

Chairman's Statement

Introduction

I am pleased to report on a continuing improvement in the group's trading performance during the six months ended 31 December 2008 with significant increases achieved in revenue, EBITDA and operating profit.

Results

The results for the six months to 31 December 2008 show a solid improvement in revenue, increasing by approximately 15% to £63.9m (2007: £55.4m).

EBITDA increased by 16% to £10.8m (2007: £9.3m), and operating profit by 20% to £9.6m (2007: £8.0m).

Profit before tax, which increased by 4% to £9.6m (2007: £9.2m), has been impacted by a reduction in other finance income to £0.5m (2007: £1.8m) reflecting the reduced market value of assets within the group's defined benefit pension scheme.

In common with many other UK companies, our taxation charge has been impacted adversely by a change in the treatment of Industrial Buildings Allowances introduced in the 2008 Finance Act. This has increased the group's taxation charge by £1.8m. If the impact of this one-time write-off is excluded, the tax charge would have been approximately 33% instead of the reported 51% (2007: 31%).

Borrowings

Group borrowings at the end of the period were £6.9m (net of cash balances of £16.7m) having reduced by £4.7m during the period (before a £1.0m movement on interest rate swaps). The group also has unutilised borrowing facilities of circa £6m, which together with the aforementioned cash balances represents circa £23m available for potential investment and expansion opportunities.

Strategy

Our trading results demonstrate further progress in our stated strategy of growing the business in each of the three Continents, namely Europe, USA and Australia, where our principal subsidiary, DM Technical Services Limited ('DMTS') has been established for many years. DMTS also secures a regular flow of business from outside these regions primarily based upon its longstanding reputation and expertise for servicing the needs of key global sectors such as energy generation, oil, gas, resources and shipping, but to date has not proactively marketed its considerable capabilities.

Part of our plan going forward is to capitalise on our expertise through targeting new regions such as the Far-East and other parts of the world as well as developing our profile in the Middle-East where we can build on our presence established in UAE last year. This growth is expected to be developed organically through proactive marketing of our existing services for the repair and maintenance of motors, generators and other rotating equipment, and through complementary acquisitions. The Board consider that as a well established market leader in a very fragmented marketplace and with very few competitors capable of providing the group's scale and range of services, there is considerable scope for consolidation and expansion.

During the course of the last year we undertook a strategic review to explore all avenues to accelerate the group's considerable opportunities for international growth. As announced previously (March 2008) this review has included, but not been limited to, the consideration of possible alliances, joint ventures, mergers and acquisitions which may or may not have led to an Offer being made for the company. The Board has now concluded that at this time in light of the current volatile market conditions, it is not in shareholders' interests to consider options that may or may not have led to an offer for the company and such a strategy is not being pursued. Accordingly, the company is no longer in an "Offer" period and the Dealing Disclosure requirements of the Takeover Code have now ceased.

The Board believes it more beneficial to focus on our strategic growth plans outlined earlier in this statement, namely: proactively marketing our services in key global market sectors, expansion into new regions both organically and through targeted acquisitions and / or joint ventures, and development of trade alliances.

Outlook

The business is continuing to experience encouraging levels of activity despite the current economic turmoil both in the UK and internationally, and we expect to continue to make good progress in the second half.

Christopher Mills
Non-executive Chairman
26 March 2009

Independent review report to Castle Support Services plc

Introduction

We have been engaged by the company to review the financial information in the half-yearly financial report for the six months ended 31 December 2008 which comprises the consolidated interim income statement, the consolidated interim balance sheet, the consolidated interim statement of recognised income and expense, the consolidated interim cash flow statement, and the related explanatory 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. The AIM rules of the London Stock Exchange require that the accounting policies and presentation applied to the financial information in the half-yearly financial report are consistent with those which will be adopted in the annual accounts having regard to the accounting standards applicable for such accounts.

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 financial information in the half-yearly financial report has been prepared in accordance with the basis of preparation in Note 1.

Our responsibility

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

Scope of review

We conducted our review in accordance with International ISRE (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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the half-yearly financial report for the six months ended 31 December 2008 is not prepared, in all material respects, in accordance with the basis of preparation described in Note 1.

