

6 September 2007

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

Preliminary results for the year ending 31 March 2007

I am pleased to report a record Group profit of £279,581 before goodwill amortisation and taxation. This was achieved on a growth in turnover of 31%.

As was reported at the interim stage, the first half outcome resulted from better than expected trading at Forest Traffic Signals and Forest Highways and this trend has continued for the full year with both operating subsidiaries contributing strongly to profits.

Forest Traffic Signals achieved a record profit for the full year. In particular the depots at Newport and Bristol performed well with trading being lifted by success in bidding for additional contracts including its first Welsh Framework contract, for rural and minor roads. The Winchester depot performed below our expectations, quieter than anticipated trading in the Summer and Autumn eroding full year profitability.

A new range of services, branded “Forest Access and Security”, including site fencing and traffic barriers, was launched in January, with start-up costs having a negative impact upon profits for the year. This new service range was launched at the Newport depot and has been well received by customers.

Forest Highways boosted both revenue and margin during the second half, and made a strong contribution to Group profits for the full year, with an increasing proportion of the revenue coming from extended duration, large scale contracts, improving the visibility and certainty of workload. Actions to re-position the Forest Highways business continue, with the full year result offering a solid indication of progress.

Results

The Group earned a record pre-tax profit of £279,581 (before goodwill amortisation of £83,100). This compares with a profit of £44,720 (before goodwill amortisation of £83,100) for the equivalent period last year. Profit after net tax credit of £88,169 (before goodwill amortisation) was £367,750 giving rise to earnings on the weighted average number of shares in issue during the year of 2.0p per share. The tax credit arises due to the recognition of a deferred tax asset for losses brought forward now considered to be recoverable against future taxable profits.

Turnover for the year was £6,230,000 (prior year: £4,760,000), an increase of 31%. The balance sheet continues to strengthen with the Group holding cash at the year end of £319,000.

Dividend

Your Board is recommending a cash dividend of 0.36p per share (prior year: 0.27p). This payment is an increase of 33% and is covered 4.2 times by earnings. The dividend will be paid on the 7 December 2007 to shareholders on the register at close of business on the 16 November 2007.

Business Strategy, Current Trading and Future Prospects

The Board believes that the principal, medium-term objectives of the Group should be to grow the business and to deepen the resilience of the earnings stream. The ongoing strategy to develop the Forest brand; launching new services, building on our strengths and regional position is being pursued. This is being done primarily via organic growth although this may have a detrimental effect on profits in the short term it has the potential to create long-term value.

The Forest Traffic Signals depots at Newport and Bristol began the financial year trading broadly in line with expectations. The launch of Forest Access and Security continues as planned at Newport. It is intended to offer this service range through all existing Forest Traffic Signals depots, providing significant opportunities for future growth. Forest Access and Security is not expected to make significant contribution to profits in the current financial year. The board is encouraged by the improvement in Winchester's trading which has started the year with improved performance.

Forest Highways began the new financial year trading at a reduced level compared to the equivalent period last year, with some delays in the start-dates of secured projects. Framework contracts won in the previous financial year are expected to firmly underpin revenue during this and future years. Due to the weaker start to the year the contribution from Forest Highways is expected to be less than last year.

Forest maintains a strong presence in Newport, South Wales and recent changes in the Welsh government, coinciding with new contractual arrangements, have caused delays in start dates. These short term effects were anticipated and will not detract from the pursuit of the Group's longer term objectives.

Conclusion

The full year outcome provides firm evidence of the progress made in repositioning the Group. The Board believes that a continuation of the strategy of organic growth focused on broadening the revenue base of the business, offers the best method of delivering shareholder value.

I thank the employees and my boardroom colleagues for their continued efforts and hard work.

