

Transport Systems Plc

Unaudited Interim Results

for the six months ended 30 September 2005

Chairman's Statement

The Group recorded a loss, before goodwill amortisation, of £120,034 for the first six months. Whilst overall performance was below original expectations, there were significant differences in the results produced by individual operations. Trading at the existing Forest Traffic depots in Newport and Bristol was strong. However, the overall Forest Traffic result was negatively affected by the slower than expected sales growth at the new depot in Southampton. This new venture took longer to reach profitability than was originally expected. The performance at Forest Highways was slightly below forecast with lower revenues due to a quiet summer and a gap between the finish and start of long term contracts.

Results

The Group loss was £120,034 (before goodwill amortisation of £41,550 for the six months to 30 September 2005). This compares with a loss of £49,978 (before goodwill amortisation of £41,550) for the equivalent period last year. Turnover for the period was £1.95m (2004: £1.66m) an increase of 17% compared to the equivalent period last year. The Group ended the period with cash of £428,009.

Current Trading and Future Prospects

Forest Traffic continues to trade in a very satisfactory manner. The depots at Newport and Bristol are experiencing high levels of activity which are expected to continue for the rest of the financial year. The new depot at Southampton has responded to management's corrective actions and, with increased sales activity, it is on course to contribute to profits in the second half. It remains the intention to open further depots in the coming years.

The Board is well aware of the volatility of the Forest Highways business and its exposure to the timing of major contracts which are outside its control. In the last three years the Forest Highways business has been underpinned by a large "framework" contract which was concluded in the early summer. Unfortunately the customer was not awarded the renewal of this contract and Forest Highways has been unsuccessful in obtaining equivalent work from the beneficiaries of the new contract. Forest Highways is therefore in a transitional period and the Board has taken steps to reposition the business on a more solid and less volatile foundation.

In November a significant long term contract was won. This project, together with other tender successes, has given Forest Highways a firm base level of work. The long term contract is not expected to generate significant revenues until early next calendar year.

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for the six months ended 30 September 2005

Chairman's Statement (continued)

Conclusion

The interim performance of the Group is unfortunately well below aspirations. Nonetheless, progress has been made in a number of areas. Management are addressing key issues to improve utilisation and better manage the short term fluctuations in workload that damage profitability. The renewed vigour of the sales effort has begun to show positive signs. Firm orders have been won which will provide a base workload for the Group over the next year. The new depot at Southampton has been established providing the opportunity for future earnings growth.

It is expected that the second half will reflect better the progress made and the underlying profitability of the Group.

The Board is looking hard at the longer term strategy of the Group and how best value can be established over the medium term. It does this from a position of financial strength, with a stable quality business and growth opportunities.

Christopher Powell
Chairman

28th November 2005

Unaudited Interim Results

Consolidated Profit and Loss Account

for the six months ended 30 September 2005

	Six months to 30 September 2005 £	Six months to 30 September 2004 £	Year to 31 March 2005 (Restated – see Note 1) £
TURNOVER	1,952,289	1,663,911	3,980,648
Cost of sales	(1,462,566)	(1,169,312)	(2,599,638)
GROSS PROFIT	489,723	494,599	1,381,010
Administrative expenses			
- amortisation of goodwill	(41,550)	(41,550)	(83,100)
- other	(605,038)	(536,735)	(1,264,752)
OPERATING (LOSS)/PROFIT	(156,865)	(83,686)	33,158
Interest receivable	5,717	3,210	7,741
Interest payable and similar charges	(10,436)	(11,050)	(20,231)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	(161,584)	(91,526)	20,668
Taxation on profit on ordinary activities	3	-	(2,844)
(LOSS)/PROFIT FOR THE PERIOD AFTER TAXATION	(161,584)	(91,526)	17,824
Dividend payable	(46,768)	(46,455)	(46,455)
(LOSS)/RETAINED PROFIT FOR THE FINANCIAL PERIOD	(208,352)	(137,981)	(28,631)
(LOSS)/EARNINGS PER SHARE	4		
Basic	(0.9p)	(0.5p)	0.1p
Basic excluding goodwill amortisation	(0.6p)	(0.3p)	0.5p
Fully diluted	(0.9p)	(0.5p)	0.1p

