25 September 2008

Forest Support Services Plc ("the Group" or the "Company")

Preliminary results for the year ended 31 March 2008

The Group achieved a profit of £131,788 before goodwill charges and taxation on a turnover of £6,811,353.

The performance of individual businesses varied widely, continuing the trend seen at the interim stage.

At Bristol and Newport, the Forest Traffic Signals business has performed strongly. In these regions revenue has been firmly underpinned by long term framework contracts, which have improved the quality of the earnings stream, giving better visibility and improving utilisation of resources. Forest Access and Security has made a small positive contribution to the performance of the Newport depot.

The Forest Traffic Signals depot at Winchester has contributed to earnings for the first time, despite incurring start-up costs for the new satellite depot on the Isle of Wight. The performance of the Winchester depot can be attributed to the broadened customer base and improved tender success rate.

Forest Traffic Signals has significantly exceeded expectations in this period and continued the strong performance seen in the first half. All depots recorded growth in revenue and earnings.

Forest Highways performed poorly throughout the period and incurred losses. Revenue fell compared to the previous year with workflow also being erratic, exacerbating the problem of matching resources to demand. In March the decision was made to merge Forest Highways business with Forest Traffic Signals. This has lead to cost savings and a redeployment of personnel and resources to meet the needs of the growing Forest Traffic Signals business at Bristol. All costs of restructuring have been borne in the year being reported.

Following this restructuring, the Board decided to write off the investment held in Forest Highways Ltd of £584,722 and the associated goodwill arising on consolidation of £497,492. This write off has been made following an impairment review made in accordance with International Financial Reporting Standards under which these financial statements are prepared. The effect of the write off of the investment has been to deplete the distributable reserves in Forest Support Services plc, the holding company. To supplement these reserves and enable payment of the dividend proposed below, on 29 August 2008, a dividend of £500,000 was paid by Forest Traffic Signals Ltd to the holding company.

Results

The Group has recorded a profit of £131,788 (2007: £279,581) for the period, before goodwill charges of £497,492 (2007: £nil) and taxation**.** After goodwill charges the Group records a loss of £365,704 (2007: profit of £279,581. The loss, on the weighted average number of shares in issue during the year, was (2.17p) per share.

Turnover for the period increased by 9% to £6,811,353 (2007: £6,233,853). The Group held cash at the period end of £546,037 (2007: £319,230).

Dividend

On 29 August 2008, Forest Traffic Signals paid a dividend of £500,000 to Forest Support Services plc in order to provide sufficient distributable reserves to enable the payment of the proposed dividend.

Your Board is recommending a cash dividend of 0.38p per share (2007: 0.36p). The dividend will be paid on 12 December 2008 to shareholders on the register at close of business on 21 November 2008. The shares are expected to go ex dividend on 19 November 2008.

Current Trading and Future Prospects

Demand for the services provided by the Group, derives primarily from expenditure by Local and Central Government and Utility Companies on maintenance of roads and utility services within roads. Traditionally, demand for these services is robust during all stages of the business cycle. Historically about 2% of revenues arise from expenditure on road schemes associated with housing or retail developments.

This year will see the Group focus on developing its existing businesses, with a particular focus being the newly expanded depot at Bristol. This strategy builds on regional strengths.

Overall trading during the initial period of the new financial year has been strong and ahead of expectations.

Conclusion

The Board continues to believe that organic growth is the best method of delivering shareholder value. Broadening the revenue increases the resilience of the business, while taking best advantage of the Group's regional strengths.

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

C C Powell
Chairman
24 September 2008

Consolidated Income Statement

For the period ended 31 March 2008

	Note	2008 £	2007 £
Revenue		6,811,353	6,233,853
Cost of sales		(4,803,699)	(4,273,078)
Gross profit		2,007,654	1,960,775
Administrative expenses		(1,841,673)	(1,671,259)
Goodwill impairment charge		(497,492)	-
Operating (loss)/profit		(331,511)	289,516
Finance costs		(48,894)	(19,925)
Finance income		14,701	9,990
(Loss)/profit before taxation		(365,704)	279,581
Taxation		(39,792)	88,169
(Loss)/profit for the year attributable to equity holders of the parent		(405,496)	367,750
(Loss)/earnings per share:	*4*		
Basic and diluted		(2.17	1.97p

