

25 September 2009

Forest Support Services Plc (“the Group” or the “Company”)

Preliminary results for the year ended 31 March 2009

I am pleased to report that the Group achieved an increased profit before tax of £215,166. This was achieved on a similar turnover of £6.8 million. Margins were improved as a result of better utilisation of resources and effective cost control.

These results reflect the efforts undertaken in previous periods to position the Group in more resilient market segments.

Our Newport depot has maintained its strong position within the Welsh market and I am particularly pleased to report that efforts to develop Bristol and Winchester have achieved some success, bringing greater regional diversity to the business.

Results

The Group has recorded a profit of £215,166 (2008: £131,788) before taxation and goodwill impairment. The earnings per share, on the weighted average number of shares in issue during the year, was 0.80p (2008: (2.17p)).

Turnover for the period decreased by 0.9% to £6,752,949. The Group increased cash at the period end to £580,961 (2008: £546,037) having reduced its level of borrowing by £221,000 to £553,000.

Your Board is recommending a maintained cash dividend of 0.38p. The dividend will be paid on the 12th January 2010 to shareholders on the register at close of business on the 18th December 2009. The shares are expected to go ex dividend on the 16th December 2009.

Current Trading and Future Prospects

The Group serves the infrastructure market through a broad range of customers. Requirements for its services are ultimately derived from expenditure by Central Government, Utility Companies and Local Authorities for the maintenance of roads and utility services. Demand has been resilient notwithstanding the economic downturn. However, the Board remains vigilant to future changes in levels of spending on its services.

Trading has remained strong at all depots during the initial period of the new financial year. The Group's business has continued to develop with investment in the traffic light fleet and the relocation of the Bristol depot.

Conclusion

The Board continues to believe in a policy of organic growth. The Group is focused upon serving market segments that are resilient and stable and the actions taken in the current year will position the company to take advantage of future opportunities.

Lastly I thank my board colleagues and staff for their hard work and commitment during the year.

C C Powell
Chairman

Date: 23 September 2009

Consolidated Income Statement
For the period ended 31 March 2009

	<i>Note</i>	2009 £	2008 £
Revenue		6,752,949	6,811,353
Cost of sales		(4,626,808)	(4,803,699)
Gross profit		2,126,141	2,007,654
Administrative expenses		(1,875,686)	(1,841,673)
Goodwill impairment charge		-	(497,492)
Operating profit/(loss)		250,455	(331,511)
Finance costs		(43,342)	(48,894)
Finance income		8,053	14,701
Profit/(loss) before taxation		215,166	(365,704)
Taxation		(65,070)	(39,792)
Profit/(loss) for the year attributable to equity holders of the parent		150,096	(405,496)
Earnings/(loss) per share:	<i>4</i>		
Basic and diluted		0.80p	(2.17)p

There are no gains or losses other than those shown in the income statement and therefore all recognised income and expense is included therein.

All activities are classed as continuing.

Consolidated balance sheet
As at 31 March 2009

	<i>Note</i>	2009 £	2008 £
Non-current assets			
Goodwill		544,291	544,291
Property, plant and equipment		871,953	1,168,663
Deferred tax asset		86,516	81,815
		<hr/> 1,502,760	<hr/> 1,794,769
Current assets			
Trade and other receivables		1,773,505	1,695,165
Cash and cash equivalents		580,961	546,037
		<hr/> 2,354,466	<hr/> 2,241,202
Total assets		3,857,226	4,035,971
Current liabilities			
Trade and other payables		917,060	1,023,454
Current tax liabilities		69,771	-
Bank loan		89,212	136,090
Obligations under finance leases		110,180	76,915
		<hr/> 1,186,223	<hr/> 1,236,459
Non-current liabilities			
Bank loan		234,395	295,228
Obligations under finance leases		119,684	266,370
		<hr/> 354,079	<hr/> 561,598
Total liabilities		1,540,302	1,798,057
		<hr/> 2,316,924	<hr/> 2,237,914
Net assets			
Equity			
Share capital		935,350	935,350
Share Premium		1,513,530	1,513,530
Retained earnings		(131,956)	(210,966)
		<hr/> 2,316,924	<hr/> 2,237,914
Total Equity		2,316,924	2,237,914

These financial statements were approved by the board and authorised for issue on 23 September 2009 and signed on its behalf by:

C C Powell
Chairman

Consolidated cash flow statement
For the period ended 31 March 2009

	<i>Note</i>	2009 £	2008 £
Net cash generated from operating activities	<i>24</i>	494,393	527,892
Investing activities			
Interest received		8,053	14,701
Purchase of property, plant and equipment		(175,304)	(366,050)
Net cash used in investing activities		(167,251)	(351,349)
Financing activities			
Dividends paid		(71,086)	(67,345)
Repayment of borrowings		(107,711)	(137,680)
New bank loans raised		-	350,000
Repayment of obligations under hire purchase contracts		(113,421)	(94,711)
Net cash (used in)/generated from financing activities		(292,218)	50,264
Net increase in cash and cash equivalents		34,924	226,807
Cash and cash equivalents at beginning of year		546,037	319,230
Cash and cash equivalents at end of year		580,961	546,037

Notes

1. General Information

Forest Support Services plc (“the company”) is a company domiciled in England and Wales whose registered office address is Forest House, Broad Quay Road, Felnax Industrial Estate, Newport, NP19 4PN. The consolidated financial statements of the group for the year ended 31 March 2009 comprise the company and its subsidiaries (together referred to as “the group”).

