

AS 9100 QUALITY

THE 5 YEAR PLAN

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The first coalition government for more than 70 Years has announced its first budget. The new Conservative/Liberal government has undoubtedly inherited the worst financial balance sheet in the country's history.

Despite this, manufacturing is on the up. According to recent surveys, order intake and output volumes for the three months to June (in Scotland's engineering sector) were at their healthiest level for almost three years. Castle has not fully seen the extent of this, but that is more as a result of our very strong pre-recession performance, as opposed to weak post recession recovery. As a Company, market visibility is at its furthest since this time last year, and Q1&2 of 2010 has balanced out recession Q3&4 of 2009. All in all, not a great year, but as far as recessions go - not bad.

So the government have their 5 year plan (to rebalance the economy and to significantly reduce the county's deficit) and now it is time for ours.

The last few years has marked the most significant period of change in the Company's history with major developments to every aspect of our operations. The Company is highly regarded in its field domestically, reflected in

media coverage, government initiative involvement, prestigious awards and most importantly customer feedback.

early stages of developing an overall international strategy in conjunction with the international business development arm of Scottish Enterprise known as SDI



All Paths Lead To Castle

But in order to take our Company to the next level we have to grow significantly and offer the complete one stop shop service our customers are looking for. The delivery of our NT6600 and installation of our Clean Room Facility marked the end of a three year investment phase, and 5 year strategy towards that end. So where will our next strategy take us? Well, it's about consistency and constancy of purpose; the goal of the one stop shop hasn't changed but the opportunities of how to get there has.

With the significant swing in the exchange rate in the favour of export and our current strong domestic position, Castle is in the

(Scottish Development International).

In particular with this international strategy, Castle is looking to enter the French and German aerospace and defence markets by having a presence in Toulouse through ADS.

Allowing another market to access our current capabilities will allow us to develop our next capabilities towards the one stop shop solution.

To handle this growth Castle will be constructing two new office areas to satisfy the added Project & Quality Engineering requirements. These engineers will be sourced both internally and externally over the next few years.

As ever, Castle Precision has come out of a downturn stronger than ever and is well placed for the future.

TRAINING EVOLUTION

The Castle apprenticeship scheme is being given a major overhaul, as first mentioned in a previous quarterly newsletter, "Ongoing Investment" article. As part of taking our training back to fundamentals Castle will be rolling out a Skills Matrix to better track the apprentices development of base skills. The Matrix as seen below is a simple tool that hopefully in time will

matrix will be bespoke for that area although for obvious reasons the two milling and two turning areas will be similar. At this stage, no decision has been made on whether the matrix will be rolled out to time-served engineers. That's not to say it wouldn't be useful, but the focus at this point is on the apprentices.

Company is pleased to announce the successful introduction of a new dedicated manufacturing HND to its best performing students.

The terms for eligibility are as such: only those who have the Modern Apprenticeship (ie sat the end of year HNC exam) will be eligible at this point, and of those eligible Castle will only be sending apprentices who achieved

"changing the education system so that we can take our apprentices through a full development path"

SKILLS MATRIX DAVIE WISE'S SECTION

Joe Blogs Skill/Knowledge Mills & Grinders	No Understanding	Basic Understanding	Can Achieve Under Direct Guidance	Can Achieve Without Guidance	Expert Can Teach	Notes
MILLING						
Setting M/C Head Square						Will work with Joe to improve this by 02/02/10
Set Up Clock Vice						
Cutter Choice						
Speeds/Feeds						
Machining To Sizes						
Using Dividing Head						
MARKING OUT						
Using Vernier Height Gauge						
Scribes/Dividers etc						
Mark Off Casting						
DRELLING & TAPPING						
Choice Of Drill & Tap						
Hand Tapping Square						
Machine Tapping						
Drilling (Pedestal/Radial Arm)						Have seen significant improvements
Thread Rolling						
GRINDING						
Wheel Choice Grade						
Dress Wheel						
Balancing Wheels						
Flat Grinding						
Side Grinding						Has shown real interest in Grinding skills
Optidress						
BO BORING						
Using DRO/Using Optics						
Use of Rotary Tilling Table						
Using Boring Bar						
Using Facing Head						
DRAWINGS						
Understanding Drawings						
GD&T						

be an effective overall visual management tool, allowing foreman and trainers to quickly identify areas of training that may not have been carried out for a number of people, training several rather than one at a time. The matrix should also accelerate the pace of development by allowing trainer and apprentice to analyse his skill level together, agreeing focus areas.

