

Forest Support Services Plc

Unaudited Interim Results

for the six months ended 30 September 2006

Chairman's Statement

The Group achieved a profit of £39,879 before tax and goodwill amortisation for the six months ending 30 September 2006. This compares with a loss of £120,034 in the corresponding period last year.

The outcome of the first half is encouraging and gives the Group a firm foundation to achieve a satisfactory outcome to the full year. Underpinning this result has been a strong performance at Forest Traffic Signals and a much improved first half at Forest Highways.

Results

I am pleased to report that turnover for the period was £2.94m (2005: £1.95m) representing an increase of 50.6% over the equivalent period last year. The Group profit was £39,879 (before goodwill amortisation of £41,550) for the six months ending 30th September 2006. This compares with a loss of £120,034 (before goodwill amortisation of £41,550) for the equivalent period last year.

As in previous years, the Group will not pay an interim dividend but expects to continue its progressive dividend policy reflecting the performance of the Group for the full year.

Current Trading and Future Prospects

This period has seen the continuation of efforts to re-position, strengthen and grow the business and the outcome of the first six months provides tangible evidence of progress.

A key point of focus is the development of Forest Traffic Signals. In July 2006 we relocated our Newport depot to larger premises within the city. The move was required to facilitate future growth and will allow the business to progress into new, related services. Newport continues to perform strongly and the Bristol depot has also sustained high activity levels. Whilst the visibility of forward workload has traditionally been limited, Newport has been successful in winning several extended duration contracts which should underpin future workload.

Regrettably, tender levels at the Winchester depot have been depressed and trading has been below expectations, although this has been somewhat offset by the positive contribution from the newly introduced range of temporary traffic signals. Tender levels have now increased and this should result in improved second half trading. Notwithstanding the short term negative factors, Winchester is a well established part of the Group and confirms the Board's commitment to open further depots, to improve geographical coverage.

Trading at Forest Highways continues to improve. Work to re-position the business, away from spot tenders and towards extended duration, large scale contracts, is on-going. This should improve the visibility of workload, reduce volatility and improve the quality of the operation. Further progress was made in July of this year when an additional Framework contract was secured.

The Group will launch a new range of services this year, aimed at leveraging our strong regional presence and established customer base. The new range will include site fencing and temporary traffic barrier as well as other traffic management products. This is part of a broader strategy to develop the Forest brand. To this end, in October of this year the name of the Group was changed to Forest Support Services Plc.

Forest Support Services Plc

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for the six months ended 30 September 2006

Chairman's Statement (continued)

The intention is to open further Forest Traffic depots, following the formula developed at Bristol and Winchester. Consideration is being given to further expand the range of services offered through our existing depot network. These actions should improve the quality and resilience of earnings and will provide opportunities for future growth.

Conclusion

While the outcome of the first six months is positive, much remains to be done. At the present level of workload and orders, the Board remains confident of a satisfactory outcome to the year. It is clear that shareholder value will be enhanced as the business continues to grow in size and deepen in resilience and it remains the belief of the Board that organic growth, despite its detrimental affect on short term earnings, offers a highly effective method of achieving these goals.

Finally, I thank the Group's employees and my boardroom colleagues for their hard work and effort.

Christopher Powell
Chairman

30 November 2006

Unaudited Interim Results

Consolidated Profit and Loss Account

for the six months ended 30 September 2006

	Six months to 30 September 2006 £	Six months to 30 September 2005 £	Year to 31 March 2006 £
TURNOVER	2,941,859	1,952,289	4,758,284
Cost of sales	(2,070,878)	(1,462,566)	(3,407,302)
GROSS PROFIT	870,981	489,723	1,350,982
Administrative expenses			
- amortisation of goodwill	(41,550)	(41,550)	(83,100)
- other	(827,176)	(605,038)	(1,296,393)
OPERATING PROFIT/(LOSS)	2,255	(156,865)	(28,511)
Interest receivable	4,912	5,717	9,143
Interest payable and similar charges	(8,838)	(10,436)	(19,012)
(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	(1,671)	(161,584)	(38,380)
Taxation on profit on ordinary activities	3	(770)	(1,611)
(LOSS)/PROFIT FOR THE PERIOD AFTER TAXATION	(2,441)	(161,584)	(39,991)
(LOSS)/EARNINGS PER SHARE	4		
Basic	(0.01p)	(0.9p)	(0.2p)
Basic excluding goodwill amortisation	0.2p	(0.6p)	0.2p
Fully diluted	(0.01p)	(0.9p)	(0.2p)