These consolidated financial statements are presented in Pounds Sterling because that is the currency of the primary economic environment in which the group operates.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not been adopted by the EU).

IFRS1 and IAS27 Amendment	Cost of an investment on first time adoption - effective 1 January 2009
Amendment to IFRS 2	“Share based payments”- vesting conditions and cancellations - effective 1 January 2009
Amendment to IFRS 3 and IAS 27	“Business Combinations” and “Consolidated and Separate Financial Statements” - effective 1 July 2009
IFRS 8	“Operating Segments”- effective 1 January 2009
Amendment to IAS 1	“Presentation of financial statements”- effective 1 January 2009
Amendment to IAS 23	“Borrowing Costs”- effective 1 January 2009
Amendment to IAS 32	“Financial Instruments Presentation” - effective 1 January 2009
Amendment to IAS 39	“Financial Instruments” - effective 1 July 2009
IFRIC 13	“Customer loyalty programmes”- effective 1 July 2008
IFRIC 15	“Agreements for the construction of real estate” - effective 1 January 2009
IFRIC 16	“Hedges of a net investment in a foreign operation” - effective 1 October 2008
IFRIC 17	“Distributions of non-cash assets to owners” - effective 1 July 2009
IFRIC 18	“Transfers of assets to customers” - effective 1 July 2009

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material effect on the financial statements of the group. In each case the effective date refers to accounting periods commencing on or after that date, except IFRIC 18 which applies to transactions after the effective date.

2. Critical Accounting Judgements and Areas of Estimation Uncertainty

In applying the company’s accounting policies in note 3, management has made accounting judgements in the determination of the carrying value of deferred tax assets, the impairment of goodwill and share-based payments. Due to inherent uncertainty involved in making assumptions and estimates, actual outcomes will differ from those assumptions and estimates. An analysis of the key sources of estimation uncertainty is provided below.

Deferred tax assets

The carrying value of certain deferred tax assets is dependent on sufficient taxable profits being generated in future periods.

Impairment of goodwill

The group tests annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the goodwill is determined from value in use calculations. The key assumptions and estimates for the value in use calculations are those regarding the discount rates, growth rates and expected changes to sales during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash-generating units. A post tax discount rate of 13.5 % was assumed for the purpose of the calculation.

The group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next year and extrapolates cash flows to perpetuity assuming growth in both revenues and profits of 2.5 % from that date. This rate does not exceed the average long-term growth rate for the relevant market.

An increase of 40.7% in the post tax discount rate or a decrease of 32.5% in the forecast profits would have resulted in an impairment in the value recognised for goodwill.

Share Based Payments

The group has made awards of options on its un-issued share capital to certain directors and employees as part of their remuneration package.

The valuation of these options involved making a number of critical estimates relating to price volatility, future dividend yields, expected life of the options and interest rates.

3. Significant Accounting Policies

Basis of accounting

The financial statements of Forest Support Services plc have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU applied in accordance with the provisions of the Companies Act 1985. These financial statements have been prepared on the historical cost basis. The principal accounting policies set out below have been consistently applied to all periods presented.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Forest Support Services plc and all entities controlled by the company (its subsidiaries). Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Revenue Recognition

Revenue represents the amounts, excluding VAT, receivable by the company for goods and services supplied to outside customers in the ordinary course of business. Revenue is recognised when persuasive evidence of an arrangement with a customer exists, products have been delivered or services have been rendered and collectability is reasonably assured.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for an impairment at least annually. Any impairment is recognised immediately in the income statement.

Goodwill arising on acquisitions before the transition to IFRS has been retained at its previous UK GAAP amount subject to being tested for impairment at date of transition.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash generating units expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost of tangible fixed assets over their expected useful lives at the following rates:-

Property – Over the term of the lease
Plant and equipment – Two to eight years

Share based payments

The group issues equity-settled share based payments to certain employees. Equity-settled share based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the date of grant is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural conditions.

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 profits on a straight line basis over the period of the lease.

Retirement benefit costs

The Group operates a defined contribution scheme for the benefit of certain of its employees. Contributions payable are charged as an expense as they fall due.

Trade receivables

Trade receivables are measured at initial recognition at cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

Financial Instruments

Qualitative and quantitative information about exposure to risks arising from financial instruments are set out in the disclosure notes in accordance with IFRS 7, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

Taxation

The tax expense represents the sum of tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

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 between the group'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.

A deferred tax asset is recognised where recovery is more likely than not.

4. Earnings per share

	2009 £	2008 £
Earnings	150,096	(405,496)

Basic earnings per share is based on the 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 earnings per share was 18,706,961 (2008: 18,706,961). As the exercise price of the share options granted by the company exceeded the average market price of the shares during the current and prior periods, there is no dilutive impact on earnings per share in either period. There are 3,350,000 shares that could be issued under the terms of options as described in note 18, which could potentially reduce future earnings per share if exercised.

5. Note to the cash flow statement

	2009 £	2008 £
Cash generated from operations		
Operating profit/(loss) for the year	250,455	(331,511)
Goodwill impairment charge	-	497,492
Share based payment expense	-	7,985
Depreciation on property, plant and equipment	472,014	458,227
Operating cash flows before movements in working capital	722,469	632,193
(Increase)/decrease in receivables	(78,340)	63,501
Decrease in payables	(106,394)	(103,943)
Cash generated from operations	537,735	591,751
Interest paid	(43,342)	(48,894)
Tax paid	-	(14,965)
Net cash generated from operations	494,393	527,892

