

COMPANY REGISTRATION NUMBER: 01664145

FOREST TRAFFIC SERVICES LIMITED
FINANCIAL STATEMENTS
31 MARCH 2019



FOREST TRAFFIC SERVICES LIMITED

FINANCIAL STATEMENTS

Year ended 31 March 2019

CONTENTS	PAGE
Officers and professional advisers	1
Strategic report	2
Directors' report	4
Independent auditor's report to the members	6
Profit and loss account	10
Balance sheet	11
Statement of cash flows	12
Notes to the financial statements	13

FOREST TRAFFIC SERVICES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

Mr A R Williams
Mr D J Williams
Mr R J Coppock
Mrs B Sweet-Williams
Mr I P Lewis

Company secretary

Mrs T D Evans

Registered office

Forest House
Broad Quay Road
Felnex Industrial Estate
Newport
NP19 4PN

Auditor

Kilsby & Williams LLP
Chartered accountants & statutory auditor
Cedar House
Hazell Drive
Newport
NP10 8FY

Bankers

National Westminster Bank plc
96 Queen Street
Cardiff
CF10 2GR

FOREST TRAFFIC SERVICES LIMITED

STRATEGIC REPORT

Year ended 31 March 2019

The directors present their strategic report for the year ended 31 March 2019.

Principal activities

The Company provides temporary traffic management services and solutions to the construction industry from locations across Wales and Southern England. The business conducted is derived from three principal sources - utility companies, local and central governments.

The Company is typically employed as a subcontractor to the main contractor on new build infrastructure projects and on-going repair, maintenance and improvement (RMI) of existing infrastructure.

The Company's objective is to be the preferred choice for traffic management services and solutions for existing and new customers, delivering high quality service and performance, whilst ensuring and preserving the health and safety of all our employees, customers and the public.

Results and performance

The results for the year ended 31 March 2019 are set out below.

	2019		2018	
	£000's	% change	£000's	% change
Sales	25,513	24	20,541	2
Gross profit	6,278	25	5,034	(3)
Gross margin	24.6%		24.5%	
EBITDA	2,083	70	1,225	(26)
Profit before tax	1,639	104	803	(34)

The investments made in 2018 to support new contract gains paid off in 2019. Sales increased by 24% to £25.5 million, with a marginal improvement in the gross margin to 24.5%. As the majority of overhead infrastructure to support increased sales had been put in place in 2018, profit before tax increased by 104% to £1.64m.

Significant investment was made during the year in new computer systems and remote recording devices which will lead to improvements in efficiency and margins in the future.

Strategy

The traffic management industry can, in general, be split into two broad categories, fast road work, known as 12AB work, and urban and rural work, known as 12D work, with most traffic management companies choosing to focus on one category. The company, however, operates in both categories, following the strategy detailed below to maximise opportunity and growth and mitigate the workflow volatility risk.

The Company's success is dependent on the proper selection, pricing, delivery and on-going management of the contracts it accepts, to maximise profitability and mitigate the risk of workflow volatility. Forest actively pursues contracts in both market categories to exploit our regional capabilities and to maintain a diversified portfolio of contracts thereby mitigating the workflow volatility risk.

Key Performance Indicators (KPI's)

The Board monitors the progress of the Company by reference to the following KPI's:

- Financial - reviewing and maximising contract profitability
- Financial - control of working capital and maximising cash generation
- Financial - continual review and alignment of costs
- Employee and customer satisfaction
- Health, safety, quality and environmental performance

FOREST TRAFFIC SERVICES LIMITED

STRATEGIC REPORT *(continued)*

Year ended 31 March 2019

Principal Risks & Uncertainties

There are two principal risks facing the Company.

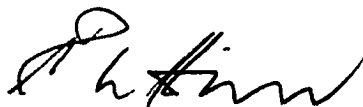
Firstly, the Company is subject to volatility and disruption in government spending on infrastructure. The Company has in place a strategy that actively seeks to mitigate and manage this risk and any consequences of a reduction in workload within its control.

