

# **CASTLE SUPPORT SERVICES plc**

**Interim report 2010**



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# Chairman's Statement

I am pleased to report that our business continues to perform well and remains ahead of the board's expectations despite the challenging global economic conditions.

It is particularly pleasing to note that we are maintaining excellent operating margins and the business has proved to be extremely resilient even in these difficult economic times. We are fortunate to have a leading position and high levels of expertise in generators and motors serving markets and products concerned with power and energy efficiency.

Our business has now been trading for almost 100 years and established its reputation on a quality repair and remanufacturing service that recycles existing materials and components, providing a fast and ecologically sound alternative to replacement motors and generators.

In the six months to 31 December 2009, the group has produced a solid and creditable performance with revenue slightly below the equivalent period for 2008 but reflecting an improvement on the second half of the last financial year. Operating margins have been strong in the period at 15% (2008: 15%).

Overall, our performance for the six month period under review is remarkably within only a few percentage points of the corresponding period in 2008, which represents an excellent result in light of the fact that the comparative period was before the business felt the full effects of the global economic slowdown.

## **Final Results**

Revenue for the six month period ended 31 December 2009 was £61.6 million (2008: £63.9 million), whilst EBITDA was £10.4 million (2008: £10.8 million), profit after tax £5.7 million (2008: £4.7 million), and earnings per share 4.83p (2008: 3.73p).

The increase in earnings per share is partly as a result of the lower tax charge but has also benefited from the share buy-backs undertaken by the Company in June 2009 when its shares were trading at depressed prices — the average buy-back price was 47p. The buy-back programme resulted in a reduction in the number of ordinary shares trading on AIM to 118 million (2008: 126 million), with approximately 8 million shares now held in treasury.

## **Borrowings**

Group borrowings at 31 December 2009 were £3.3 million (net cash balance of £17.8 million) having been reduced by £2.5 million in the period. The group's cash generation is lower than the level we would normally have expected due to our investment in new premises in the USA totalling £1.3 million and additional expenditure of £3.1 million associated with initiatives to de-risk and reduce the size of our defined benefit pension scheme. The group currently has unutilised borrowing facilities of *circa* £5 million which together with the aforementioned cash balances represents *circa* £23 million available for potential investment and expansion opportunities.

## **Expansion/Strategy**

The group's strategy is to grow the business throughout the world both organically by leveraging our long-standing reputation and expertise overseas, and potentially through complementary acquisitions and/or joint ventures.



# Chairman's Statement

Our investment in new facilities in Gillette, Wyoming, USA is well under way and should be operational in the course of the next financial year. The bulk of the expenditure of £4.0 million has now been expensed and we expect to incur a further £1.9 million to complete the project. The construction contract for the expansion of our Australian business in Brisbane has now been awarded and we expect this facility to be completed at a cost of £3.4 million and operational during the latter part of 2011.

We are a well renowned market leader in a fragmented and specialist marketplace, with few competitors capable of providing the group's scale and range of services to growing sectors such as energy generation, oil, gas, resources, and shipping. We also consider that, with our financial strength and the potential to add value through our proven business model and technical expertise, we are well placed to take advantage of opportunities for consolidation and geographic expansion.

## **Pension scheme**

In line with our stated objective we have been engaged in a number of initiatives to reduce our exposure to our defined benefit pension scheme, including: an extensive consultation exercise with our active members which has resulted in the closure of the scheme to future accrual and the introduction of a defined contribution scheme for all employees; a buyout of £27 million of pensioners' liabilities with a major insurance company; the transfer of £7.3 million of liabilities out of the scheme following a transfer value exercise for deferred members; and a change from a predominantly equity based investment strategy to a more balanced portfolio that better matches the income requirements of retiring members.

## **Outlook**

We are still trading well and generating excellent margins and, whilst some sectors and locations are experiencing patchy demand, we have recently seen some improvements in the levels of incoming business and expect to generate good returns for shareholders during the remainder of 2010.

## **Christopher Mills**

Non-executive Chairman  
31 March 2010



# Independent Review Report

## **Introduction**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2009 which comprises the Consolidated Interim Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Interim Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Interim Cash Flow Statement, and the related notes to the interim financial statements. We have read the other information contained in the half-yearly financial report which comprises only the Chairman's Statement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in ISRE (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the company those matters we are required to state to them in a review 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, for our review work, for this report, or for the conclusion we have formed.

