Company	Transport Systems PLC
TIDM	TSY
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Transport Systems Plc ("Transport Systems" or the "Company")

Preliminary results for the year ending 31 March 2006

The Group has recorded a pre-tax loss of £38,380 after goodwill amortisation of £83,100 compared with 2005 pre-tax profit of £20,668. Therefore, a pre-tax profit before goodwill amortisation for the full year of £44,720 (2005: £103,768) is in line with revised expectations.

As was reported at the interim stage, the first half of the year was disappointing and this led us to reduce our expectations for the full year. During the first half there were significant differences between the results achieved by individual operations. Sales growth was slow at our recently opened Southampton depot; with the result that achieving profitability in this region took longer than expected. Start-up losses at Southampton, which trades under the Forest Traffic banner, were £120,043 during the first half. In addition, trading at Forest Highways was below expectations. However, during the same period the established Forest Traffic depots at Newport and Bristol traded strongly with both margin and revenue being significantly ahead of expectations.

The second half of the year saw an improvement in results. At Southampton, tender levels increased markedly leading to increased sales and a profitable second half, although the outcome for the full year was a loss.

At Forest Highways trading remained depressed throughout the third quarter, largely due to delays in the start date of a long term contract. Trading improved significantly in the fourth quarter but this was insufficient to offset the losses incurred in previous periods. In this period several contracts were undertaken by the company which required a significant input from a specialist supplier. Forest Highways makes only a small margin on sub-contracted work and this has tended to increase revenue in the period with only a limited benefit to margin. Underlying pricing has been maintained by the company.

Results

The Group profit was £44,720 (before goodwill amortisation of £83,100) for the full year ending 31st March 2006. This compares with a profit of £103,768 (before goodwill amortisation of £83,100) for 2005. Turnover for the period was £4.76m (2005: £3.98m) an increase of 19% compared to last year. The Group ended the period with cash in hand of £511,711 (2005: £452,735), and Net Funds of £297,051 (2005: £207,056).

The Company intends to pay a final dividend of 0.27p per share (2005: 0.25p) reflecting the Board's continued confidence in the future.

Current Trading and Prospects

The new financial year has begun well with the Group trading at a level above expectations. The forward order book is substantial and we have successfully won an encouraging level of work for the key summer period.

As reported previously, actions have been taken to reposition the Forest Highways business and we have targeted large-scale, extended duration Framework contracts. We have achieved an early success in winning an additional Framework contract, improving our continuity of work and giving extended forward visibility. Our efforts continue, with a key objective being improving the quality of earnings while maintaining the revenue stream.

In October 2005 we relocated our Southampton depot to larger premises at Winchester. This was necessary to facilitate further expansion of the business. In April 2006 we introduced temporary traffic signals to the product range offered at Winchester and the initial growth in sales is in line with our expectations. We will continue to invest at this depot, strengthening the customer base and broadening the product range offered to mirror other Forest Traffic depots. We expect Winchester to contribute to profits in the current financial year and increasingly in future years.

Our established Forest Traffic depots at Newport and Bristol continue to trade strongly. Revenue continues to grow and margin to be maintained.

The Board believes that the most effective method of providing value to shareholders is organic growth. It remains our intention to open further Forest Traffic depots. This will provide additional growth opportunities and will give the Group an increasingly robust revenue stream; improving earnings and allowing management the opportunity to focus on the longer term development of the business.

As part of the process of strengthening and repositioning the business, the Board believes that it would be beneficial to re-brand the Group. It is proposed that the name of Transport Systems plc should be changed to Forest Support Services Plc and shareholders will be asked to vote for a resolution at the Annual General Meeting. It is also the intention of the Board to merge operations of the subsidiaries Forest Traffic Signals Ltd and Forest Highways Ltd into a new business called Forest Traffic Services Ltd.

Conclusion

While the performance of the Group has not met expectations it is clear that a number of key improvements have been made. The Group begins the new financial year with a healthy forward order book, the expectation of a satisfactory, profitable conclusion to the current year and significant future growth opportunities.

