

Forest Traffic Signals Limited

REPORT AND ACCOUNTS

31 March 2005



Registered Number 1664145

Forest Traffic Signals Limited

COMPANY INFORMATION

DIRECTORS:

C C Powell
I P Martin
A R Williams
K J Allen
K Y Matthews

COMPANY SECRETARY:

R-M Sexton

REGISTERED OFFICE:

Albany Street
Newport
Gwent
NP20 5NJ

AUDITORS:

Baker Tilly
1 Georges Square
Bristol
BS1 6BP

BANKERS:

National Westminster Bank Plc
PO Box 44
96 Queen Street
Cardiff
CF1 1TX

SOLICITORS:

Berrysmith
Haywood House
Dumfries Place
Cardiff
CF10 3GA

Forest Traffic Signals Limited

DIRECTORS' REPORT

31 March 2005

The directors present their report and accounts for the year ended 31 March 2005.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The company's principal activity during the year continued to be traffic management services including the installation and hire of traffic signals and plant. The directors are satisfied with the result for the year.

RESULTS AND DIVIDENDS

The results for the year are set out in the profit and loss account on page 4.

FUTURE DEVELOPMENTS

The directors are confident of continued growth in the coming year.

DIRECTORS AND DIRECTORS' INTERESTS

The present members of the Board are as listed on page 1. K Y Matthews was appointed as a director on 2 September 2004.

None of the directors held any interest in the share capital of the company during the year or at the year end.

The interests of the directors in the shares of the company's ultimate parent undertaking, Transport Systems plc, are disclosed in that company's financial statements.

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

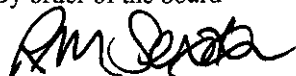
- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

AUDITORS

A resolution to re-appoint Baker Tilly as auditors will be put to the members at the annual general meeting.

By order of the board



Secretary 2 August 2005

Date:

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FOREST TRAFFIC SIGNALS LIMITED

We have audited the financial statements on pages 4 to 11.

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has 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 transactions with the company 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 Directors' Report. 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 opinion

We conducted our audit in accordance with Auditing Standards 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BAKER TILLY
Registered Auditor
Chartered Accountants
1 Georges Square
Bristol
BS1 6BP

Date: 2. August 2005

Forest Traffic Signals Limited

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2005

	<i>Note</i>	2005 £	2004 (Restated) £
TURNOVER		2,291,995	1,670,047
Cost of sales		(1,468,350)	(1,018,629)
GROSS PROFIT		823,645	651,418
Administrative expenses		(850,014)	(472,232)
Other operating income		1,237	-
OPERATING (LOSS)/PROFIT	2	(25,132)	179,186
Interest receivable and similar income		2	14
Interest payable and similar charges	4	(8,385)	(19,752)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(33,515)	159,448
Taxation on profit on ordinary activities	5	(3,334)	-
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(36,849)	159,448
Dividend proposed		-	(90,000)
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR		(36,849)	69,448
RETAINED PROFIT BROUGHT FORWARD		322,627	253,179
RETAINED PROFIT CARRIED FORWARD		285,778	322,627

There are no gains or losses other than those shown in the profit and loss account.

All activities are classed as continuing.

Restatement

Cost of sales and administrative expenses in the year ended 31 March 2004 have been restated on a basis consistent with that used for the year ended 31 March 2005. There is no effect on the reported result for any period.

Forest Traffic Signals Limited

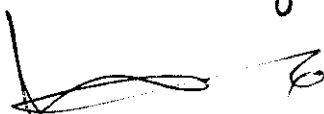
BALANCE SHEET

As at 31 March 2005

	<i>Note</i>	2005 £	2004 £
FIXED ASSETS			
Tangible assets	6	554,099	545,871
CURRENT ASSETS			
Stocks	7	78,697	39,228
Debtors	8	975,713	743,198
Cash at bank and in hand		89,259	273
		<u>1,143,669</u>	<u>782,699</u>
CREDITORS: amounts falling due within one year	9	(1,385,686)	(1,005,255)
NET CURRENT LIABILITIES		<u>(242,017)</u>	<u>(222,556)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>312,082</u>	<u>323,315</u>
CREDITORS: amounts falling due after more than one year	10	(22,282)	-
PROVISIONS FOR LIABILITIES AND CHARGES	12	(3,334)	-
		<u>286,466</u>	<u>323,315</u>
CAPITAL AND RESERVES			
Called up share capital	13	688	688
Profit and loss account	13	285,778	322,627
		<u>286,466</u>	<u>323,315</u>

These financial statements were approved by the board on
and signed on its behalf by: *2 August 2005*

Director



Forest Traffic Signals Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

CASH FLOW STATEMENT

The company has taken advantage of the exemption in Financial Reporting Standard 1 (Revised) from presenting a cash flow statement.

TURNOVER

Turnover comprises the value of sales excluding value added tax and trade discounts.