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 2008

	Note	2008 £	2007 £
Non-current assets			
Goodwill		544,291	1,041,783
Property, plant and equipment		1,168,663	1,027,842
Deferred tax asset		81,815	118,443
		1,794,769	2,188,068
Current assets			
Trade and other receivables		1,695,165	1,758,668
Cash and cash equivalents		546,037	319,230
		2,241,202	2,077,898
Total assets		4,035,971	4,265,966
Current liabilities			
Trade and other payables		1,023,454	1,127,398
Current tax liabilities		-	18,129
Bank loan		136,090	152,339
Obligations under finance leases		76,915	76,680
		1,236,459	1,374,546
Non-current liabilities			
Bank loan		295,228	66,658
Obligations under finance leases		266,370	121,992
		561,598	188,650
Total liabilities		1,798,057	1,563,196
Net assets		2,237,914	2,702,770
Equity			
Share capital		935,350	935,350
Share Premium		1,513,530	1,513,530
Retained earnings		(210,966)	253,890
Total Equity		2,237,914	2,702,770

Consolidated cash flow statement
For the period ended 31 March 2008

	Note	2008 £	2007 £
Net cash generated from operating activities	*5*	527,892	231,261
Investing activities			
Interest received		14,701	9,990
Proceeds on disposal of property, plant and equipment		-	11,870
Purchase of property, plant and equipment		(366,050)	(406,957)
Net cash used in investing activities		(351,349)	(385,097)
Financing activities			
Dividends paid		(67,345)	(50,509)
Repayment of borrowings		(137,680)	(82,342)
New bank loans raised		350,000	150,000
Repayment of obligations under hire purchase contracts		(94,711)	(55,794)
Net cash generated from/(used in) financing activities		50,264	(38,645)
Net increase/(decrease) in cash and cash equivalents		226,807	(192,481)
Cash and cash equivalents at beginning of year		319,230	511,711
Cash and cash equivalents at end of year		546,037	319,230

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, Felnex Industrial Estate, Newport, NP19 4PN. The consolidated financial statements of the Group for the year ended 31 March 2008 comprise the Company and its subsidiaries (together referred to as the "Group").

The comparative information for the year ended 31 March 2007 has been extracted from the financial statements (which were prepared under UK GAAP) for that period and adjusted, as shown in note 26 below, to restate in accordance with International Financial Reporting Standards ("IFRS"). This note includes reconciliations of equity and the profit for comparative periods reported under UK GAAP to those reported for those periods under IFRS.

The Group's date of transition to IFRS was 1 April 2006 and these consolidated financial statements have been prepared in accordance with the first time adoption provisions set out in IFRS 1 First-time Adoption of International Financial Reporting Standards.

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.

Amendment to IFRS 2	"Share based payments"- vesting conditions and cancellations.
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
IAS 23	"Borrowing Costs"-effective 1 January 2009
Amendment to IAS32	"Financial Instruments Presentation"-effective 1 January 2009
IFRIC 11	"Group and Treasury Share Transactions"-effective 1 January 2008
IFRIC12	"Service Concession Agreements"-effective 1 January 2008
IFRIC13	"Customer loyalty programmes"-effective 1 July 2008
IFRIC 14 & IAS 19	"The limit on a Defined Benefit Asset, Minimum Funding Requirements"-effective 1 January 2008
IFRIC 15	"Arrangements 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

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.

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 15% 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.

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. The assumptions have been described in more detail in note 18.

3. Significant Accounting Policies

Basis of accounting

The financial statements of Forest Support Services plc have been prepared for the first time 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 ("the Company"), 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 invetee 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.

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.

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

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

	2008	**2007**
	£	£
Earnings	(405,496)	367,750

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 (2007: 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 potentially 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

Cash generated from operations	**2008** £	**2007** £
Operating (loss)/profit for the year	(331,511)	289,516
Goodwill impairment charge	497,492	-
Share based payment expense	7,985	7,985
Depreciation on property, plant and equipment	458,227	449,899
Loss on sale of property, plant and equipment	-	24,197
Operating cash flows before movements in working capital	632,193	771,597
Decrease/(increase) in receivables	63,501	(616,411)
(Decrease)/increase in payables	(103,943)	96,000
Cash generated from operations	591,751	251,186
Interest paid	(48,894)	(19,925)
Tax paid	(14,965)	-
Net cash generated from operations	527,892	231,261

6. Other information

The financial information on the Group set out above is unaudited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 but have been extracted therefrom.. Information relating to the year ended 31 March 2007 is derived from the statutory accounts for that year, which have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. The auditors have reported their opinion on the financial statements for the year ended 31 March 2008 today. The auditors gave an unqualified opinion, and contain no statement under Sections 237(2) or (3) of the Act, the financial statements have not yet been filed with the Registrar of Companies.

The preliminary announcement was approved by the Board and authorised by them for issue on 24 September 2008.

Copies of the Report and Accounts will be posted to shareholders shortly. Copies will be available from the Company's website at www.forestsupportservices.co.uk and registered office at Forest House, Broad Quay Road, Felnex Industrial Estate, Newport, Gwent, NP19 4PN.

The statutory accounts for the year ended 31 March 2008 will be delivered to the Registrar of Companies following the Company Annual General Meeting.