GRANT THORNTON UK LLP

Registered Auditors
Chartered Accountants

Leicester
26 March 2009

Consolidated Interim Income Statement

For the period ended 31 December 2008

	Notes	6 months to 31 Dec 2008 £'000	6 months to 31 Dec 2007 £000	12 months to 30 June 2008 £'000
Revenue	2	63,887	55,403	116,270
Cost of sales		(45,528)	(39,299)	(83,717)
Gross profit		18,359	16,104	32,553
Selling and distribution costs		(2,408)	(2,193)	(4,471)
Administration expenses		(6,342)	(6,330)	(12,704)
Operating profit before profit on disposal		9,609	7,581	15,378
Profit on disposal of property, plant and equipment		-	451	454
Operating profit		9,609	8,032	15,832
Net interest payable on bank overdrafts and loans		(790)	(1,098)	(1,948)
Net interest receivable on bank balances		172	181	453
Treasury management income		111	329	787
Other finance income		525	1,775	3,371
Profit before tax		9,627	9,219	18,495
Income tax expense	3	(4,916)	(2,877)	(5,643)
Profit for the period		4,711	6,342	12,852
Profit attributable to minority interests		14	-	202
Profit attributable to equity shareholders		4,697	6,342	12,650
		4,711	6,342	12,852
Earnings per share (EPS) - basic and diluted - pence	4	3.73	5.03	10.04

Consolidated Interim Balance Sheet

As at 31 December 2008

	Notes	31 December 2008 £'000	31 December 2007 £'000	30 June 2008 £'000
Assets				
Non-current assets				
Goodwill		17,030	15,114	17,032
Other intangible assets		57	79	67
Property, plant and equipment		26,237	23,390	24,604
Retirement benefit assets		8,655	14,369	7,306
Total non-current assets		51,979	52,952	49,009
Current assets				
Inventories		11,268	9,356	10,333
Trade and other receivables		24,912	22,406	22,657
Cash and cash equivalents		16,671	7,349	12,886
Total current assets		52,851	39,111	45,876
Total assets		104,830	92,063	94,885
Liabilities				
Current liabilities				
Trade and other payables		(7,935)	(6,812)	(7,651)
Short term provisions and liabilities		(11,487)	(10,286)	(12,783)
Tax liabilities		(2,310)	(1,902)	(2,040)
Bank loans and short term borrowings		(1,607)	(872)	(1,612)
Total current liabilities		(23,339)	(19,872)	(24,086)
Non-current liabilities				
Long term borrowings		(21,056)	(23,834)	(21,770)
Derivative financial instruments		(946)	-	(175)
Long term provisions		(4,714)	(2,932)	(4,280)
Deferred tax liabilities		(4,687)	(4,231)	(2,483)
Total non-current liabilities		(31,403)	(30,997)	(28,708)
Total liabilities		(54,742)	(50,869)	(52,794)
Net assets		50,088	41,194	42,091
Shareholders' equity				
Share capital	7	25,212	25,212	25,212
Reverse acquisition reserve	7	(13,057)	(13,057)	(13,057)
Foreign currency translation reserve	7	5,342	754	2,117
Other reserves	7	(50)	-	(50)
Profit and loss account	7	32,101	28,285	27,404
Equity shareholders' funds	7	49,548	41,194	41,626
Minority interests - equity	7	540	-	465
Total equity		50,088	41,194	42,091

Consolidated Interim Statement of Recognised Income and Expense

For the period ended 31 December 2008

	6 months to 31 Dec 2008 £'000	6 months to 31 Dec 2007 £'000	12 months to 30 June 2008 £'000
Retained profit for the period	4,711	6,342	12,852
Income/(expenses) recognised directly in equity:			
Currency translation differences arising in the period	3,225	511	1,874
Restriction on recognition of retirement benefit surplus	-	(2,915)	-
Actuarial loss on retirement benefit plan	-	-	(12,345)
Taxation on actuarial loss on retirement benefit plan	-	-	3,456
Taxation on restriction on recognition of retirement benefit surplus	-	816	-
Total recognised income and expense for the period	7,936	4,754	5,837
Attributable to minority interests	139	-	202
Attributable to equity shareholders	7,797	4,754	5,635
	7,936	4,754	5,837