## **Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors.

As disclosed in Note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union.

## **Our responsibility**

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

## **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



# Independent Review Report

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2009 is not prepared, in all material respects, in accordance with recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union.

## **GRANT THORNTON UK LLP**

Chartered Accountants

East Midlands

31 March 2010

# Consolidated Interim Income Statement

For the period ended 31 December 2009

	Notes	6 months to 31 Dec 2009	6 months to 31 Dec 2008	12 months to 30 June 2009
		£'000	£'000	£'000
<b>Revenue</b>	2	<b>61,557</b>	63,887	125,459
Cost of sales		<b>(44,166)</b>	(45,528)	(90,080)
<b>Gross profit</b>		<b>17,391</b>	18,359	35,379
Selling and distribution costs		<b>(2,195)</b>	(2,408)	(4,633)
Administration expenses		<b>(5,984)</b>	(6,342)	(13,540)
<b>Operating profit before profit on disposal</b>		<b>9,212</b>	9,609	17,206
Profit on disposal of property, plant and equipment		—	—	233
<b>Operating profit</b>		<b>9,212</b>	9,609	17,439
Net interest payable on bank overdrafts and loans		<b>(684)</b>	(790)	(1,440)
Net interest receivable on bank balances		<b>172</b>	172	470
Treasury management income		<b>2</b>	111	117
Other finance (expense)/income — pensions		<b>(358)</b>	525	1,822
<b>Profit before tax</b>		<b>8,344</b>	9,627	18,408
Income tax expense	3	<b>(2,682)</b>	(4,916)	(6,328)
<b>Profit for the period</b>		<b>5,662</b>	4,711	12,080
(Loss)/profit attributable to minority interests		<b>(45)</b>	14	179
Profit attributable to equity shareholders		<b>5,707</b>	4,697	11,901
		<b>5,662</b>	4,711	12,080
Earnings per share (EPS) — basic and diluted — pence	4	<b>4.83</b>	3.73	9.49

# Consolidated Statement of Comprehensive Income

For the period ended 31 December 2009

	6 months to 31 Dec 2009	6 months to 31 Dec 2008	12 months to 30 June 2009
	£'000	£'000	£'000
<b>Profit for the period</b>	<b>5,662</b>	4,711	12,080
<b>Other comprehensive income:</b>			
Exchange differences on translating foreign operations	<b>1,807</b>	3,225	1,878
Actuarial losses on defined benefit pensions plan	<b>(7,400)</b>	—	(34,384)
Income tax relating to components of other comprehensive income	<b>2,072</b>	—	9,628
<b>Other comprehensive income, net of tax</b>	<b>(3,521)</b>	3,225	(22,878)
<b>Total comprehensive income for the period</b>	<b>2,141</b>	7,936	(10,798)
<b>Attributable to:</b>			
Equity holders of the parent	<b>2,186</b>	7,797	(10,977)
Minority interest	<b>(45)</b>	139	179
	<b>2,141</b>	7,936	(10,798)

# Consolidated Interim Balance Sheet

As at 31 December 2009

	31 Dec 2009	31 Dec 2008	30 June 2009
	£'000	£'000	£'000
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	17,045	17,030	17,032
Other intangible assets	47	57	55
Property, plant and equipment	26,876	26,237	24,871
Retirement benefit assets	—	8,655	—
Deferred tax assets	5,163	—	4,088
<b>Total non-current assets</b>	<b>49,131</b>	<b>51,979</b>	<b>46,046</b>
<b>Current assets</b>			
Inventories	10,857	11,268	9,883
Trade and other receivables	22,966	24,912	23,864
Cash and cash equivalents	17,757	16,671	16,124
<b>Total current assets</b>	<b>51,580</b>	<b>52,851</b>	<b>49,871</b>
<b>Total assets</b>	<b>100,711</b>	<b>104,830</b>	<b>95,917</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	(7,304)	(7,935)	(7,156)
Short term liabilities	(10,492)	(11,487)	(11,953)
Short term provisions	(543)	—	(588)
Tax liabilities	(936)	(2,310)	(151)
Bank loans and short term borrowings	(6,840)	(1,607)	(6,590)
<b>Total current liabilities</b>	<b>(26,115)</b>	<b>(23,339)</b>	<b>(26,438)</b>
<b>Non-current liabilities</b>			
Long term borrowings	(14,224)	(21,056)	(15,321)
Derivative financial instruments	(937)	(946)	(939)
Retirement benefit liabilities	(25,096)	—	(21,038)
Long term provisions	(4,873)	(4,714)	(4,794)
Deferred tax liabilities	—	(4,687)	—
<b>Total non-current liabilities</b>	<b>(45,130)</b>	<b>(31,403)</b>	<b>(42,092)</b>
<b>Total liabilities</b>	<b>(71,245)</b>	<b>(54,742)</b>	<b>(68,530)</b>
<b>Net assets</b>	<b>29,466</b>	<b>50,088</b>	<b>27,387</b>
<b>Shareholders' equity</b>			
Share capital	25,212	25,212	25,212
Reverse acquisition reserve	(13,057)	(13,057)	(13,057)
Foreign currency translation reserve	5,802	5,342	3,995
Other reserves	(3,770)	(50)	(3,770)
Profit and loss account	14,928	32,101	14,549
Equity shareholders' funds	29,115	49,548	26,929
Minority interests — equity	351	540	458
<b>Total equity</b>	<b>29,466</b>	<b>50,088</b>	<b>27,387</b>

