholly owned. Lonrho Africa Trade & Finance Limited, DM Technical Services Limited, Dowding and Mills Limited and Dowding and Mills (Europe) b.v. 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.

22. Pensions

The group has accounted for pensions in accordance with FRS 17 as set out below. The disclosures show the performance of the DM Technical Services pension scheme over the course of the period and the effect of the reverse acquisition of the Castle Support Services pension scheme on 19 June 2007.

UK Schemes

During the period the group operated two defined benefit schemes for the majority of its UK employees. The schemes have subsequently combined after the period end. The schemes' assets are held separately from those of the group and are administered by the trustees and managed professionally.

The Dowding & Mills scheme was subject to full actuarial valuation as at April 2004 by an independently qualified actuary and updated to 30 June 2007.

The Castle Support Services scheme was subject to full actuarial valuation as at 30 September 2005 by an independently qualified actuary and updated to 30 June 2007.

The key assumptions used in the FRS 17 valuations are:

Criteria	Assumptions	Assumptions
	At 30 June 2007	At 31 August 2006
Valuation method	Projected unit	Projected unit
Discount rate	5.80%	5.20%
Inflation rate — Dowding & Mills Scheme	2.75%	2.50%
Inflation rate — Castle Scheme	3.00%	N/A
Increase to pensions in payment		
— to 1 June 2004	3.00%	3.00%
— between 1 June 2004 and 5 April 2005	2.50%	2.50%
— after 5 April 2005	2.75%	2.75%
Salary increases	2.75%	2.50%

The differing rules of the schemes make the use of differing inflation assumptions appropriate.

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

	Long term rate of return expected at 30 June 2007	Market value at 30 June 2007 £'000	Long term rate of return expected at 31 Aug 2006	Market value at 31 Aug 2006 £'000
Equities	8.25%	96,551	8.00%	83,711
Bonds	5.40%	29,065	5.00%	9,064
Secured annuities	5.80%	12,824	5.20%	13,942
Other	6.70%	4,984	5.70%	8,617
Total market value of assets		143,424		115,334
Present value of scheme liabilities		(125,679)		(131,330)
Surplus/(deficit)		17,745		(15,996)
Unrecognised surplus		(3,095)		—
Recognised surplus/(deficit)		14,650		(15,996)
Deferred tax (liability)/asset		(4,102)		4,799
Net pension surplus/(deficit)		10,548		(11,197)

Notes to the Financial Statements

for the period from 1 September 2006 to 30 June 2007

22. Pensions

continued

The current service cost for the defined benefit schemes under FRS 17 for the period is £1,395,000 (2006: £939,000). This amount has been charged to operating profit. The increase was mainly due to the impact of the Pension Protection Fund levy.

In accordance with FRS 17, the surplus in the schemes has been restricted to the discounted value of anticipated future employer contributions to the scheme.

The DM Technical Services Scheme offered certain members an option during the year to accept an enhanced transfer value in exchange for their scheme benefits. This gave rise to a gain of £5,404,000 (2006: £nil) in the scheme, and a gain to the group, after enhancement costs, of £3,488,000.

Analysis of the amounts credited to other finance income

	30 June 2007 £'000	31 August 2006 £'000
Expected return upon pension scheme assets	6,730	4,152
Interest on pension scheme liabilities	(5,384)	(3,814)
Net return	1,346	338

Analysis of amounts recognised in the Statement of Total Recognised Gains and Losses (STRGL)

	30 June 2007 £'000	31 August 2006 £'000
Actual return less expected return on pension scheme assets	8,715	(1,218)
Experience gains and losses arising on the scheme liabilities	156	132
Changes in assumptions underlying the present value of the scheme liabilities	3,858	1,851
Restriction upon recognition of the pension scheme surplus	(464)	—
Actuarial gain recognised in the STRGL	12,265	765

Movement in surplus/(deficit) during the period

	30 June 2007 £'000	31 August 2006 £'000
Deficit in scheme at beginning of period	(15,996)	(17,765)
Movement in period:		
Current service cost	(1,395)	(939)
Contributions	2,832	1,605
Gain on settlements	5,404	—
Other finance income	1,346	338
Acquisition of Castle Scheme surplus	10,194	—
Actuarial gain	12,265	765
Surplus/(deficit) in scheme at end of period	14,650	(15,996)