Transport Systems Plc

Unaudited Interim Results

Consolidated Balance Sheet

at 30 September 2005

	30 September 2005 £	30 September 2004 £	31 March 2005 (Restated – see Note 1) £
FIXED ASSETS			
Intangible assets	1,083,333	1,166,433	1,124,883
Tangible assets	577,543	594,485	662,247
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	1,660,876	1,760,918	1,787,130
CURRENT ASSETS			
Stock	105,410	75,404	92,219
Debtors	791,296	767,385	1,047,291
Cash at bank and in hand	428,009	346,774	452,735
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	1,324,715	1,189,563	1,592,245
CREDITORS: amounts falling due within one year	(604,544)	(416,253)	(759,716)
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NET CURRENT ASSETS	720,171	773,310	832,529
TOTAL ASSETS LESS CURRENT LIABILITIES	2,381,047	2,534,228	2,619,659
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CREDITORS: amounts falling due after more than one year	(125,096)	(175,652)	(172,733)
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	2,255,951	2,358,576	2,446,926
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CAPITAL AND RESERVES			
Called up share capital	935,350	929,100	935,350
Share premium account	1,513,530	1,523,403	1,496,153
Profit and loss account	(192,929)	(93,927)	15,423
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	2,255,951	2,358,576	2,446,926
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Unaudited Interim Results

Notes

for the six months ended 30 September 2005

	Six months to 30 September 2005 £	Six months to 30 September 2004 £	Year to 31 March 2005 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	115,134	120,418	453,880
RETURNS ON INVESTMENT AND SERVICING OF FINANCE	(4,719)	(7,840)	(12,490)
CAPITAL EXPENDITURE			
Purchase of tangible fixed assets	(88,568)	(79,542)	(271,591)
Sale of tangible fixed assets	-	407	7,700
Net cash outflow from capital expenditure	(88,568)	(79,135)	(263,891)
EQUITY DIVIDENDS PAID	-	(46,455)	(46,455)
MANAGEMENT OF LIQUID RESOURCES	(125,000)	25,000	(70,000)
Net cash inflow/(outflow) before financing	(103,153)	11,988	61,044
FINANCING			
New bank loans taken out during period	-	156,000	156,601
Bank loans repaid during period	(27,110)	(13,250)	(40,664)
VAT refund in relation to share issue costs previously written off to share premium account	17,377	-	-
Capital element of finance lease payments	(36,840)	(22,316)	(33,598)
Net cash inflow/(outflow) from financing	(46,573)	120,434	82,339
(DECREASE)/INCREASE IN CASH	(149,726)	132,422	143,383

	Six months to 30 September 2005 £	Six months to 30 September 2004 £	Year to 31 March 2005 £
RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES			
Operating (loss)/profit	(156,865)	(83,686)	33,158
Loss/(profit) on sale of fixed assets	-	8,186	(107)
Depreciation	173,272	157,094	322,600
Amortisation of goodwill	41,550	41,550	83,100
Increase in stocks	(13,191)	(31,562)	(48,377)
Decrease/(increase) in debtors	255,995	88,950	(214,800)
(Decrease)/increase in creditors	(185,627)	(60,114)	278,306
NET CASH INFLOW FROM OPERATING ACTIVITIES	115,134	120,418	453,880

Unaudited Interim Results

Notes

for the six months ended 30 September 2005

- 1 The interim financial statements comprise the unaudited results for the six months to 30 September 2005 and 30 September 2004 and for the year to 31 March 2005. The interim financial statements have been prepared on a consistent basis and using the accounting policies set out in the accounts for the year ended 31 March 2005 as amended to incorporate the adoption of FRS 21 'Events after the balance sheet date'. This represents a change in accounting policy. The comparative figures have been restated on a consistent basis.

The interim results are unaudited and do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

Statutory financial statements for the Group for the year to 31 March 2005, prepared on the basis of the accounting policies set out in those accounts, were reported on by the auditors without qualification or statement under section 237(2) or (3) of the Companies Act 1985 and have been delivered to the Registrar of Companies. Comparative information for the year ended 31 March 2005 shown in this report has been extracted from those accounts adjusted for the adoption of FRS 21.

- 2 The Group had no recognised gains or losses other than those shown in the consolidated profit and loss account.
- 3 The effective rate of tax is based on the estimated tax charge for the full year at a rate of 0% (2004 – 0%).
- 4 The basic (loss)/earnings per share is calculated on the weighted average number of shares in issue during each period. Fully diluted (loss)/earnings per share takes account of the dilutive effect of outstanding share options. Where the diluted earnings/(loss) per share calculation is based on a loss after taxation, share options in issue have been excluded from the weighted average number of ordinary shares used in the calculation of the basic loss per share. This is because the exercise of share options would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of FRS 22.
- 5 The interim report will be sent to all shareholders and the AIM team and will also be available from the Company's Registered Office: c/o Forest Traffic Signals, Albany Street, Newport, Gwent NP20 5NJ.