

Forest Traffic Signals Limited

REPORT AND ACCOUNTS

31 March 2004



Registered Number 1664145

Forest Traffic Signals Limited

COMPANY INFORMATION

DIRECTORS:

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

COMPANY SECRETARY:

R-M Sexton

COMPANY NUMBER:

1664145

REGISTERED OFFICE:

Albany Street
Newport
Gwent
NP20 5NJ

INDEPENDENT AUDITORS:

Baker Tilly
2 Bloomsbury Street
London
WC1B 3ST

BANKERS:

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

SOLICITORS:

Edwards Geldard
Dumfries House
Dumfries Place
Cardiff
CF10 3ZF

Forest Traffic Signals Limited

DIRECTORS' REPORT

31 March 2004

The directors present their report and accounts for the year ended 31 March 2004.

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 profit for the year after taxation amounted to £159,448 (2003: loss of £5,824). A dividend of £90,000 is proposed (2003: £Nil), leaving £69,448 to be added to (2003: £5,824 to be deducted from) retained profits.

FUTURE DEVELOPMENTS

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

FIXED ASSETS

Movements in fixed assets are disclosed in note 5 to the financial statements.

DIRECTORS AND DIRECTORS' INTERESTS

The directors of the company and their interests in the share capital of the company at the balance sheet date were as follows:

	£1 ordinary shares	
	2004	2003
K J Allen	-	-
I P Martin	-	-
C C Powell	-	-
A R Williams	-	-

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.

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



R-M Sexton
Secretary

3 June 2004

Registered office:

Albany Street
Newport
Gwent
NP20 5NJ

Forest Traffic Signals Limited

DIRECTORS' RESPONSIBILITIES

31 March 2004

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.

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

We have audited the financial statements on pages 4 to 10.

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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BAKER TILLY
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

3 June 2004

Forest Traffic Signals Limited

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2004

	<i>Note</i>	2004 £	2003 £
TURNOVER		1,670,047	1,236,815
Cost of sales		(235,731)	(226,802)
GROSS PROFIT		<u>1,434,316</u>	<u>1,010,013</u>
Administrative expenses		(1,255,130)	(993,820)
OPERATING PROFIT	<i>1</i>	<u>179,186</u>	<u>16,193</u>
Interest receivable and similar income		14	-
Interest payable and similar charges	<i>3</i>	(19,752)	(22,017)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>159,448</u>	<u>(5,824)</u>
Taxation on profit on ordinary activities	<i>4</i>	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>159,448</u>	<u>(5,824)</u>
Dividend proposed - £130.81 per ordinary share		(90,000)	-
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR	<i>12</i>	<u>69,448</u>	<u>(5,824)</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 2004

	Note	£	2004 £	£	2003 £
FIXED ASSETS					
Tangible assets	5		545,871		442,133
CURRENT ASSETS					
Stocks	6	39,228		3,000	
Debtors	7	743,198		366,699	
Cash at bank and in hand		273		68,587	
			<u>782,699</u>	<u>438,286</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	(1,005,255)		(603,673)	
NET CURRENT LIABILITIES			<u>(222,556)</u>	<u>(165,387)</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>323,315</u>	<u>276,746</u>	
CREDITORS: amounts falling due after more than one year	9		-	(22,879)	
			<u>323,315</u>	<u>253,867</u>	
CAPITAL AND RESERVES					
Called up share capital	11		688		688
Profit and loss account	12		322,627		253,179
			<u>323,315</u>	<u>253,867</u>	

These financial statements were approved by the board on 3 June 2004 and signed on its behalf by:


C C Powell
Director

Forest Traffic Signals Limited

ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The accounts 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.

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	33% per annum
Plant and machinery	14% - 50% per annum

STOCKS

Stock is valued at the lower of cost and net realisable value.

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.

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.

PENSION COSTS

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the Profit and Loss Account.