History of experience gains and losses

	30 June 2007 £'000	31 August 2006 £'000
Difference between the actual and expected return on scheme assets	8,715	(1,218)
% of scheme assets	7%	1%
Experience gains and losses on scheme liabilities	156	132
% of scheme liabilities	0%	0%
Total amount recognised in the STRGL	12,265	765
% of scheme liabilities	10%	1%

22. Pensions

continued

The valuation performed at 23 April 2004 showed the market value of assets in the DM Technical Services scheme (including annuities purchased for pensioners at a notional market value) was £86,661,000 and that their actuarial value, taken as equal to their market value, represented 86% of the benefits that had accrued to members after allowing for assumed future increases in earnings. The funding rate was set at 16.8% from 1 June 2004. The actuary certified that the revised funding arrangements agreed are adequate to deal with the deficit.

The DM Technical Services scheme's accrual rate was set at 1/100th from 1 June 2005 to 31 January 2007 and 1/80th thereafter.

The valuation performed at 30 September 2005 showed the market value of assets in the Castle Support Services Scheme (including annuities purchased for pensioners at a notional market value) was £109,898,000 and that their actuarial value, taken as equal to their market value, represented 122% of the benefits that had accrued to members after allowing for assumed future increases in earnings. The funding rate remained at nil.

The last active member of the Castle Support Services Scheme retired during the period and almost all of the members of that Scheme have now had their benefits transferred out of the Scheme via annuities purchased in their individual names. The remaining liabilities of this Scheme will be secured via individual annuities in due course.

Certain UK employees are members of company defined contribution and stakeholder pension schemes. Contributions to the schemes in the period were £49,000 (2006: £37,000) with no outstanding contributions at the period end.

Overseas schemes

The group operates a number of schemes on behalf of employees in overseas branches.

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 £449,000 (2006: £237,000). Outstanding contributions at the period end were £18,098 (2006: £nil).

23. 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 2007 amounted to £495,000 (31 August 2006: £512,000).

The bank facilities (as set out in note 16) include a guarantee for £10,000,000 which 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.

Notes to the Financial Statements

for the period from 1 September 2006 to 30 June 2007

24. Notes to the Cash Flow Statement

	2007 £'000	2006 £'000
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	13,597	4,922
Exceptional profit on disposal of fixed assets	5,610	—
Depreciation	2,223	1,690
Impairment of fixed assets	(202)	227
Amortisation of goodwill	674	474
(Profit)/loss on sale of tangible fixed assets	(5,149)	59
Actuarial gain on pension settlement	(5,405)	—
(Increase) in stock and work in progress	(1,396)	(122)
Decrease/(increase) in debtors	1,243	(2,959)
(Decrease)/increase in creditors	(1,093)	2,608
Increase in provisions for liabilities	(198)	(630)
Contributions to pension schemes and service cost	(1,437)	(666)
Net cash inflow from operating activities	8,467	5,603

Analysis of net debt

	2006 £'000	Cash flow £'000	Translation difference £'000	2007 £'000
Cash at bank and in hand	8,567	(3,323)	143	5,387
Overdrafts	—	(3,743)	—	(3,743)
	8,567	(7,066)	143	1,644
Debt due after one year	(48,578)	25,311	72	(23,195)
Debt due within one year	(391)	(1,199)	—	(1,590)
	(40,402)	17,046	215	(23,141)

25. Acquisitions

On 19 June 2007 DM Technical Services Limited completed the reverse acquisition of Castle Support Services plc for consideration of £7,012,000, reflecting the fair value of the 7,878,650 shares acquired.

Castle Support Services plc was incorporated in England and Wales on 3 February 2005. It was established as a newly formed investment holding company to facilitate the demerger of Lonrho Africa Trade & Finance Limited (formerly named John Holt Group Limited), a company whose only material asset or liability composed of a defined benefit pension scheme surplus, from Lonrho Africa plc by means of a Court approved Scheme of Arrangement which became effective on 22 April 2005.