# Consolidated Statement of Changes in Equity

For the period ended 31 December 2009

	Share capital	Reverse acquisition reserve	Foreign translation reserve	Other reserves	Profit and loss account	Total	Minority interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 July 2009</b>	25,212	(13,057)	3,995	(3,770)	14,549	26,929	458	27,387
<b>Transactions with owners:</b>								
Dividends	—	—	—	—	—	—	(73)	(73)
<b>Transactions with owners</b>	—	—	—	—	—	—	(73)	(73)
Profit for the period	—	—	—	—	5,707	5,707	(45)	5,662
<b>Other comprehensive income:</b>								
Exchange differences on translation	—	—	1,807	—	—	1,807	11	1,818
Actuarial loss on defined benefit pension plan	—	—	—	—	(7,400)	(7,400)	—	(7,400)
Income tax relating to components of other comprehensive income	—	—	—	—	2,072	2,072	—	2,072
<b>Total comprehensive income for the period</b>	—	—	1,807	—	379	2,186	(34)	2,152
<b>Balance at 31 December 2009</b>	25,212	(13,057)	5,802	(3,770)	14,928	29,115	351	29,466

	Share capital	Reverse acquisition reserve	Foreign translation reserve	Other reserves	Profit and loss account	Total	Minority interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 July 2008</b>	25,212	(13,057)	2,117	(50)	27,404	41,626	465	42,091
<b>Transactions with owners:</b>								
Dividends	—	—	—	—	—	—	(68)	(68)
<b>Transactions with owners</b>	—	—	—	—	—	—	(68)	(68)
Profit for the period	—	—	—	—	4,697	4,697	14	4,711
<b>Other comprehensive income:</b>								
Exchange differences on translation	—	—	3,225	—	—	3,225	129	3,354
<b>Total comprehensive income for the period</b>	—	—	3,225	—	4,697	7,922	143	8,065
<b>Balance at 31 December 2008</b>	25,212	(13,057)	5,342	(50)	32,101	49,548	540	50,088

# Consolidated Statement of Changes in Equity

For the period ended 31 December 2009

	Share capital	Reverse acquisition reserve	Foreign translation reserve	Other reserves	Profit and loss account	Total	Minority interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 July 2008</b>	25,212	(13,057)	2,117	(50)	27,404	41,626	465	42,091
<b>Transactions with owners:</b>								
Dividends	—	—	—	—	—	—	(273)	(273)
Purchase of own shares	—	—	—	(3,720)	—	(3,720)	—	(3,720)
<b>Transactions with owners</b>	—	—	—	(3,720)	—	(3,720)	(273)	(3,993)
Profit for the period	—	—	—	—	11,901	11,901	179	12,080
<b>Other comprehensive income:</b>								
Exchange differences on translation	—	—	1,878	—	—	1,878	87	1,965
Actuarial loss on defined benefit pension plan	—	—	—	—	(34,384)	(34,384)	—	(34,384)
Income tax relating to components of other comprehensive income	—	—	—	—	9,628	9,628	—	9,628
<b>Total comprehensive income for the period</b>	—	—	1,878	—	(12,855)	(10,977)	266	(10,711)
<b>Balance at 30 June 2009</b>	<b>25,212</b>	<b>(13,057)</b>	<b>3,995</b>	<b>(3,770)</b>	<b>14,549</b>	<b>26,929</b>	<b>458</b>	<b>27,387</b>