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 2004

1	OPERATING PROFIT	2004 £	2003 £
	Operating profit is stated after charging:		
	Depreciation of owned fixed assets	128,719	93,370
	Depreciation of assets held under finance leases	60,173	64,983
	Profit on disposal of fixed assets	(2,970)	(908)
	Operating lease rentals - land and buildings	40,000	40,000
	Operating lease rentals - other	68,904	96,496
	Auditors' remuneration	3,700	2,500
		<u>711,660</u>	<u>471,664</u>
2	STAFF COSTS	2004 £	2003 £
	Wages and salaries	647,141	426,519
	Social security costs	64,034	38,940
	Other pension costs	485	6,205
		<u>711,660</u>	<u>471,664</u>
	The monthly average number of employees during the year was as follows:	2004 Number	2003 Number
	Administration	4	6
	Production	28	14
		<u>32</u>	<u>20</u>
	DIRECTORS' REMUNERATION		
	Salaries and fees	115,400	91,339
	Contributions to defined contribution pension scheme	2,250	2,000
		<u>117,650</u>	<u>93,339</u>
	One director was accruing benefits under a defined contribution pension scheme (2003: one).		
3	INTEREST PAYABLE AND SIMILAR CHARGES	2004 £	2003 £
	Hire purchase obligations	19,752	22,017
		<u>19,752</u>	<u>22,017</u>

Forest Traffic Signals Limited

NOTES TO THE ACCOUNTS

For the year ended 31 March 2004

4	TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	2004 £	2003 £
	TAX RECONCILIATION		
	Profit/(loss) before taxation	159,448	(5,824)
	Tax at 19% (2002: 20%)	30,295	(1,165)
	Disallowed expenses	(23,010)	26,948
	Capital allowances in excess of depreciation	(8,336)	(7,820)
	Group relief	(7,522)	(18,439)
	Addition to tax losses	27,573	476
	Utilisation of unrealised ACT	(19,000)	-
	Current year charge	-	-

5	TANGIBLE FIXED ASSETS	Office and computer equipment £	Plant and machinery £	Total £
	COST			
	At 1 April 2003	27,284	886,961	914,245
	Additions	70,664	225,436	296,100
	Disposals	-	(5,459)	(5,459)
	At 31 March 2004	97,948	1,106,938	1,204,886
	DEPRECIATION			
	At 1 April 2003	22,260	449,852	472,112
	Charge for the year	8,519	180,373	188,892
	Disposals	-	(1,989)	(1,989)
	At 31 March 2004	30,779	628,236	659,015
	NET BOOK VALUE			
	At 31 March 2004	67,169	478,702	545,871
	At 31 March 2003	5,024	437,109	442,133

	2004 £	2003 £
Net book value of plant and machinery included above held under finance leases	182,125	242,298

6	STOCKS	2004 £	2003 £
	Raw materials and consumables	39,228	3,000

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

Forest Traffic Signals Limited

NOTES TO THE ACCOUNTS

For the year ended 31 March 2004

7	DEBTORS	2004 £	2003 £
	Trade debtors	451,887	324,448
	Other debtors	13,836	-
	Amounts due from group undertakings	226,746	-
	Prepayments	50,729	42,251
		<u>743,198</u>	<u>366,699</u>

8	CREDITORS: amounts due within one year	2004 £	2003 £
	Bank overdraft	45,098	-
	Trade creditors	191,017	130,328
	Amounts owed to parent undertaking	587,551	343,295
	Other taxation and social security costs	54,736	30,653
	Obligations under finance lease contracts	23,218	80,514
	Accruals	11,996	7,309
	Other creditors	1,639	11,574
	Proposed dividend	90,000	-
		<u>1,005,255</u>	<u>603,673</u>

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.