Consolidated Interim Cash Flow Statement

For the period ended 31 December 2008

	6 months to 31 Dec 2008	6 months to 31 Dec 2007	12 months to 30 June 2008
	£'000	£'000	£'000
Profit before tax	9,627	9,219	18,495
Adjustments for:			
Depreciation	1,233	1,253	2,579
Loss / (profit) on sale of property, plant and equipment	69	(451)	(454)
Interest payable on bank overdrafts and loans	790	1,098	1,948
Interest receivable on bank balances	(172)	(181)	(453)
Interest rate swaps	771	(329)	(787)
Other finance income	(525)	(1,775)	(3,371)
(Increase) in inventories	(554)	(746)	(1,133)
(Increase) in trade and other receivables	(1,530)	(2,335)	(1,783)
(Decrease) / increase in trade and other payables	(1,319)	1,743	3,327
Increase in long term provisions and liabilities	433	11	1,334
Contributions to pension schemes and service cost	(824)	(861)	(1,630)
Cash generated from operations	7,999	6,646	18,072
Interest paid	(790)	(1,095)	(1,948)
Income taxes paid	(2,516)	(750)	(2,977)
Net cash generated from operating activities	4,693	4,801	13,147
Cash flows from investing activities			
Acquisition of businesses	-	-	(1,826)
Net cash and cash equivalents acquired with businesses	-	-	(8)
Purchase of property, plant and equipment	(1,171)	(1,131)	(2,213)
Sale of property, plant and equipment	21	2,373	2,386
Interest received	172	181	453
Dividends paid to minority interests	(68)	-	(8)
Net cash (used in)/generated from investing activities	(1,046)	1,423	(1,216)
Cash flows from financing activities			
Buy-back of shares	-	-	(50)
Repayments of amounts borrowed	(750)	(712)	(1,500)
Net cash (used in)/generated from financing activities	(750)	(712)	(1,550)
Increase in cash and cash equivalents	2,897	5,512	10,381
Cash and cash equivalents at beginning of period	12,864	1,644	1,644
Translation differences	893	192	839
Cash and cash equivalents at end of period	16,654	7,348	12,864

Notes to the Interim Financial Statements

For the period ended 31 December 2008

1. Basis of preparation

These unaudited interim consolidated financial statements (the interim financial statements) are for the six months ended 31 December 2008. They have been prepared in accordance with all major aspects of IAS 34 “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 2008.

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

The interim 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 2008 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 2009 or expected to be adopted and effective at 30 June 2009. These IFRS 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 2009. If any such amendments, new standards or interpretations are issued these may lead to the financial information provided in this report being changed.

The accounting policies have been applied consistently throughout the group for the purposes of preparation of these interim 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 2008

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 2008, six months to 31 December 2007 and twelve months to 30 June 2008.

Analysis of revenue and results by geographic settlement

Six months to 31 December 2008	Europe £'000	Australia £'000	USA £'000	UAE £'000	Elimination £'000	Total Operations £'000
Revenue						
Revenue to external customers	45,987	9,479	7,077	1,344	-	63,887
Inter-segment revenue	32	-	-	-	(32)	-
Total revenue	46,019	9,479	7,077	1,344	(32)	63,887
Result						
Segment result	7,241	1,000	1,239	129	-	9,609
Net gain on disposals	-	-	-	-	-	-
Operating profit	7,241	1,000	1,239	129	-	9,609
Assets and liabilities						
					Unallocated	
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)
Total net assets	45,796	7,694	7,599	2,931	(13,932)	50,088
Other segment information						
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 2008

Analysis of revenue and results by geographic settlement

Six months to 31 December 2007

	Europe £'000	Australia £'000	USA £'000	Elimination £'000	Total Operations £'000
Revenue					
Revenue to external customers	41,231	8,055	6,117	-	55,403
Inter-segment revenue	37	-	-	(37)	-
Total revenue	41,268	8,055	6,117	(37)	55,403
Result					
Segment result	5,419	926	1,236	-	7,581
Net gain on disposals	451	-	-	-	451
Operating profit	5,870	926	1,236	-	8,032
Assets and liabilities					
				Unallocated	
Total segment assets	68,843	9,142	6,729	7,349	92,063
Total segment liabilities	(16,231)	(2,459)	(1,340)	(30,839)	(50,869)
Total net assets	52,612	6,683	5,389	(23,490)	41,194
Other segment information					
Total capital expenditure	818	120	193	-	1,131
Depreciation	892	204	145	-	1,241
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 2008

Analysis of revenue and results by geographic settlement

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

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

Notes to the Interim Financial Statements

For the period ended 31 December 2008

3. Income tax expense

		6 months to 31 Dec 2008	6 months to 31 Dec 2007	12 months to 30 June 2008
		£'000	£'000	£'000
Current Taxation				
UK Corporation Tax at 28%	- Current Period	1,938	956	2,304
	- Prior Period	13	-	(1)
Overseas Taxation	- Current Period	856	855	1,819
	- Prior Period	-	-	(20)
Total Current Tax		2,807	1,811	4,102
Deferred Tax				
	- Current Period	2,109	1,066	1,497
	- Prior Period	-	-	44
Total Deferred Tax		2,109	1,066	1,541
Income Tax Expense		4,916	2,877	5,643

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 2008	6 months to 31 Dec 2007	12 months to 30 June 2008
		£'000	£'000	£'000
Profit for the period		4,697	6,342	12,650
Weighted average number of ordinary shares in issue		126,001,875	126,058,400	126,031,043
Basic and diluted earnings per share (EPS) - pence		3.73	5.03	10.04

The weighted average number of ordinary shares in issue exclude treasury shares acquired during the year ended 30 June 2008.