Secondly, the Company operates in a hazardous workplace. Strict policies and procedures are in place to mitigate these risks and these are subject to Board scrutiny and review on an ongoing basis.

Future developments

The government's first Road Investment Strategy will finish in 2020. This has led to an increase in investment in the UK's road network and consequently the size of the market in which the Company operates. The second Road Investment Strategy has been announced and this will lead to a further increase in investment over the next five years. Accordingly, the indications are that the favourable market conditions experienced by the Company will continue in the future.

This report was approved by the board of directors on 25/10/19 and signed on behalf of the board by:



Mr A R Williams
Director

FOREST TRAFFIC SERVICES LIMITED

DIRECTORS' REPORT

Year ended 31 March 2019

The directors present their report and the financial statements of the company for the year ended 31 March 2019.

Directors

The directors who served the company during the year were as follows:

Mr A R Williams
Mr D J Williams
Mr R J Coppock
Mrs B Sweet-Williams
Mr I P Lewis

Dividends

Particulars of recommended dividends are detailed in note 12 to the financial statements.

Financial instruments

The company's principal financial instruments comprise bank balances, an invoice discounting facility, trade debtors, trade creditors and finance leases. The main purpose of these instruments is to raise funds to finance the company's operations. Due to the nature of the financial instruments used by the company there is no exposure to price risk. The company's approach to managing other risks applicable to the financial instruments concerned is shown below.

In respect of bank balances the liquidity risk is managed by maintaining a balance between the continuity of funding through flexible use of the invoice discounting facility. The company manages the liquidity risk by ensuring there are sufficient funds to meet contractual payments.

The company is a lessee in respect of finance leased assets with fixed monthly payments. The company manages the liquidity risk by ensuring there are sufficient funds to meet the payments.

Trade debtors are managed in respect of credit and cashflow risk by internal policies concerning credit offered to customers and regular monitoring of amounts outstanding.

Trade creditors liquidity risk is managed by ensuring funds are available to meet obligations as they fall due.

Disclosure of information in the strategic report

In accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 we set out in the company's strategic report information required by schedule 7 of the Large and Medium sized companies and Groups (Accounts and report) Regulations 2008.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

FOREST TRAFFIC SERVICES LIMITED

DIRECTORS' REPORT *(continued)*

Year ended 31 March 2019

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board of directors on^{25/10/19}..... and signed on behalf of the board by:



Mr A R Williams
Director



**KILSBY
WILLIAMS**
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOREST TRAFFIC SERVICES LIMITED

Year ended 31 March 2019

Opinion

We have audited the financial statements of Forest Traffic Services Limited (the 'company') for the year ended 31 March 2019 which comprise the profit and loss account, balance sheet, statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



**KILSBY
WILLIAMS**
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOREST TRAFFIC SERVICES LIMITED *(continued)*

Year ended 31 March 2019

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial



**KILSBY
WILLIAMS**
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOREST TRAFFIC SERVICES LIMITED *(continued)*

Year ended 31 March 2019

statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**KILSBY
WILLIAMS**
Chartered Accountants

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOREST TRAFFIC
SERVICES LIMITED** *(continued)*

Year ended 31 March 2019

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Use of our report

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jonathan Harry

12 November 2019

Jonathan Harry (Senior Statutory Auditor)

**For and on behalf of
Kilsby & Williams LLP
Chartered accountants & statutory auditor
Cedar House
Hazell Drive
Newport
NP10 8FY**