CC Powell
Non-executive Chairman
5 September 2007

Profit and Loss Account*For the period ended 31 March 2007*

	<i>Note</i>	2007	2006
		£	£
Turnover		6,233,853	4,758,284
Cost of sales		(4,273,078)	(3,407,302)
<hr/>			
Gross profit		1,960,775	1,350,982
Administrative expenses		(1,754,359)	(1,379,493)
<hr/>			
Operating profit / (loss)		206,416	(28,511)
Interest receivable		9,990	9,143
Interest payable and similar charges		(19,925)	(19,012)
<hr/>			
Profit / (loss) on ordinary activities before taxation		196,481	(38,380)
Tax on profit / (loss) on ordinary activities	2	88,169	(1,611)
<hr/>			
Profit / (loss) on ordinary activities after taxation		284,650	(39,991)
<hr/>			
Earnings/(loss) per share:	3		
Basic		1.5p	(0.2)p
Basic excluding goodwill amortisation		2.0p	0.2p
Diluted		1.5p	(0.2)p
<hr/>			

Balance Sheet*As at 31 March 2007*

	2007		2006	
	Group £	Company £	Group (Restated) £	Company £
Fixed assets				
Intangible assets	958,683	-	1,041,783	-
Tangible assets	1,027,842	-	915,706	-
Investment in subsidiary companies	-	1,586,892	-	1,586,892
	<hr/>	<hr/>	<hr/>	<hr/>
	1,986,525	1,586,892	1,957,489	1,586,892
Current assets				
Debtors	1,877,111	1,561,833	1,154,402	955,596
Cash at bank and in hand	319,230	189,179	511,711	419,630
	<hr/>	<hr/>	<hr/>	<hr/>
	2,196,341	1,751,012	1,666,113	1,375,226
Creditors: amounts falling due within one year	(1,374,546)	(230,449)	(1,120,971)	(66,460)
Net current assets	<hr/>	<hr/>	<hr/>	<hr/>
	821,795	1,520,563	545,142	1,308,766
Total assets less current liabilities	<hr/>	<hr/>	<hr/>	<hr/>
	2,808,320	3,107,455	2,502,631	2,895,658
Creditors: amounts falling due after more than one year	(188,650)	(66,658)	(125,087)	(94,235)
	<hr/>	<hr/>	<hr/>	<hr/>
	2,619,670	3,040,797	2,377,544	2,801,423
	<hr/>	<hr/>	<hr/>	<hr/>
Capital and reserves				
Called up share capital	935,350	935,350	935,350	935,350
Share premium account	1,513,530	1,513,530	1,513,530	1,513,530
Profit and loss account	170,790	591,917	(71,336)	352,543
	<hr/>	<hr/>	<hr/>	<hr/>
	2,619,670	3,040,797	2,377,544	2,801,423
	<hr/>	<hr/>	<hr/>	<hr/>

Cash Flow Statement

For the period ended 31 March 2007

	2007	2006
	£	(Restated) £
Net cash inflow from operating activities	251,186	699,800
Returns on investment and servicing of finance		
Bank interest received	9,990	9,143
Bank interest paid	(12,152)	(13,587)
Interest element of finance lease payments	(7,773)	(5,425)
Net cash outflow from returns on investments and servicing of finance	(9,935)	(9,869)
Capital expenditure		
Purchase of tangible fixed assets	(406,957)	(455,709)
Sale of tangible fixed assets	11,870	9,646
Net cash outflow from capital expenditure	(395,087)	(446,063)
Equity dividends paid	(50,509)	(46,768)
Management of liquid finances		
Decrease/(increase) in short term deposits	280,000	(185,000)
Net cash inflow before financing	75,655	12,100
Financing		
Bank loans advanced in the year	150,000	-
Bank loans repaid during year	(82,342)	(55,408)
Share issue costs recovered	-	17,377
Capital element of finance lease payments	(55,794)	(100,093)
Net cash inflow/(outflow) from financing	11,864	(138,124)
Increase/(decrease) in cash	87,519	(126,024)

NOTES

1 Accounting Policies

Accounting convention

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

Basis of consolidation

The accounts of the Group consolidate the accounts of the Company and its subsidiaries up to 31 March 2007.