The new system is being trialled out on the 2nd year apprentices based in the Toolroom, in order to fine tune the process before eventually rolling out to the entire factory. Each section

As well as internal changes, Castle Precision and SEMTA are in the process of changing the education system so that we can take our apprentices through a full development path by offering the current dedicated manufacturing HNC and a new manufacturing HND and degree built into a new 4-5 year apprenticeship programme. The programme, if fully developed will be up with the best in the sector.

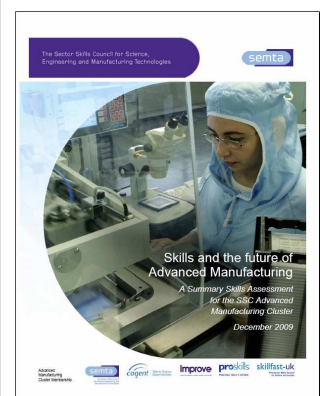
The Degree and completion of this vision is still years away from fruition; however the

Grade A as a minimum standard. The course is a two year HND at Anniesland College one day a week from 9am through to 8pm. As Castle will be funding the course, no overtime will be paid to the attending students.

Should the course prove a success, Castle will put 2 eligible apprentices through every year. Due to the short timescale in getting the project off the ground students were selected for the first course. The selected four were the four highest HNC end of year exam scorers prior to examination year 2010. In future however this will be an application and selection process: intelligence, attitude, college scores, Thomas tests, PPA tests and the application form will all be assessed for suitability.

Cont. Over page

"SEMTA - The Sector Skills Council for Science, Engineering & Manufacturing Technologies"



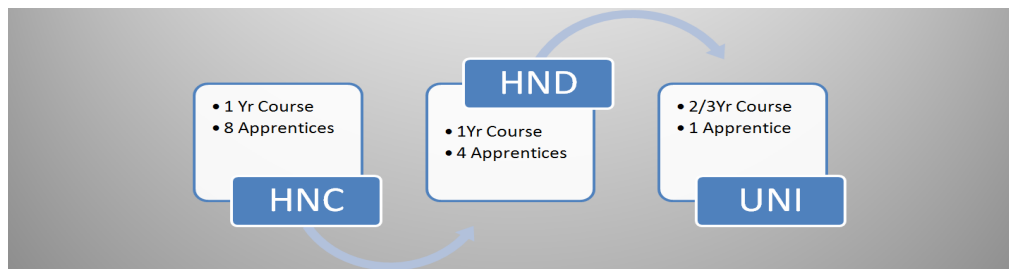
TRAINING EVOLUTION CONT.

For those who have an apprenticeship but have not sat the new style end of year exam, the current difficulty is that Anniesland College cannot award the individual an HND on completion unless they sit the HNC final exam during the course period as well. Given that

the HND is a two year course, there would simply be no time to complete a two year course in one year and complete a one year HNC on top as well. The Company and Anniesland College are working together to resolve this issue directly with the SQA.

Soon this type of full development path won't be a second choice - it will be the standard preferred choice for both ambitious people and companies.

Ideal solution seen below is still years from fruition; every project starts somewhere.



“successful introduction of a new dedicated manufacturing HND to its best performing students.”

SC21 BRONZE AWARD

Castle is proud to announce that it is the first sub-contractor in Scotland to be given an SC21 award and only the second company in Scotland as a whole (2nd to BAE Systems).

The SC21 Bronze Award, which usually takes years to achieve, was ascertained in just eight months.

This fantastic achievement has only been made possible in such a short timescale by the efforts of Julie Forrest, who project managed the company's effort, as well as Peter Lawrie of Selex Gallileo and Robert Cowan of SMAS who were instrumental in the projects success. (Please see March

2010 newsletter for more SC21 details).

The award will be presented to Castle on Tuesday the 20th at the International Farnborough Air show.

See P4 for press release.

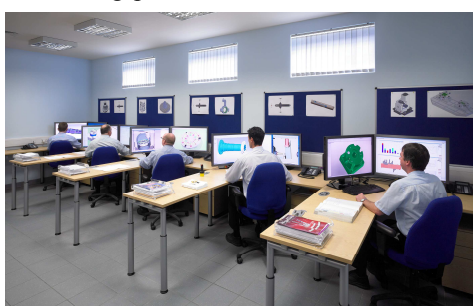


Castle Precision Leading The Way

CALM EVALUATION

The Company is currently assessing several leading CAM systems; including: Esprit, HyperMill, Delcam, Catia, Pathtrace, NX and a few others. With the new capabilities in 5 axis milling and 5 axis

Millturn, the Company wants to ensure that its project engineers are using the best systems and tools available to them. The Company plans to have assessed and identified the optimal solution by the turn of the year.