	Note	**2006** **£**	**2005** **£**
Turnover		4,758,284	3,980,648
Cost of sales		(3,407,302)	(2,599,638)
Gross profit		1,350,982	1,381,010
Administrative expenses		(1,379,493)	(1,347,852)
Operating (loss) / profit		(28,511)	33,158
Interest receivable		9,143	7,741
Interest payable and similar charges		(19,012)	(20,231)
(Loss) / profit on ordinary activities before taxation		(38,380)	20,668
Tax charge on (loss) / profit on ordinary activities	*2*	(1,611)	(2,844)
(Loss)/profit on ordinary activities after taxation		(39,991)	17,824
Earnings per share:	*3*		
Basic		(0.2)p	0.1p
Basic excluding goodwill amortisation		0.2p	0.5p
Diluted		(0.2)p	0.1p

	2006		2005	
	Group £	Company £	Group Restated £	Company Restated £
Fixed assets				
Intangible assets	1,041,783	-	1,124,883	-
Tangible assets	728,561	-	662,247	-
Investment in subsidiary companies	-	1,586,892	-	1,586,892
	1,770,344	1,586,892	1,787,130	1,586,892
Current assets				
Stock - consumables	187,145	-	92,219	-
Debtors	1,154,402	955,596	1,047,291	1,103,093
Cash at bank and in hand	511,711	419,630	452,735	282,735
	1,853,258	1,375,226	1,592,245	1,385,828
Creditors: amounts falling due within one year	(1,120,971)	(66,460)	(759,716)	(77,110)
Net current assets	732,287	1,308,766	832,529	1,308,718
Total assets less current liabilities	2,502,631	2,895,658	2,619,659	2,895,610
Creditors: amounts falling due after more than one year	(125,087)	(94,235)	(172,733)	(150,106)
Provisions for liabilities and charges	-	-	-	-
	2,377,544	2,801,423	2,446,926	2,745,504
Capital and reserves				
Called up share capital	935,350	935,350	935,350	935,350
Share premium account	1,513,530	1,513,530	1,496,153	1,496,153
Profit and loss account	(71,736)	352,543	15,423	314,001
	2,377,544	2,801,423	2,446,926	2,745,504

	2006	2005
	£	£
Net cash inflow from operating activities	518,904	453,880
Returns on investment and servicing of finance		
Bank interest received	9,143	7,741
Bank interest paid	(13,587)	(11,880)
Interest element of finance lease payments	(5,425)	(8,351)
Net cash outflow from returns on investments and servicing of finance	(9,869)	(12,490)
Capital expenditure		
Purchase of tangible fixed assets	(274,813)	(271,591)
Sale of tangible fixed assets	9,646	7,700
Net cash outflow from capital expenditure	(265,167)	(263,891)
Equity dividends paid	(46,768)	(46,455)
Management of liquid finances		
Increase in short term deposits	(185,000)	(70,000)
Net cash inflow before financing	12,100	61,044
Financing		
Bank loans drawn in the year	-	156,601
Bank loans repaid during year	(55,408)	(40,664)
Share issue costs recovered	17,377	-
Capital element of finance lease payments	(100,093)	(33,598)
Net cash (outflow)/inflow from financing	(138,124)	82,339
(Decrease)/increase in cash	(126,024)	143,383

NOTES

1 The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

2 The Group has no liability to UK corporation tax due to the availability of brought forward tax losses. The movement in the year relates to deferred taxation.

3 Basic (loss)/earnings per share is based on the (loss)/profit for the year attributable to shareholders and on the weighted average number of shares in issue during the year. The number of shares used for calculating basic (loss)/earnings per share was 18,706,961 (2005 – 18,706,961). The number of shares used for calculating diluted (loss)/earnings per share, taking into account share option schemes, was 21,556,961 (2005 – 21,556,961).

Basic earnings per share excluding the effect of goodwill has been disclosed in order that the effect of goodwill amortisation on reported (loss)/earnings can be fully appreciated.

4 The financial information on the Group set out above does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. Information relating to the year ended 31 March 2005 is derived from the statutory accounts for that year, which have been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. The statutory accounts for the year ended 31 March 2006 will be delivered to the Registrar of Companies following the Company Annual General Meeting.

5 Copies of the 2006 Report and Accounts will be posted to shareholders shortly. Copies will also be sent to the AIM team and will be available from the Company's registered office at Forest House, Broad Quay Road, Felnex Industrial Estate, Newport, Gwent. NP19 4PN.

6 The directors recommend the payment of a dividend of 0.27p per share (2005 – 0.25p).

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