The Castle Support Services group reported in the respect of the period 1 October 2006 to 18 June 2007 turnover of £Nil, operating losses of £52,000, losses before tax of £6,000, a taxation credit of £2,000 and losses after tax of £4,000.

The fair value of net assets acquired is set out in the following table:

		Acquiree's book value £'000	Fair value adjustments £'000	Acquisition amounts £'000
Other debtors	a	623	—	623
Prepayments		63	—	63
Bank		1,050	—	1,050
Trade and other creditors	b	(206)	7	(199)
Defined benefit pension scheme	c	—	7,340	7,340
		1,530	7,347	8,877
Goodwill				—
Total investment				8,877
Satisfied by:				
Share transfer	d			7,012
Acquisition costs				1,865
				8,877
The net cash flows in the period arising on the acquisition were:				
Acquisition costs				(1,865)
Net cash acquired				1,050
Net cash outflow				(815)

The following notes apply:

- a) Other debtors includes £557,000 of costs incurred by Castle Support Services plc in respect of the acquisition of DM Technical Services Limited which on completion of the acquisition were reclassified as Investments.
- b) Following completion of the reverse acquisition of Castle Support Services plc, the company joined the DM Technical Services VAT group. This will enable the recovery of previously expensed VAT.
- c) Castle Support Services plc has a defined benefit pension scheme with an actuarial surplus. Prior to completion of the acquisition, in accordance with FRS 17 – Retirement benefits, Castle Support Services plc had not recognised its pension surplus. On completion of the acquisition, agreement was reached with the trustee of the Scheme such that it is now possible to recognise the surplus as recoverable.
- d) Under the reverse acquisition DM Technical Services Limited acquired 7,878,650 shares at a fair value of £0.89 each, representing the open market value as listed on AIM on the date immediately preceding announcement of the acquisition offer.

Notes to the Financial Statements

for the period from 1 September 2006 to 30 June 2007

25. Acquisitions

continued

The effects on the consolidated financial statements of adopting reverse acquisition accounting, rather than following the legal form, are widespread. However, the following table indicates the principal effect on the composition of the consolidated reserves:

	Reverse acquisition accounting £'000	Normal acquisition accounting £'000	Impact of reverse acquisition accounting £'000
Share capital	25,212	25,212	—
Other reserve — reverse acquisition reserve	(15,757)	—	(15,757)
Profit and loss account	27,452	(2,682)	30,134
	36,907	22,530	14,377

26. Non-adjusting events after the balance sheet date

On 31 August 2007 the group completed the disposal of its vacant freehold property in Weedon, Northamptonshire.

The gross proceeds from the sale were £2.4 million: this compares to a book value of £1.9 million. The book profit of £0.5 million less £0.1 million of disposal costs will be recorded in the financial statements for the financial year ending 30 June 2008. It is not anticipated that there will be any capital gains tax liability arising from this transaction.

Group Locations

UNITED KINGDOM

Dowding & Mills

Engineering Services

Aberdeen	London
Ashford	Manchester
Avonmouth	Middlesbrough
Bacup	Newcastle
Birmingham	Nottingham
Bridgend	Scarborough
Bromborough	Sheffield
Chessington	Southampton
Daventry	Wimborne
Falkirk	York
Ipswich	

Calibration and Electronics

Birmingham	Hitchin
Bridgend	Manchester
Camberley	Nottingham
Glasgow	Warrington
Glenrothes	

AUSTRALIA

Dowding & Mills

Newcastle, New South Wales
Sydney, New South Wales
Brendale, Queensland
Rocklea, Queensland
Melbourne, Victoria

UNITED STATES OF AMERICA

Equipment Maintenance Services

Phoenix, Arizona
Farmington, New Mexico
Gillette, Wyoming

Registered Office:

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

Registrars:

Lloyds TSB Registrars
The Causeway, Worthing
West Sussex, BN99 6ZL

Auditors:

Grant Thornton UK LLP

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