# Consolidated Interim Cash Flow Statement

For the period ended 31 December 2009

	6 months to 31 Dec 2009	6 months to 31 Dec 2008	12 months to 30 June 2009
	£'000	£'000	£'000
<b>Profit before tax</b>	<b>8,344</b>	9,627	18,408
Adjustments for:			
Depreciation, impairment and amortisation	<b>1,195</b>	1,233	2,368
(Profit)/loss on sale of property, plant and equipment	<b>(23)</b>	69	(233)
Interest payable on bank overdrafts and loans	<b>684</b>	790	1,440
Interest receivable on bank balances	<b>(172)</b>	(172)	(470)
Interest rate swaps	<b>(2)</b>	771	765
Other finance expense/(income) — pensions	<b>359</b>	(525)	(1,822)
(Increase)/decrease in inventories	<b>(575)</b>	(554)	695
Decrease/(increase) in trade and other receivables	<b>1,523</b>	(1,530)	(778)
(Decrease) in trade and other payables	<b>(1,720)</b>	(1,319)	(1,167)
Increase in long term provisions and liabilities	<b>33</b>	433	1,097
Settlement gain on pension scheme	<b>(1,900)</b>	—	—
Contributions to pension scheme over and above service cost	<b>(1,801)</b>	(824)	(4,219)
<b>Cash generated from operations</b>	<b>5,945</b>	7,999	16,084
Interest paid	<b>(684)</b>	(790)	(1,440)
Income taxes paid	<b>(893)</b>	(2,516)	(5,336)
<b>Net cash generated from operating activities</b>	<b>4,368</b>	4,693	9,308
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	<b>(2,310)</b>	(1,171)	(2,542)
Sale of property, plant and equipment	<b>85</b>	21	1,024
Interest received	<b>172</b>	172	470
Dividends paid to minority interests	<b>(73)</b>	(68)	(273)
<b>Net cash used in investing activities</b>	<b>(2,126)</b>	(1,046)	(1,321)
<b>Cash flows from financing activities</b>			
Buy-back of shares	<b>—</b>	—	(3,720)
Facility fee payments	<b>(170)</b>	—	—
Repayments of amounts borrowed	<b>(750)</b>	(750)	(1,500)
<b>Net cash used in financing activities</b>	<b>(920)</b>	(750)	(5,220)
<b>Increase in cash and cash equivalents</b>	<b>1,322</b>	2,897	2,767
Cash and cash equivalents at beginning of period	<b>16,124</b>	12,864	12,864
Translation differences	<b>311</b>	893	493
<b>Cash and cash equivalents at end of period</b>	<b>17,757</b>	16,654	16,124

## 1. Basis of preparation

These unaudited interim condensed consolidated financial statements (the “interim financial statements”) are for the six months ended 31 December 2009. They have been prepared in accordance with all major aspects of IAS34 “Interim Financial Reporting”. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the group for the year ended 30 June 2009.

These financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments.

The interim condensed consolidated financial statements have been prepared in accordance with the accounting policies set out in the consolidated financial statements of the group for the year ended 30 June 2009, except for the adoption of IAS1 Presentation of Financial Statements (Revised 2007) and IFRS8 Operating Segments, and are based on the recognition and measurement principles of all IFRS and International Financial Reporting Interpretations Committee interpretations (“IFRICs”) issued, effective and adopted for use in the European Union at 30 June 2010 or expected to be adopted and effective at 30 June 2010. These IFRSs and IFRICs are subject to ongoing review and possible amendment. Further standards and/or interpretations may be issued that could apply to the group’s financial statements for the year ending 30 June 2010. If any such amendments, new standards or interpretations are issued these may lead to the financial information provided in this report being changed.

The adoption of IAS1 (Revised 2007) does not affect the financial position or profits of the group, but gives rise to additional disclosures. The measurement and recognition of the group’s assets, liabilities, income and expenses is unchanged, however some items that were recognised directly in equity are now recognised in other comprehensive income. IAS1 (Revised 2007) affects the presentation of owner changes in equity and introduces a “Statement of comprehensive income”. In accordance with the new standard the entity does not present a “Statement of recognised income and expenses (SORIE)”, as was presented in the 2008 consolidated financial statements. Further, a ‘Statement of changes in equity’ is presented.