As well as new CAM, projects will be introducing a new software package called Optipath. Optipath is a Vericut integrated software package that looks to optimise roughing milling paths. This is done

by ensuring feed rates provide the optimal chip thickness at all times, even through complex geometries. The optimisation will initially be trialled out on parts with low material value to minimise any potential fallout, and long cycle times to have the most impact. Initial studies look to show potential reductions.

CAM software, not in the least bit frustrating...ever.

Castle Precision Engineering

Farnborough International Air show 2010
SC21 Bronze Award



Our Mission Statement

To succeed in a global market by targeting those areas of precision machining which require the highest levels of expertise and innovation.

Overview

Castle Precision Engineering is an AS 9100 approved first tier supplier providing critical precision components to the Aerospace, Defence and Energy sectors. The Company has over 60 plus major CNC machine tools making it one of the foremost independent production facilities in Europe.

SC21

Castle Precision Engineering is proud to be the first sub-contractor in Scotland to be awarded the SC21 Bronze award, as well as being only the second company in Scotland as a whole to receive this accolade. In this highly competitive international market, Castle recognises the SC21 change programme as being crucial to future viability of the UK aerospace and defence supply chains. With 19 founder companies including: Rolls Royce, Selex Galileo, Goodrich, Thales and many others collaborating with 500+ suppliers, the UK is staking its place as a leader for global aerospace and defence programmes.

Managing Directors Comments

Marcus Tiefenbrun Managing Director of Castle Precision said:

“We are delighted to have received this highly prestigious award; it recognises Castle Precision’s class leading quality and delivery performance in critical component manufacture. To be the first sub-contractor in Scotland sets us apart as a leader in implementing this vital supply chain modernisation programme. We must thank our sponsor companies Selex Galileo and Rolls Royce, whose assistance and commitment have been instrumental in our success.

For Castle Precision this award is an acknowledgement to the Professionalism, Skill & Excellence that we apply to every aspect of our business. Congratulations Castle, with your continued efforts, Bronze is just the beginning.

Thank you.”



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PRESIDENT'S AWARD 2010

Earlier this year Castle Precision was nominated for the Scottish Engineering Award 2010. The award is perhaps the most prestigious annual engineering award in Scotland with a competition list that reflects that. In the end the award was given to Clyde Union Pumps who ran out deserved winners. However in recognition of the very high standard, several companies including Castle were awarded the "Scottish Engineering President's

Award for Outstanding Achievement 2010". Left to right Andrew Wills, President of Scottish Engineering, Marcus Tiefenbrun MD of Castle

Precision, The Hon Rupert Soames, Chief Executive Aggreko plc and Dr Peter Hughes, Chief Executive Scottish Engineering.



Castle were awarded the "Scottish Engineering President's Award for Outstanding Achievement 2010".



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QUICK UPDATES

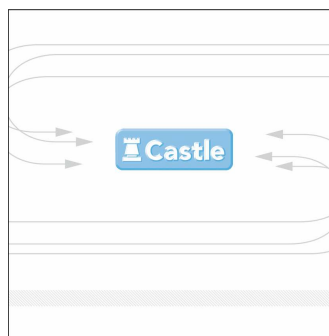
Company Apparel

It has been a Company objective for quite some time to introduce a full line of Company apparel. The first phase of the project was finally taken on 12 months ago, and should have been completed early 2010. However quality, design and latterly volcano issues have delayed phase one which is now due for completion in October.

The first phase includes company ties, polo shirts and jackets whilst phase two covered caps and new overalls. Everything but the jackets will be standard issue. The jackets will be available to all employees at cost price, somewhere in the region of £50. Phase two won't begin until phase one completion.

Company Brochure

The Company is finally nearing completion of it's new brochure. The brochure which had been delayed awaiting full operation of some of our



new systems is now due for completion July 19th, in time for the Farnborough International Air show. Sneak Peek

The next step will be an overhaul of the Castle Precision website. Start date is yet to be confirmed.

Airflow System

Gerry Ruddy's lathe section is being fitted out with a new roof and airflow system. The sections current building setup is the most susceptible to temperature variation on site, due to the low roof height and poor insulation. The temperature variation affects operator environment as well as machine and part thermal movement. The new roof should decrease heat loss during the winter and heat gain during the summer whilst the air-flow system will remove heat more



effectively as well as providing more air changes per hour.