

Company NO: 01664145

Forest Traffic Signals Limited

REPORT AND ACCOUNTS

31 March 2006



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COMPANIES HOUSE 28/09/2006

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:

Forest House
Broad Quay Road
Felnex Industrial Park
Newport
NP19 4PN

AUDITORS:

Baker Tilly
1 Georges Square
Bath Street
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 2006

The directors present their report and accounts for the year ended 31 March 2006.

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 5. The directors do not propose the payment of a dividend.

The directors aim to reduce the impact of any risks to the company at all times. There are a number of uncontrollable risks which face the company and the Directors have worked throughout the year to limit these risks by widening the customer base, developing sound contacts with all customers, and managing the traditional weaker summer workload.

The performance of the company is monitored against the number of tenders won, the value of these contracts and the results from managing the weaker months. The Directors manage the overheads tightly and the improvement of utilisation of labour and vehicles have contributed to the process of strengthening and repositioning of the business during the year.

FUTURE DEVELOPMENTS

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

STATEMENT OF DIRECTORS AND THEIR INTERESTS

The present members of the Board are as listed on page 1. There were no changes during the year or since the year end.

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

The directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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.

Forest Traffic Signals Limited

DIRECTORS' REPORT *(continued)*

31 March 2006

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all of the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Date: 11 August 2006

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOREST TRAFFIC SIGNALS LIMITED

We have audited the financial statements on pages 5 to 12.

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 (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 are properly prepared in accordance with the Companies Act 1985, and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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.

Basis of 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 31 March 2006 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Baker Tilly

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

Date: 11 August 2006

Forest Traffic Signals Limited

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2006

	<i>Note</i>	2006 £	2005 £
TURNOVER	2	3,142,869	2,291,995
Cost of sales		(2,146,693)	(1,468,350)
GROSS PROFIT		<u>996,176</u>	<u>823,645</u>
Administrative expenses		(903,878)	(850,014)
Other operating income		1,280	1,237
OPERATING PROFIT/(LOSS)	3	<u>93,578</u>	<u>(25,132)</u>
Interest receivable and similar income		1	2
Interest payable and similar charges	5	(4,710)	(8,385)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>88,869</u>	<u>(33,515)</u>
Taxation on profit/(loss) on ordinary activities	6	(1,289)	(3,334)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	15	<u><u>87,580</u></u>	<u><u>(36,849)</u></u>

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

All activities are classed as continuing.

Forest Traffic Signals Limited

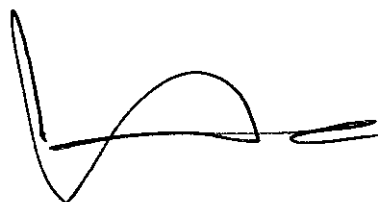
BALANCE SHEET

As at 31 March 2006

	<i>Note</i>	2006 £	2005 £
FIXED ASSETS			
Tangible assets	7	609,223	554,099
CURRENT ASSETS			
Stocks	8	151,428	78,697
Debtors	9	1,221,234	975,713
Cash at bank and in hand		84,440	89,259
		1,457,102	1,143,669
CREDITORS: amounts falling due within one year	10	(1,656,804)	(1,385,686)
NET CURRENT LIABILITIES		(199,702)	(242,017)
TOTAL ASSETS LESS CURRENT LIABILITIES		409,521	312,082
CREDITORS: amounts falling due after more than one year	11	(30,852)	(22,282)
PROVISIONS FOR LIABILITIES AND CHARGES	13	(4,623)	(3,334)
		374,046	286,466
CAPITAL AND RESERVES			
Called up share capital	14	688	688
Profit and loss account	15	373,358	285,778
		374,046	286,466

These financial statements were approved by the board and authorised for issue on 11 August 2006 and signed on its behalf by:

Director



Forest Traffic Signals Limited

NOTES TO THE ACCOUNTS

For the year ended 31 March 2006

I 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:

Leasehold property	Over the lease term
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 *(continued)*

For the year ended 31 March 2006

2 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, wholly undertaken in the United Kingdom.