Goodwill

Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the excess of the separable net assets acquired) is capitalised save to the extent that there is considered to be an impairment in value in which event the loss is charged to the profit and loss account. Amortisation is provided over 20 years on a straight line basis, the estimated useful life of the goodwill.

Turnover

Turnover represents amounts invoiced to customers for services rendered excluding VAT. Turnover relates to the group's principal activity and arises wholly in the UK.

Tangible fixed assets

Tangible fixed assets are stated at cost. Depreciation is provided at rates which are expected to write off the assets to their residual value over their expected economic lives. The principal rates used are as follows:

Motor vehicles	33% straight line
Plant and machinery	17% to 50% straight line
Office and computer equipment	33% straight line
Leasehold property	Over the term of the lease

Amounts previously included in stock have been re-designated as fixed assets as the nature of these assets is that they have a useful economic life of more than 12 months.

The directors have reviewed the useful economic life of certain items of plant and machinery. Those that were previously depreciated over 2 years are now written off over a period of 3 years which has led to a reduction in the depreciation charge for the year of £97,431. Those that were previously depreciated over 6 years are now written off over a period of 8 years which has led to a reduction in the depreciation charge for the year by £49,683. The new rates have been applied so as to write off the net book value of fixed assets at 31 March 2006 over the new remaining useful lives.

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 Group's taxable profits and its results as stated in the accounts that arise from the inclusion of gains and

losses in tax assessments in periods different from those in which they are recognised in the accounts.

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.

Deferred tax assets are recognised where recovery is more likely than not.

Pension scheme arrangements

Payments to defined contribution pension schemes are charged to the profit and loss account in the year in which they are made.

Lease commitments

Assets held under finance leases are capitalised in the balance sheet and depreciated over their estimated useful lives.

Interest on finance leases is charged to the profit and loss account over the period of the lease or contract.

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Share based payments

The fair value of employee services received in exchange for the grant of options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. This estimate is revised at each balance sheet date and the difference is charged or credited to the profit and loss account, with a corresponding adjustment to equity.

- 2 The Group has a liability to UK corporation tax of £18,129. The remaining balance of the movement in the year relates to deferred taxation.

Taxation	2007	2006
	£	£
The tax charge for the year comprises:		
Corporation tax on profit/(loss) for the year	18,129	-
Movement in deferred tax (see note 14)	(106,298)	(1,611)
	<hr/>	<hr/>
	(88,169)	(1,611)

Factors affecting the tax for the year

The tax assessed for the year differs from the profit/(loss) for the year at the small companies' corporation tax rate of 19% (2006 - 19%). The differences are explained below:

Profit/(loss) on ordinary activities before taxation	196,479	(38,380)
Profit/(loss) on ordinary activities multiplied by the small companies' rate of UK corporation tax of 19% (2006 : 19%)	37,331	(7,292)

Effects of:		
Disallowed expenses	9,585	5,693
Utilisation of tax losses	(43,016)	-
Capital allowances in excess of depreciation	(1,560)	1,229
Other timing differences	-	370
Goodwill amortisation not deductible	15,789	-
<hr/>		
Current year charge for taxation	18,129	-
<hr/>		
The movement in the deferred tax is made up as follows:		
Origination and reversal of timing differences	1,419	
Adjustment relating to estimated recoverable amounts of deferred tax assets -losses not previously recognised	(107,717)	
	(106,298)	

- 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 (2006 – 18,706,961).

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.

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.

- 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 2006 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 2007 will be delivered to the Registrar of Companies following the Company Annual General Meeting.
- 5 The preliminary announcement was approved by the Board and authorised by them for issue on 5 September 2007.
- 6 Copies of the 2007 Report and Accounts will be posted to shareholders shortly. Copies will be available from the Company's registered office at Forest House, Broad Quay Road, Felnax Industrial Estate, Newport, Gwent. NP19 4PN.
- 7 The directors recommend the payment of a dividend of 0.36p per share (2006 – 0.27p).

END