DEPRECIATION

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value of each asset evenly over its expected useful life, as follows:

Office and computer equipment	Over 3 years
Plant and machinery	Over 2 - 7 years

STOCKS

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. Provision is made where necessary for obsolete, slow, moving and defective stocks. Stocks purchased in respect of specific contracts are written off on acquisition, since thereafter the directors believe that they have negligible value.

OPERATING LEASE AGREEMENTS

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against the profits on a straight line basis over the period of the lease.

FINANCE LEASE OBLIGATIONS

Assets held under finance lease contracts are capitalised in the balance sheet and are depreciated over their useful lives. The corresponding finance lease obligation is included in the balance sheet as a liability. The interest element of the repayments is charged to the profit and loss account over the period of the contract and represents a constant proportion of the balance of the capital repayments outstanding.

CONTRIBUTION TO PENSION FUNDS

The company contributes to personal pension plans on behalf of certain of its employees. The amount charged to the profit and loss account in respect of pension costs represents the contributions payable in the year.

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Forest Traffic Signals Limited

NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

1 TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties, and is all in respect of the one continuing activity.

2	OPERATING PROFIT	2005 £	2004 £
	Operating profit is stated after charging:		
	Depreciation of owned fixed assets	159,077	128,719
	Depreciation of assets held under finance leases	60,173	60,173
	Profit on disposal of fixed assets	200	(2,970)
	Operating lease rentals - land and buildings	63,718	41,039
	Operating lease rentals - other	74,910	56,109
	Auditors' remuneration	10,554	3,700

3	STAFF COSTS	2005 £	2004 £
	Wages and salaries	952,912	647,141
	Social security costs	102,382	64,034
	Other pension costs	11,172	485
		<u>1,066,466</u>	<u>711,660</u>

The monthly average number of employees during the year was as follows:

	2005 No.	2004 No.
Management	2	-
Administration	5	4
Production	36	28
	<u>43</u>	<u>32</u>

	2005 £	2004 £
DIRECTORS' REMUNERATION		
Salaries and fees	102,756	115,400
Contributions to defined contribution pension scheme	2,760	2,250
	<u>105,516</u>	<u>117,650</u>

One director was accruing benefits under a defined contribution pension scheme (2004: one).

4	INTEREST PAYABLE AND SIMILAR CHARGES	2005 £	2004 £
	Bank interest	1,309	-
	Hire purchase interest	7,076	19,752
		<u>8,385</u>	<u>19,752</u>

Forest Traffic Signals Limited

NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

5	TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES	2005	2004
		£	£

The tax charge for the year comprises:

Corporation tax on (loss)/profit for the year	-	-
Movement in deferred tax	3,334	-
	<u>3,334</u>	<u>-</u>

The tax rate for the year is higher/lower than the standard rate of corporation tax in the UK. A reconciliation of the differences is given below:

(Loss)/profit before taxation	(33,515)	159,448
Tax at standard rate of tax of 19%	(6,368)	30,295
Disallowed expenses	1,925	(23,010)
Capital allowances in excess of depreciation	446	(8,336)
Group relief	-	(7,522)
(Utilisation of)/addition to tax losses	(949)	27,573
Utilisation of unrealised ACT	-	(19,000)
Other	4,946	-
Current year charge for taxation	<u>-</u>	<u>-</u>

6	TANGIBLE ASSETS	Office and computer equipment £	Plant and machinery £	Total £
	COST			
	At 1 April 2004	97,948	1,106,938	1,204,886
	Additions	12,332	215,146	227,478
	At 31 March 2005	<u>110,280</u>	<u>1,322,084</u>	<u>1,432,364</u>
	DEPRECIATION			
	At 1 April 2004	30,779	628,236	659,015
	Charge for the year	28,413	190,837	219,250
	At 31 March 2005	<u>59,192</u>	<u>819,073</u>	<u>878,265</u>
	NET BOOK VALUE			
	At 31 March 2005	<u>51,088</u>	<u>503,011</u>	<u>554,099</u>
	At 1 April 2004	<u>67,169</u>	<u>478,702</u>	<u>545,871</u>

Plant and machinery above includes £121,953, (2004: £182,125) of assets held under finance leases.

Forest Traffic Signals Limited

NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

7	STOCKS	2005 £	2004 £
	Raw materials and consumables	78,697	39,228

The difference between purchase price or production cost of raw materials and their replacement cost is not material.

8	DEBTORS	2005 £	2004 £
	Trade debtors	712,407	451,887
	Amounts due from fellow subsidiary undertaking	232,538	226,746
	Prepayments	30,768	50,729
	Other debtors	-	13,836
		975,713	743,198

9	CREDITORS: amounts due within one year	2005 £	2004 £
	Bank overdraft	-	45,098
	Trade creditors	338,241	191,017
	Obligations under finance lease contracts	12,840	23,218
	Amounts owed to parent undertaking	838,281	587,551
	Other taxation and social security costs	70,596	54,736
	Proposed dividend	90,000	90,000
	Other creditors	2,764	1,639
	Accruals	32,964	11,996
		1,385,686	1,005,255

National Westminster Bank plc hold an unscheduled mortgage debenture incorporating a fixed and floating charge over all current and future assets of the company and an unlimited composite guarantee between Forest Traffic Signals Limited, Forest Highways Limited and Transport Systems plc.