The adoption of IFRS8 has changed the segments that are disclosed in the interim financial statements. In the previous annual and interim financial statements, segments were identified by reference to the dominant source and nature of the group’s risks and returns. Under IFRS8 the accounting policy for identifying segments is now based on the internal management reporting information that is regularly reviewed by the chief operating decision maker.

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

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

# Notes to the Interim Financial Statements

For the period ended 31 December 2009

## 2. Segmental reporting

Segment information is presented in respect of the group's geographic settlement. The analysis is for the six months to 31 December 2009, six months to 31 December 2008 and twelve months to 30 June 2009.

Six months to 31 December 2009

	Analysis of revenue and results by geographic settlement					
	Europe £'000	Australia £'000	USA £'000	UAE £'000	Elimination £'000	Total Operations £'000
<b>Revenue</b>						
Revenue to external customers	42,183	10,544	7,259	1,571	—	61,557
Inter-segment revenue	363	—	—	—	(363)	—
<b>Total revenue</b>	<b>42,546</b>	<b>10,544</b>	<b>7,259</b>	<b>1,571</b>	<b>(363)</b>	<b>61,557</b>
<b>Result</b>						
Segment result	6,402	1,386	1,145	279	—	9,212
<b>Operating profit</b>	<b>6,402</b>	<b>1,386</b>	<b>1,145</b>	<b>279</b>	<b>—</b>	<b>9,212</b>
<b>Assets and liabilities</b>					<b>Unallocated</b>	
Total segment assets	52,143	12,515	9,885	3,248	22,920	100,711
Total segment liabilities	(42,786)	(3,538)	(1,383)	(601)	(22,937)	(71,245)
<b>Total net assets</b>	<b>9,357</b>	<b>8,977</b>	<b>8,502</b>	<b>2,647</b>	<b>(17)</b>	<b>29,466</b>
<b>Other segment information</b>						
Total capital expenditure	434	294	1,490	92	—	2,310
Depreciation	687	203	215	77	—	1,182
Amortisation of intangible assets	13	—	—	—	—	13

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

# Notes to the Interim Financial Statements

For the period ended 31 December 2009

## 2. Segmental reporting

*continued*

Six months to 31 December 2008

	Analysis of revenue and results by geographic settlement					Total Operations £'000
	Europe £'000	Australia £'000	USA £'000	UAE £'000	Elimination £'000	
<b>Revenue</b>						
Revenue to external customers	45,987	9,479	7,077	1,344	—	63,887
Inter-segment revenue	32	—	—	—	(32)	—
<b>Total revenue</b>	<b>46,019</b>	<b>9,479</b>	<b>7,077</b>	<b>1,344</b>	<b>(32)</b>	<b>63,887</b>
<b>Result</b>						
Segment result	7,241	1,000	1,239	129	—	9,609
<b>Operating profit</b>	<b>7,241</b>	<b>1,000</b>	<b>1,239</b>	<b>129</b>	<b>—</b>	<b>9,609</b>
<b>Assets and liabilities</b>						
Total segment assets	64,554	10,546	9,494	3,564	16,672	104,830
Total segment liabilities	(18,758)	(2,852)	(1,895)	(633)	(30,604)	(54,742)
<b>Total net assets</b>	<b>45,796</b>	<b>7,694</b>	<b>7,599</b>	<b>2,931</b>	<b>(13,932)</b>	<b>50,088</b>
<b>Other segment information</b>						
Total capital expenditure	831	116	193	31	—	1,171
Depreciation	770	200	184	67	—	1,221
Amortisation of intangible assets	12	—	—	—	—	12

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

# Notes to the Interim Financial Statements

For the period ended 31 December 2009

## 2. Segmental reporting

*continued*

Twelve months to 30 June 2009

	Analysis of revenue and results by geographic settlement					Total Operations £'000
	Europe £'000	Australia £'000	USA £'000	UAE £'000	Elimination £'000	
<b>Revenue</b>						
Revenue to external customers	89,105	20,061	13,579	2,714	—	125,459
Inter-segment revenue	381	—	—	—	(381)	—
<b>Total revenue</b>	<b>89,486</b>	<b>20,061</b>	<b>13,579</b>	<b>2,714</b>	<b>(381)</b>	<b>125,459</b>
<b>Result</b>						
Segment result	12,480	1,923	2,311	492	—	17,206
Net gain on disposals	233	—	—	—	—	233
<b>Operating profit</b>	<b>12,713</b>	<b>1,923</b>	<b>2,311</b>	<b>492</b>	<b>—</b>	<b>17,439</b>
<b>Assets and liabilities</b>						
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)
<b>Total net assets</b>	<b>12,884</b>	<b>7,581</b>	<b>7,039</b>	<b>2,672</b>	<b>(2,789)</b>	<b>27,387</b>
<b>Other segment information</b>						
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.