9	CREDITORS: amounts falling due after more than one year	2004 £	2003 £
	Obligations under finance lease contracts	-	22,879

10	OBLIGATIONS UNDER FINANCE LEASE CONTRACTS	2004 £	2003 £
	Amounts payable:		
	Within one year	23,218	80,514
	Within two to five years	-	22,879
		<u>23,218</u>	<u>103,393</u>

11	SHARE CAPITAL	2004 £	2003 £
	Authorised:		
	Ordinary shares of £1 each	700	700

	2004 Number	2003 Number	2004 £	2003 £
Allotted, called up and fully paid:				
Ordinary shares of £1 each	688	688	688	688

Forest Traffic Signals Limited

NOTES TO THE ACCOUNTS

For the year ended 31 March 2004

12	PROFIT AND LOSS ACCOUNT	2004 £	2003 £
	At 1 April 2003	253,179	259,003
	Retained profit/(loss) for the year	69,448	(5,824)
		<hr/>	<hr/>
	At 31 March 2004	322,627	253,179
		<hr/>	<hr/>

13 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

There were no movements during the year other than the retained profit/(loss) as shown in note 12.

14	OTHER FINANCIAL COMMITMENTS	2004 £	2003 £
	<i>The company has annual commitments under non-cancellable operating leases as follows:</i>		
	Those expiring in less than one year:		
	Land and buildings	45,200	-
	Other	62,662	88,239
		<hr/>	<hr/>
		107,862	88,239
		<hr/>	<hr/>
	Those expiring in two to five years:		
	Land and buildings	-	40,000
	Other	45,658	107,065
		<hr/>	<hr/>
		45,658	147,065
		<hr/>	<hr/>

15 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.

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.

Forest Traffic Signals Limited
TRADING AND PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2004

	2004	2003
£	£	£
SALES	1,670,047	1,236,815
COST OF SALES		
Purchases	57,981	76,379
Depreciation of plant	180,720	151,331
Profit on disposal	(2,970)	(908)
	<u>(235,731)</u>	<u>(226,802)</u>
GROSS PROFIT	<u>1,434,316</u>	<u>1,010,013</u>
ADMINISTRATIVE EXPENSES (per schedule)	(1,110,007)	(993,820)
OPERATING PROFIT	<u><u>324,309</u></u>	<u><u>16,193</u></u>

Forest Traffic Signals Limited

ADMINISTRATIVE EXPENSES

For the year ended 31 March 2004

	2004 £	2003 £
ADMINISTRATIVE EXPENSES		
EMPLOYEE COSTS:		
Wages and salaries	653,742	422,900
Pensions	485	6,205
Employer's National Insurance	64,034	38,940
Staff training and welfare	2,313	1,502
Motor expense	298,674	184,040
Entertaining	2,634	4,717
Recruitment costs	2,430	-
	<u>1,024,312</u>	<u>658,304</u>
PREMISES COSTS:		
Rent	41,039	39,892
Rates	9,612	6,840
Light and heat	4,469	4,792
Cleaning	5,568	3,712
	<u>60,688</u>	<u>55,236</u>
GENERAL ADMINISTRATIVE EXPENSES:		
Telephone and fax	22,991	20,058
Printing, postage and stationery	20,381	14,242
Repairs and maintenance	23,418	9,775
Depreciation	8,172	7,022
Hire of equipment	527	12,783
Sundry expenses	7,855	11,311
Bad debts	-	14,027
Provision against intercompany debtor	(130,024)	130,024
Management charge payable	145,123	12,500
Computer costs	11,303	-
	<u>109,476</u>	<u>231,742</u>
LEGAL AND PROFESSIONAL COSTS:		
Audit fees	3,700	2,500
Legal fees	1,745	-
Health and safety	18,392	9,243
Insurance	25,298	28,695
Bank charges	3,076	2,883
Advertising	1,139	5,125
Debt collection	-	92
Consultancy fees	7,034	-
	<u>60,384</u>	<u>48,538</u>
	<u>1,255,130</u>	<u>993,820</u>