Unaudited Interim Results

Consolidated Balance Sheet

as at 30 September 2006

	30 September 2006 £	30 September 2005 £	31 March 2006 £
FIXED ASSETS			
Intangible assets	1,000,233	1,083,333	1,041,783
Tangible assets	744,205	577,543	728,561
	1,744,438	1,660,876	1,770,344
CURRENT ASSETS			
Stock	224,544	105,410	187,145
Debtors	1,384,976	791,296	1,154,402
Cash at bank and in hand	233,715	428,009	511,711
	1,843,235	1,324,715	1,853,258
CREDITORS: amounts falling due within one year	(1,029,420)	(604,544)	(1,120,971)
NET CURRENT ASSETS	813,815	720,171	732,287
TOTAL ASSETS LESS CURRENT LIABILITIES	2,558,253	2,381,047	2,502,631
CREDITORS: amounts falling due after more than one year	(183,150)	(125,096)	(125,087)
	2,375,103	2,255,951	2,377,544
CAPITAL AND RESERVES			
Called up share capital	935,350	935,350	935,350
Share premium account	1,513,530	1,513,530	1,513,530
Profit and loss account	(73,777)	(192,929)	(71,336)
	2,375,103	2,255,951	2,377,544

Unaudited Interim Results

Consolidated Cash Flow Statement

for the six months ended 30 September 2006

	Six months to 30 September 2006 £	Six months to 30 September 2005 £	Year to 31 March 2006 £
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	(153,781)	115,134	518,904
RETURNS ON INVESTMENT AND SERVICING OF FINANCE	(3,926)	(4,719)	(9,869)
CAPITAL EXPENDITURE			
Purchase of tangible fixed assets	(60,836)	(88,568)	(274,813)
Sale of tangible fixed assets	2,600	-	9,646
Net cash outflow from capital expenditure	(58,236)	(88,568)	(265,167)
EQUITY DIVIDENDS PAID	-	-	(46,768)
MANAGEMENT OF LIQUID RESOURCES	330,000	(125,000)	(185,000)
Net cash inflow/(outflow) before financing	114,057	(103,153)	12,100
FINANCING			
Bank loans repaid during period	(23,553)	(27,110)	(55,408)
VAT refund in relation to share issue costs previously written off to share premium account	-	17,377	17,377
Capital element of finance lease payments	(38,500)	(36,840)	(100,093)
Net cash outflow from financing	(62,053)	(46,573)	(138,124)
INCREASE/(DECREASE) IN CASH	52,004	(149,726)	(126,024)

	Six months to 30 September 2006 £	Six months to 30 September 2005 £	Year to 31 March 2006 £
RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW FROM OPERATING ACTIVITIES			
Operating profit/(loss)	2,255	(156,865)	(28,511)
Profit on sale of fixed assets	(163)	-	(4,823)
Depreciation	185,285	173,272	328,158
Amortisation of goodwill	41,550	41,550	83,100
Increase in stocks	(37,399)	(13,191)	(94,926)
Decrease/(increase) in debtors	(228,923)	255,995	(108,722)
(Decrease)/increase in creditors	(116,386)	(185,627)	344,628
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	(153,781)	115,134	518,904

Unaudited Interim Results

Notes

for the six months ended 30 September 2006

1. The interim results have been prepared on a consistent basis and using the accounting policies set out in the accounts for the year ended 31 March 2006.

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 2006, 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 2006 shown in this report has been extracted from those accounts.
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 1.93% (2005 – 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 Ltd, Forest House, Broad Quay Road, Newport, NP19 4PN.