FOREST TRAFFIC SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 March 2019

	Note	2019 £	2018 £
TURNOVER	4	25,512,723	20,540,899
Cost of sales		(19,234,554)	(15,506,769)
GROSS PROFIT		<u>6,278,169</u>	<u>5,034,130</u>
Administrative expenses		(4,608,566)	(4,188,458)
Other operating income	5	<u>1,677</u>	<u>5,667</u>
OPERATING PROFIT	6	<u>1,671,280</u>	<u>851,339</u>
Interest payable and similar expenses	10	<u>(32,011)</u>	<u>(48,082)</u>
PROFIT BEFORE TAXATION		<u>1,639,269</u>	<u>803,257</u>
Tax on profit	11	<u>(251,984)</u>	<u>(166,301)</u>
PROFIT FOR THE FINANCIAL YEAR AND TOTAL COMPREHENSIVE INCOME		<u><u>1,387,285</u></u>	<u><u>636,956</u></u>
Dividends paid and payable	12	(200,000)	-
RETAINED EARNINGS AT THE START OF THE YEAR		<u>1,736,985</u>	<u>1,100,029</u>
RETAINED EARNINGS AT THE END OF THE YEAR		<u><u>2,924,270</u></u>	<u><u>1,736,985</u></u>

All the activities of the company are from continuing operations.

The notes on pages 13 to 23 form part of these financial statements.

FOREST TRAFFIC SERVICES LIMITED

BALANCE SHEET

31 March 2019

	Note	2019 £	2018 £
FIXED ASSETS			
Tangible assets	13	977,164	1,081,509
Investments	14	-	1
		<u>977,164</u>	<u>1,081,510</u>
CURRENT ASSETS			
Stocks	15	500,588	490,889
Debtors	16	6,114,057	5,296,847
Cash at bank and in hand		704,692	402,198
		<u>7,319,337</u>	<u>6,189,934</u>
CREDITORS: amounts falling due within one year	17	<u>(5,154,745)</u>	<u>(5,442,467)</u>
NET CURRENT ASSETS		<u>2,164,592</u>	<u>747,467</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,141,756</u>	<u>1,828,977</u>
CREDITORS: amounts falling due after more than one year	18	(141,689)	(18,986)
PROVISIONS	20	<u>(75,109)</u>	<u>(72,318)</u>
NET ASSETS		<u>2,924,958</u>	<u>1,737,673</u>
CAPITAL AND RESERVES			
Called up share capital	24	688	688
Profit and loss account	25	2,924,270	1,736,985
SHAREHOLDERS FUNDS		<u>2,924,958</u>	<u>1,737,673</u>

These financial statements were approved by the board of directors and authorised for issue on, and are signed on behalf of the board by:



25/10/19

Mr A R Williams
Director

Company registration number: 01664145

The notes on pages 13 to 23 form part of these financial statements.

FOREST TRAFFIC SERVICES LIMITED

CASH FLOW STATEMENT

Year ended 31 March 2019

	2019 £	2018 £
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the financial year	1,387,285	636,956
<i>Adjustments for:</i>		
Depreciation of tangible assets	412,267	374,051
Interest payable and similar expenses	32,011	48,082
(Gains)/loss on disposal of tangible assets	(6,672)	6,576
Tax on profit	251,984	166,301
Accrued expenses	163,194	112,979
<i>Changes in:</i>		
Stocks	(9,699)	(23,289)
Trade and other debtors	(817,210)	304,088
Trade and other creditors	(477,741)	(560,322)
Cash generated from operations	935,419	1,065,422
Interest paid	(32,011)	(48,082)
Tax paid	(52,000)	(382,685)
Net cash from operating activities	<u>851,408</u>	<u>634,655</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible assets	(83,865)	(108,781)
Proceeds from sale of tangible assets	12,662	-
Proceeds from sale of subsidiaries	1	-
Net cash used in investing activities	<u>(71,202)</u>	<u>(108,781)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans from group undertakings	(147,013)	(347,700)
Payments of finance lease liabilities	(130,699)	(218,912)
Dividends paid	(200,000)	-
Net cash used in financing activities	<u>(477,712)</u>	<u>(566,612)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	302,494	(40,738)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>402,198</u>	<u>442,936</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>704,692</u>	<u>402,198</u>

The notes on pages 13 to 23 form part of these financial statements.