3 OPERATING PROFIT/(LOSS)

	2006 £	2005 £
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Operating profit/(loss) is stated after charging:

Depreciation of owned fixed assets	144,366	159,077
Depreciation of assets held under finance leases	90,387	60,173
Loss on disposal of fixed assets	4,823	200
Operating lease rentals - land and buildings	42,845	63,718
Operating lease rentals - other	98,860	74,910
Auditors' remuneration - as auditors	10,008	9,304
- Other Services	5,340	1,250

4 STAFF COSTS

	2006 £	2005 £
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Wages and salaries	1,367,383	952,912
Social security costs	143,072	102,382
Other pension costs	6,277	11,172
	<u>1,516,732</u>	<u>1,066,466</u>

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

	2006 No.	2005 No.
Management	2	2
Administration	6	5
Production	47	36
	<u>55</u>	<u>43</u>

	2006 £	2005 £
DIRECTORS' REMUNERATION		
Salaries and fees	100,034	102,756
Contributions to defined contribution pension scheme	2,700	2,760
	<u>102,734</u>	<u>105,516</u>

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £	2005 £
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Bank interest	-	1,309
Finance lease interest	4,710	7,076
	<u>4,710</u>	<u>8,385</u>

Forest Traffic Signals Limited

NOTES TO THE ACCOUNTS *(continued)*

For the year ended 31 March 2006

6	TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	2006 £	2005 £
	The tax charge for the year comprises:		
	Corporation tax on profit/(loss) for the year	-	-
	Movement in deferred tax (note 13)	1,289	3,334
		<u>1,289</u>	<u>3,334</u>

The tax rate for the year is different to the standard rate of corporation tax in the UK. A reconciliation of the differences is given below:

Profit/(loss) before taxation	88,869	(33,515)
Tax at standard rate of tax of 19%	16,885	(6,368)
Disallowed expenses	3,006	1,925
Accelerated capital allowances	(652)	446
Utilisation of tax losses	(18,090)	(949)
Other	(1,149)	4,946
Current year charge for taxation	<u>-</u>	<u>-</u>

7	TANGIBLE FIXED ASSETS				
		Leasehold property £	Office and computer equipment £	Plant and machinery £	Total £
	COST				
	At 1 April 2005	-	110,280	1,322,084	1,432,364
	Additions	11,739	11,901	271,060	294,700
	Disposals	-	-	(10,161)	(10,161)
	At 31 March 2006	<u>11,739</u>	<u>122,181</u>	<u>1,582,983</u>	<u>1,716,903</u>
	DEPRECIATION				
	At 1 April 2005	-	59,192	819,073	878,265
	Charge for the year	643	31,481	202,629	234,753
	Disposals	-	-	(5,338)	(5,338)
	At 31 March 2006	<u>643</u>	<u>90,673</u>	<u>1,016,364</u>	<u>1,107,680</u>
	NET BOOK VALUE				
	At 31 March 2006	<u>11,096</u>	<u>31,508</u>	<u>566,619</u>	<u>609,223</u>
	At 31 March 2005	<u>-</u>	<u>51,088</u>	<u>503,011</u>	<u>554,099</u>

The net book value of assets included in plant and machinery above held under finance leases was £122,276.

Forest Traffic Signals Limited

NOTES TO THE ACCOUNTS *(continued)*

For the year ended 31 March 2006

8	STOCKS	2006 £	2005 £
	Raw materials and consumables	151,428	78,697

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

9	DEBTORS	2006 £	2005 £
	Trade debtors	880,459	712,407
	Amounts due from fellow subsidiary undertaking	285,147	232,538
	Prepayments	48,251	30,768
	Other debtors	7,377	-
		1,221,234	975,713

10	CREDITORS: amounts due within one year	2006 £	2005 £
	Trade creditors	501,503	338,241
	Obligations under finance lease contracts	32,095	12,840
	Amounts owed to parent undertaking	794,390	838,281
	Other taxation and social security costs	144,318	70,596
	Other creditors	90,000	92,764
	Accruals	94,498	32,964
		1,656,804	1,385,686

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.

11	CREDITORS: amounts falling due after more than one year	2006 £	2005 £
	Obligations under finance lease contracts	30,852	22,282

12	OBLIGATIONS UNDER FINANCE LEASE CONTRACTS	2006 £	2005 £
	Amounts payable:		
	Within one year	32,095	12,840
	Within two to five years	30,852	22,282
		62,947	35,122

Forest Traffic Signals Limited

NOTES TO THE ACCOUNTS (*continued*)

For the year ended 31 March 2006

13 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred
taxation
£

The movement in deferred taxation is as follows:

At 1 April 2005	3,334
Provided in the year (note 6)	1,289
At 31 March 2006	<u>4,623</u>

The deferred tax liability arises on:

	2006 £	2005 £
Accelerated Capital allowances	8,239	7,427
Other timing differences	(3,616)	(4,093)
	<u>4,623</u>	<u>3,334</u>