There are no dilutive share arrangements in place.

Notes to the Interim Financial Statements

For the period ended 31 December 2008

5. Dividends

A dividend of £68,000 was paid in the period to 31 December 2008 to a minority interest in Intersel Dowding and Mills FZCO (31 December 2007: £nil, 30 June 2008: £8,000).

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 2008 amounted to £301,000 (31 December 2007: £317,000, 30 June 2008: £333,000).

The bank facilities include a guarantee for £10,000,000 which commenced June 2007. This has been granted to the pension scheme in relation to the future contributions payable. This guarantee can only be called upon in the event of default by the group in respect of the schedule of contributions prevailing at the time. No such default occurred in the period. The guarantee reduces by the greater of £166,000 or the actual contribution required by the employer under the schedule of contributions each month. As at 31 December 2008 the guarantee stood at £6,837,000 (31 December 2007: £8,833,000, 30 June 2008: £7,833,000).

Notes to the Interim Financial Statements

For the period ended 31 December 2008

7. Reconciliation of movement in equity

	Share capital £'000	Reverse acquisition reserve £'000	Foreign translation reserve £'000	Other reserves £'000	Profit and loss account £'000	Total equity £'000
As at 1 July 2008	25,212	(13,057)	2,117	(50)	27,404	41,626
Currency translation differences	-	-	3,225	-	-	3,225
Profit for the period	-	-	-	-	4,697	4,697
As at 31 December 2008	25,212	(13,057)	5,342	(50)	32,101	49,548

	Share capital £'000	Reverse acquisition reserve £'000	Foreign translation reserve £'000	Other reserves £'000	Profit and loss account £'000	Total equity £'000
As at 1 July 2007	25,212	(13,057)	243	-	24,042	36,440
Profit for the period	-	-	-	-	6,342	6,342
Currency translation differences	-	-	511	-	-	511
Restriction on recognition on retirement benefit surplus	-	-	-	-	(2,915)	(2,915)
Taxation on restriction on retirement benefit surplus	-	-	-	-	816	816
As at 31 December 2007	25,212	(13,057)	754	-	28,285	41,194

	Share capital £'000	Reverse acquisition reserve £'000	Foreign translation reserve £'000	Other reserves £'000	Profit and loss account £'000	Total equity £'000
As at 1 July 2007	25,212	(13,057)	243	-	23,651	36,049
Currency translation differences	-	-	1,874	-	-	1,874
Actuarial loss on retirement benefit plan	-	-	-	-	(12,345)	(12,345)
Taxation on actuarial loss on retirement benefit plan	-	-	-	-	3,456	3,456
Profit for the period	-	-	-	-	12,650	12,650
Dividends paid	-	-	-	-	(8)	(8)
Purchase of own shares	-	-	-	(50)	-	(50)
As at 30 June 2008	25,212	(13,057)	2,117	(50)	27,404	41,626

Notes to the Interim Financial Statements

For the period ended 31 December 2008

8. Reconciliation of movement in net debt

	6 months to 31 Dec 2008 £'000	6 months to 31 Dec 2007 £'000	12 months to 30 June 2008 £'000
Increase in cash and cash equivalents	2,897	5,512	10,381
Cash flows from financing activities	750	712	1,500
Amortisation of facility fee	(36)	-	(75)
Translation differences	893	192	839
Movement in interest rate swaps	(771)	329	787
	<u>3,733</u>	<u>6,745</u>	<u>13,432</u>
Net debt at beginning of period	<u>(10,671)</u>	<u>(24,103)</u>	<u>(24,103)</u>
Net debt at end of period	<u>(6,938)</u>	<u>(17,358)</u>	<u>(10,671)</u>

9. Availability of Interim Report

Copies of these results are being sent to shareholders and will also be available from the company's registered office at Camp Hill, Birmingham, B12 0JJ and can be downloaded from our website 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 s240 of the Companies Act 1985.

The comparative amounts in these interim consolidated financial statements include extracts from the company's consolidated financial statements for the year ended 30 June 2008. The company's consolidated financial statements for the year ended 30 June 2008 have been filed with the Registrar of Companies, received an unqualified audit report and did not contain statements under sections 237(2) and 237(3) of the Companies Act 1985.