10	CREDITORS: amounts falling due after more than one year	2005 £	2004 £
	Obligations under finance lease contracts	22,282	-

11	OBLIGATIONS UNDER FINANCE LEASE CONTRACTS	2005 £	2004 £
	Amounts payable:		
	Within one year	12,840	23,218
	Within two to five years	22,282	-
		35,122	23,218

Forest Traffic Signals Limited

NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

12	PROVISIONS FOR LIABILITIES AND CHARGES			Deferred taxation £
	The movement in deferred taxation is as follows:			
	At 1 April 2004			-
	Provided in the year (note 5)			3,334
	At 31 March 2005			<u>3,334</u>
	The deferred tax liability arises on:			
		2005 Provided £	2005 Unprovided £	2004 Provided £
	Accelerated Capital allowances	7,427	-	7,874
	Other timing differences	(4,093)	-	(200)
		<u>3,334</u>	<u>-</u>	<u>7,674</u>
13	SHARE CAPITAL		2005 £	2004 £
	Authorised:			
	700 Ordinary shares of £1 each		700	700
			<u>700</u>	<u>700</u>
			2005 £	2004 £
	Allotted, called up and fully paid:			
	688 Ordinary shares of £1 each		688	688
			<u>688</u>	<u>688</u>
14	RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS		2005 £	2004 £
	Retained (loss)/profit for the year		(36,849)	69,448
	Opening shareholder's funds		323,315	253,867
			<u>323,315</u>	<u>253,867</u>
	Closing shareholder's funds		286,466	323,315
			<u>286,466</u>	<u>323,315</u>

Forest Traffic Signals Limited

NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

15 OTHER FINANCIAL COMMITMENTS

The company has annual commitments under non-cancellable operating leases as follows:

	2005 £	2004 £
Those expiring in less than one year:		
Land and buildings	43,000	45,200
Other	58,104	62,662
	<u>101,104</u>	<u>107,862</u>
Those expiring in two to five years:		
Land and buildings	-	-
Other	18,086	45,658
	<u>18,086</u>	<u>45,658</u>

16 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions available in paragraph 3(c) of Financial Reporting Standard 8 *Related parties* from the requirement to disclose transactions between the parent and fellow subsidiary companies.

17 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent undertaking and controlling party is Transport Systems plc. Copies of the financial statements of that company are available from Transport Systems Plc, Albany Street, Newport, Gwent, NP20 5NJ.

Forest Traffic Signals Limited
TRADING AND PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2005

	2005	2004
£	£	£
SALES	2,291,995	1,670,047
COST OF SALES		
Direct labour costs		
- wages and salaries	684,512	414,588
- employers National Insurance	66,518	57,260
Motor costs	310,189	210,190
Hire of equipment	74,910	55,582
Telephone	7,763	12,426
Purchases	133,621	87,863
Depreciation of plant	190,837	180,720
	<u>(1,468,350)</u>	<u>(1,018,629)</u>
GROSS PROFIT	<u>823,645</u>	<u>651,418</u>
ADMINISTRATIVE EXPENSES (per schedule)	(850,014)	(472,232)
Other operating income	1,237	-
OPERATING (LOSS)/PROFIT	<u>(25,132)</u>	<u>179,186</u>

Forest Traffic Signals Limited

ADMINISTRATIVE EXPENSES

For the year ended 31 March 2005

	2005 £	2004 £
ADMINISTRATIVE EXPENSES		
EMPLOYEE COSTS:		
Wages and salaries	268,400	223,154
Pensions	11,172	485
Employer's National Insurance	35,864	22,774
Staff training and welfare	16,552	2,313
Motor expense	23,966	17,961
Entertaining	8,054	2,634
Recruitment costs	4,271	2,430
	<u>368,279</u>	<u>271,751</u>
PREMISES COSTS:		
Rent	63,718	41,039
Rates	11,331	9,612
Light and heat	3,333	4,469
Cleaning	5,866	5,568
	<u>84,248</u>	<u>60,688</u>
GENERAL ADMINISTRATIVE EXPENSES:		
Telephone and fax	16,248	10,565
Printing, postage and stationery	26,670	20,381
Repairs and maintenance	17,845	8,477
Depreciation	28,413	8,172
Hire of equipment	-	527
Sundry expenses	10,406	7,855
Bad debts	38,000	-
Provision against intercompany debtor	-	(130,024)
Management charge payable	173,111	145,123
Computer costs	9,506	11,303
Profit on disposal	200	(2,970)
	<u>320,399</u>	<u>79,409</u>
LEGAL AND PROFESSIONAL COSTS:		
Audit fees	10,554	3,700
Legal fees	8,929	1,745
Health and safety	16,018	18,392
Insurance	29,162	25,298
Bank charges	3,216	3,076
Advertising	5,378	1,139
Consultancy fees	3,831	7,034
	<u>77,088</u>	<u>60,384</u>
	<u>850,014</u>	<u>472,232</u>