FOREST TRAFFIC SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2019

1. GENERAL INFORMATION

The company is a private company limited by shares and is incorporated and domiciled in England and Wales. The principal place of business and registered office is Forest House, Broad Quay Road, Felnex Industrial Estate, Newport, NP19 4PN.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Invoice discounting

The company has in place an invoice discount facility based on the value of trade receivables. Under this arrangement the company has retained both the credit and late payment risk associated with the receivables. As the company has retained substantially all the risk and rewards of ownership of the receivables, it continues to recognise the receivables in the balance sheet with advances from the facility provider treated as a separate liability.

The expenses associated with this facility are included within interest payable within the profit & loss account.

Classification of invoice discounting facility in the cash flow statement FRS 102 does not provide guidance on the treatment of factored debts in a cash flow statement. The invoice discounting facility factors debts with recourse, with the advances from the factor treated as other creditors in the balance sheet. FRS 102 requires cash flows to be analysed under the standard headings according to the substance of the transactions that give rise to them. Cash inflows and outflows relating to the invoice discounting facility are assessed to be an operating cash flow. Cash flows from the receivables are also included within operating cash flows as if the factoring had not been entered into. Management feel this method of presentation best reflects the substance of the relationship entered into.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

FOREST TRAFFIC SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 March 2019

3. ACCOUNTING POLICIES *(continued)*

Turnover

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer (usually on despatch of the goods); the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity; and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

FOREST TRAFFIC SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 March 2019

3. ACCOUNTING POLICIES *(continued)*

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Leasehold property	-	Over the term of the lease
Plant and machinery	-	Over 2 - 8 years
Fixtures and fittings	-	Over 3 years
Motor vehicles	-	Over 3 - 5 years

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Listed investments are measured at fair value with changes in fair value being recognised in profit or loss.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Stocks consist of signs, cones and other sundry traffic management items purchased for minor works contracts. The value is calculated on a percentage of cost of sales based on the value of minor works contracts performed during the year.

Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are recognised in the balance sheet as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

FOREST TRAFFIC SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 March 2019

3. ACCOUNTING POLICIES *(continued)*

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the balance sheet and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities. Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

4. TURNOVER

Turnover arises from:

	2019	2018
	£	£
Rendering of services	25,512,723	20,540,899

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

FOREST TRAFFIC SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 March 2019

5. OTHER OPERATING INCOME

	2019	2018
	£	£
Other operating income	<u>1,677</u>	<u>5,667</u>

6. OPERATING PROFIT

Operating profit or loss is stated after charging/crediting:

	2019	2018
	£	£
Depreciation of tangible assets	412,267	374,051
(Gains)/loss on disposal of tangible assets	(6,672)	6,576
Cost of stocks recognised as an expense	<u>1,127,529</u>	<u>670,787</u>

7. AUDITOR'S REMUNERATION

	2019	2018
	£	£
Fees payable for the audit of the financial statements	<u>6,750</u>	<u>6,750</u>

8. STAFF COSTS

The average number of persons employed by the company during the year, including the directors, amounted to:

	2019	2018
	No.	No.
Production staff	183	169
Administrative staff	30	29
Management staff	24	24
	<u>237</u>	<u>222</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2019	2018
	£	£
Wages and salaries	12,124,161	9,670,441
Social security costs	961,457	771,703
Other pension costs	156,137	75,451
	<u>13,241,755</u>	<u>10,517,595</u>

FOREST TRAFFIC SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 March 2019

9. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services was:

	2019	2018
	£	£
Remuneration	182,191	214,282
Company contributions to defined contribution pension plans	<u>10,050</u>	<u>11,153</u>
	<u>192,241</u>	<u>225,435</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2019	2018
	No.	No.
Defined contribution plans	<u>3</u>	<u>3</u>

Remuneration of the highest paid director in respect of qualifying services:

	2019	2018
	£	£
Aggregate remuneration	97,736	115,100
Company contributions to defined contribution pension plans	<u>4,100</u>	<u>4,000</u>
	<u>101,836</u>	<u>119,100</u>

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019	2018
	£	£
Interest on banks loans and overdrafts	10,785	21,987
Interest on obligations under finance leases and hire purchase contracts	<u>21,226</u>	<u>26,095</u>
	<u>32,011</u>	<u>48,082</u>

11. TAX ON PROFIT

Major components of tax expense

	2019	2018
	£	£
Current tax:		
UK current tax expense	323,363	188,520
Adjustments in respect of prior periods	<u>(74,170)</u>	<u>-</u>
Total current tax	<u>249,193</u>	<u>188,520</u>
Deferred tax:		
Origination and reversal of timing differences	<u>2,791</u>	<u>(22,219)</u>
Tax on profit	<u>251,984</u>	<u>166,301</u>

FOREST TRAFFIC SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 March 2019

11. TAX ON PROFIT *(continued)*

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019 £	2018 £
Profit on ordinary activities before taxation	1,639,269	803,257
Profit on ordinary activities by rate of tax	311,461	152,619
Effect of expenses not deductible for tax purposes	11,656	7,784
Effect of capital allowances and depreciation	3,365	3,284
Effect of different UK tax rates on some earnings	(328)	2,614
Adjustments in respect of prior periods re R&D	(74,170)	-
Tax on profit	<u>251,984</u>	<u>166,301</u>

12. DIVIDENDS

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2019 £	2018 £
Dividends on equity shares	<u>200,000</u>	<u>-</u>

13. TANGIBLE ASSETS

	Long leasehold property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
At 1 April 2018	274,912	2,270,938	371,693	1,009,811	3,927,354
Additions	-	14,527	79,935	219,450	313,912
Disposals	-	(9,654)	(2,198)	(207,095)	(218,947)
At 31 March 2019	<u>274,912</u>	<u>2,275,811</u>	<u>449,430</u>	<u>1,022,166</u>	<u>4,022,319</u>
Depreciation					
At 1 April 2018	130,193	1,602,390	269,172	844,090	2,845,845
Charge for the year	30,888	177,916	53,812	149,651	412,267
Disposals	-	(4,267)	(1,595)	(207,095)	(212,957)
At 31 March 2019	<u>161,081</u>	<u>1,776,039</u>	<u>321,389</u>	<u>786,646</u>	<u>3,045,155</u>
Carrying amount					
At 31 March 2019	<u>113,831</u>	<u>499,772</u>	<u>128,041</u>	<u>235,520</u>	<u>977,164</u>
At 31 March 2018	<u>144,719</u>	<u>668,548</u>	<u>102,521</u>	<u>165,721</u>	<u>1,081,509</u>

FOREST TRAFFIC SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 March 2019

13. TANGIBLE ASSETS *(continued)*

Finance leases and hire purchase contracts

Included within the carrying value of tangible assets are the following amounts relating to assets held under finance leases or hire purchase agreements:

	Equipment
	£
At 31 March 2019	249,507
At 31 March 2018	<u>166,556</u>

14. INVESTMENTS

	Shares in group undertakings
	£
Cost	
At 1 April 2018	1
Disposals	(1)
At 31 March 2019	<u>-</u>
Impairment	
At 1 April 2018 and 31 March 2019	<u>-</u>
Carrying amount	
At 31 March 2019	<u>-</u>
At 31 March 2018	<u>1</u>

During the year the company disposed of its interest in Advanced Traffic Control Limited.