14 SHARE CAPITAL

Authorised:

700 Ordinary shares of £1 each	2006 £ 700	2005 £ 700
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Allotted, called up and fully paid:
688 Ordinary shares of £1 each

	2006 £ 688	2005 £ 688
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15 RECONCILIATION OF SHAREHOLDER'S FUNDS AND MOVEMENT ON RESERVES

	Share capital £	Profit and loss account £	Total £
At 1 April 2004	688	322,627	323,315
Loss for the year	-	(36,849)	(36,849)
At 31 March 2005	<u>688</u>	<u>285,778</u>	<u>286,466</u>
Profit for the year	-	87,580	87,580
At 31 March 2006	<u>688</u>	<u>373,358</u>	<u>374,046</u>

Forest Traffic Signals Limited

NOTES TO THE ACCOUNTS (*continued*)

For the year ended 31 March 2006

16 OTHER FINANCIAL COMMITMENTS

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

	2006 £	2005 £
Those expiring in less than one year:		
Land and buildings	42,069	43,000
Other	112,848	58,104
	<u>154,917</u>	<u>101,104</u>
Those expiring in two to five years:		
Land and buildings	120,000	-
Other	177,452	18,086
	<u>297,452</u>	<u>18,086</u>

17 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.

18 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company is a wholly owned subsidiary of Transport Systems plc, the immediate and ultimate parent undertaking. Copies of the financial statements of that company are available from Transport Systems Plc, Forest House, Broad Quay Road, Felnex Industrial Estate, Newport, Gwent, NP19 4PN.

19 CONTINGENT LIABILITIES

Details concerning the company's inclusion in a cross guarantee with National Westminster Bank plc are disclosed in Note 10.

Forest Traffic Signals Limited

MANAGEMENT INFORMATION

For the year ended 31 March 2006

The following pages do not form part of the statutory financial statements.

Forest Traffic Signals Limited
TRADING AND PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2006

	2006	2005
£	£	£
SALES	3,142,869	2,291,995
COST OF SALES		
Direct labour costs		
- wages and salaries	992,925	684,512
- employers National Insurance	98,496	66,518
Motor costs	525,682	310,189
Subcontract	176,275	74,910
Telephone	13,808	7,763
Purchases	136,878	133,621
Depreciation of plant	202,629	190,837
	<u>(2,146,693)</u>	<u>(1,468,350)</u>
GROSS PROFIT	<u>996,176</u>	<u>823,645</u>
ADMINISTRATIVE EXPENSES (per schedule)	(903,878)	(850,014)
Other operating income	1,280	1,237
OPERATING PROFIT/(LOSS)	<u><u>93,578</u></u>	<u><u>(25,132)</u></u>

Forest Traffic Signals Limited

ADMINISTRATIVE EXPENSES

For the year ended 31 March 2006

	2006 £	2005 £
ADMINISTRATIVE EXPENSES		
EMPLOYEE COSTS:		
Wages and salaries	374,458	268,400
Pensions	6,277	11,172
Employer's National Insurance	44,576	35,864
Staff training and welfare	18,985	16,552
Motor expense	57,022	23,966
Entertaining	18,310	8,054
Recruitment costs	12,591	4,271
Inter-group recharge	(269,455)	-
	<u>262,764</u>	<u>368,279</u>
PREMISES COSTS:		
Rent	77,543	63,718
Rates	12,755	11,331
Light and heat	6,365	3,333
Cleaning	10,317	5,866
Inter-group recharge	(81,888)	-
	<u>25,092</u>	<u>84,248</u>
GENERAL ADMINISTRATIVE EXPENSES:		
Telephone and fax	18,335	16,248
Printing, postage and stationery	37,383	26,670
Repairs and maintenance	38,589	17,845
Depreciation	32,124	28,413
Sundry expenses	369,014	10,406
Bad debts	21,880	38,000
Management charge payable	174,161	173,111
Computer costs	2,737	9,506
Loss on disposal	4,823	200
Inter-group recharge	(149,658)	-
	<u>549,388</u>	<u>320,399</u>
LEGAL AND PROFESSIONAL COSTS:		
Audit fees	15,348	10,554
Legal fees	10	8,929
Health and safety	-	16,018
Insurance	32,767	29,162
Bank charges	3,192	3,216
Advertising	-	5,378
Consultancy fees	15,317	3,831
	<u>66,634</u>	<u>77,088</u>
	<u>903,878</u>	<u>850,014</u>