### 3. Income tax expense

		6 months to 31 Dec 2009 £'000	6 months to 31 Dec 2008 £'000	12 months to 30 June 2009 £'000
<b>Current Taxation</b>				
UK Corporation Tax at 28%	— Current Period	554	1,938	3,250
	— Prior Period	270	13	11
Overseas Taxation	— Current Period	937	856	1,642
	— Prior Period	(40)	—	—
Total Current Tax		1,721	2,807	4,903
<b>Deferred Tax</b>				
	— Current Period	961	2,109	1,496
	— Prior Period	—	—	(71)
Total Deferred Tax		961	2,109	1,425
<b>Income Tax Expense</b>		<b>2,682</b>	<b>4,916</b>	<b>6,328</b>

### 4. 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.

	6 months to 31 Dec 2009 £'000	6 months to 31 Dec 2008 £'000	12 months to 30 June 2009 £'000
<b>Profit for the period</b>	<b>5,707</b>	4,697	11,901
Weighted average number of ordinary shares in issue	<b>118,083,186</b>	126,001,875	125,456,081
Basic and diluted earnings per share (EPS) — pence	<b>4.83</b>	3.73	9.49

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. The total number of treasury shares held at 31 December 2009 was 7,975,214, with 118,083,186 shares trading on AIM.

There are no dilutive share arrangements in place.

### 5. Dividends

A dividend of £73,000 was paid in the period to 31 December 2009 to a minority interest in Intersel Dowding and Mills FZCO (31 December 2008: £68,000; 30 June 2009: £273,000).

## 6. 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 31 December 2009 amounted to £674,000 (31 December 2008: £301,000; 30 June 2009: £618,000).

The bank facilities include a guarantee which commenced in June 2007 and has been granted to the group's defined benefit 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 £167,000 or the actual contribution required by the employer under the schedule of contributions each month. As at 31 December 2009 the guarantee stood at £4,833,000 (31 December 2008: £6,837,000; 30 June 2009: £5,841,000).

## 7. Reconciliation of movement in net debt

	6 months to 31 Dec 2009 £'000	6 months to 31 Dec 2008 £'000	12 months to 30 June 2009 £'000
Increase in cash and cash equivalents	1,322	2,897	2,767
Debt related cash flows from financing activities	750	750	1,500
Amortisation of facility fee	(73)	(36)	(50)
Payment of facility fee	170	—	—
Translation differences	311	893	493
Movement in interest rate swaps	2	(771)	(765)
	<b>2,482</b>	<b>3,733</b>	<b>3,945</b>
Net debt at beginning of period	<b>(6,726)</b>	<b>(10,671)</b>	<b>(10,671)</b>
Net debt at end of period	<b>(4,244)</b>	<b>(6,938)</b>	<b>(6,726)</b>

## 8. Settlement gain on Enhanced Transfer Value exercise

During the period ended 31 December 2009 the group offered a number of the deferred members of the group's defined benefit pension scheme the opportunity to transfer out of the scheme and to receive an enhancement from the group for doing so. In this respect the group reported a £1,900,000 gain but incurred enhancement value costs and professional fees totalling £1,311,000. The net gain for the group of £589,000 has been credited to administration expenses in the accounts for the period.

## 9. Availability of interim report

Copies of these interim results are available from the company's registered office at Camp Hill, Birmingham, B12 0JJ and can be downloaded from our website [www.castlesupportservices.com](http://www.castlesupportservices.com).

Castle Support Services plc is registered in England with company number 5351402.

## 10. Statutory accounts

These unaudited interim consolidated financial statements do not constitute statutory accounts under sections 434 and 435 of the Companies Act 2006.

The comparative amounts in these interim consolidated financial statements include extracts from the company's consolidated financial statements for the year ended 30 June 2009. The company's consolidated financial statements for the year ended 30 June 2009 have been filed with the Registrar of Companies, received an unqualified audit report and did not contain statements under sections 498(2) and 498(3) of the Companies Act 2006.

**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

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