15. STOCKS

	2019	2018
	£	£
Stock	<u>500,588</u>	<u>490,889</u>

FOREST TRAFFIC SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 March 2019

16. DEBTORS

	2019	2018
	£	£
Trade debtors	4,462,936	5,022,790
Prepayments and accrued income	397,065	263,331
Amounts recoverable on contract	1,014,503	-
Other debtors	239,553	10,726
	<u>6,114,057</u>	<u>5,296,847</u>

17. CREDITORS: amounts falling due within one year

	2019	2018
	£	£
Trade creditors	1,362,749	1,427,888
Amounts owed to group undertakings	1,175,967	1,322,980
Accruals and deferred income	867,072	703,878
Corporation tax	257,712	60,519
Social security and other taxes	1,282,577	746,829
Obligations under finance leases and hire purchase contracts	72,713	96,068
Other creditors	135,955	1,084,305
	<u>5,154,745</u>	<u>5,442,467</u>

An amount of £nil (2018 - £892,684) in other creditors is secured on debtors.

The hire purchase liabilities are secured on the assets to which they relate.

18. CREDITORS: amounts falling due after more than one year

	2019	2018
	£	£
Obligations under finance leases and hire purchase contracts	<u>141,689</u>	<u>18,986</u>

19. FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	2019	2018
	£	£
Not later than 1 year	72,713	96,068
Later than 1 year and not later than 5 years	141,689	18,986
	<u>214,402</u>	<u>115,054</u>

FOREST TRAFFIC SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 March 2019

20. PROVISIONS

	Deferred tax (note 21) £
At 1 April 2018	72,318
Additions	<u>2,791</u>
At 31 March 2019	<u>75,109</u>

21. DEFERRED TAX

The deferred tax included in the balance sheet is as follows:

	2019 £	2018 £
Included in provisions (note 20)	<u>75,109</u>	<u>72,318</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2019 £	2018 £
Accelerated capital allowances	77,443	74,691
Deferred tax - other timing differences	<u>(2,334)</u>	<u>(2,373)</u>
	<u>75,109</u>	<u>72,318</u>

The net deferred tax liability is expected to increase in 2020 by £2,000. This primarily relates to the origination of new timing differences on tangible fixed assets.

22. EMPLOYEE BENEFITS

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £146,087 (2018: £64,298).

23. FINANCIAL INSTRUMENTS

The carrying amount for each category of financial instrument is as follows:

	2019 £	2018 £
Financial assets that are debt instruments measured at amortised cost		
Financial assets that are debt instruments measured at amortised cost	<u>6,421,684</u>	<u>4,714,451</u>
Financial liabilities measured at amortised cost		
Financial liabilities measured at amortised cost	<u>3,756,146</u>	<u>4,654,106</u>

FOREST TRAFFIC SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 March 2019

24. CALLED UP SHARE CAPITAL

Issued, called up and fully paid

	2019		2018	
	No.	£	No.	£
Ordinary shares of £1 each	<u>688</u>	<u>688.00</u>	<u>688</u>	<u>688.00</u>

25. RESERVES

Called up share capital - This represents the nominal value of shares that have been issued.

Profit and loss account - This reserve records retained earnings and accumulated losses.

26. OPERATING LEASES

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2019	2018
	£	£
Not later than 1 year	284,259	191,234
Later than 1 year and not later than 5 years	583,323	356,161
Later than 5 years	193,250	454,000
	<u>1,060,832</u>	<u>1,001,395</u>

27. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES

There are no directors loan account balances at 31 March 2019 or 2018.

28. RELATED PARTY TRANSACTIONS

The company's ultimate joint controlling parties are the directors Mr A R Williams and Mr D J Williams.

The company has taken advantage of the exemption under FRS 102 not to disclose transactions with entities, 100% of whose voting rights are controlled within the group and whose results are included within the ultimate parent undertaking's financial statements.

29. CONTROLLING PARTY

The company is a wholly owned subsidiary of Forest Support Services Limited, the immediate and ultimate parent undertaking. Copies of the financial statements of that company are available from Forest Supports Services Limited, Forest House, Broad Quay Road, Felnax Industrial Estate, Newport Gwent, NP19 4PN.