

Forest Traffic Services Limited

**Annual report and consolidated
financial statements**

Registered number 01664145

Year ended 30 April 2021

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Company Information

Directors: MH Hartman
AR Williams
DJ Williams
IP Lewis

Company secretary: Consultancy Express (UK) Limited

Registered office: Unit 1
22 Aspen Way
Paignton
Devon
TQ4 7QR

Registered number: 01664145 (England and Wales)

Auditor: RSM UK Audit LLP
Hartwell House
55-61 Victoria Street
Bristol
BS1 6AD

Strategic Report

The directors present their strategic report of the Group for the year ended 30 April 2021.

Review of business

Forest Traffic Services Limited is the holding company of a group of trading companies operating as a leading provider of traffic management and related services with a network of depots across England and Wales.

The Group performed well during the financial year ended 30 April 2021, despite challenging ongoing conditions from disruptions caused by the Covid-19 crisis. The business was able to continue to deliver services to customers to a high standard.

The consolidated financial statements incorporate those of Forest Traffic Services Limited and all of its subsidiaries. This group was created on 30 April 2021 when Forest Traffic Services Limited acquired the trade, assets and liabilities of its sister companies MLP Traffic Limited and Barrier Services Limited, both part of the Core Highways Group Limited group of companies. The business combination met the definition of a group reconstruction under FRS102 and the directors chose to account for it using the merger accounting method.

Key performance indicators

Management considers the Group's key performance indicators based on the consolidated results in these financial statements are as follows:

	Year ended 30 April 2021	13 months ended 30 April 2020
Sales (£m)	£67.6m	£34.6m
Gross profit (£m)	£17.4m	£8.2m
Gross profit margin %	25.7%	23.7%
EBITDA (£m)	£9.8m	£4.0m
Cash balances	£1.2m	£5.2m

The Directors are pleased with the Group's performance shown by the key performance indicators above and future prospects for the business.

Future developments and strategy

The company, via its trading subsidiaries, will continue to invest in its people, vehicle fleet, traffic management equipment, IT systems and its strategic depot network while maintaining its focus on health and safety, delivery, customer service and further development of revenue streams through evolving strategies to maximise and optimise profitable sales growth and operational improvement.

The market conditions which Core Highways operate are expected to remain favourable. Spend on the Road Network is ringfenced through the government's Road Investment Strategy (RIS). The first scheme, RIS1, ran from 2015-2020 and provided £15.2 billion of funding investment across the UK road network. In March 2020, the UK government announced RIS2, providing a further £27.4 billion funding from 2021 to 2025. This funding 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, while driving underlying demand for the Group's traffic management services. The long-term nature of the funding is expected to sustain the favourable market conditions experienced by the Company in future years.

Strategic Report (*continued*)

Principal risks and uncertainties

The company and its subsidiaries operate in a competitive environment, but has successfully delivered year on year growth by continuing to win new contracts, maintaining good relationships and high quality of service with existing customers and adding new depots to access new markets across the country. The Group continually focuses on delivering excellent quality of service to its diverse customer base through further investment in talent recruitment, operational management training and new IT support systems.

Health and safety risks are a key focus of the traffic management industry, and could directly impact the financial and reputational well-being of the business. The company proactively manages such risks through strict governance via policies, procedures and reporting mechanisms to manage and control all health and safety exposures, alongside regulated training, approved protective equipment and appropriate pastoral support to employees which have been adapted to take into account the risks from COVID-19.

The spread of COVID 19 exposed the group to new risks including short term market volatility, and the need to change working practices to deliver essential services safely. In response to the challenges and disruptions caused by COVID 19 and the UK government lockdown, the Group took a range of actions to mitigate and adapt to the pandemic, quickly adapting working practices to maintain service levels to its existing customer base while introducing safe and compliant processes for its workforce. As a result of the response and measures put in place, the Group was able to manage through the lockdown period and return to normal rapidly. The Directors' believe that the Group is and continues to be operationally and financially resilient and is returning to normal rapidly.

Section 172(1) of the Companies Act 2006

The Group is a leading supplier of traffic management and related services in the UK which depends upon good relationships with both customers and suppliers, to operate on a long-term sustainable basis. The Group seeks to put the quality and integrity of its services first to satisfy the needs of its customers, invest in its employees, and support the communities where it operates, whilst it strives to make a sustainable profit for its shareholders. The key relationships with suppliers, customers, and other external stakeholders are overseen by the directors to ensure that all relationships are maintained in the most appropriate manner to promote the interests of the company and its stakeholders. The communication with staff is maintained through regular dialogue between the directors and the staff at a local level through the use of face to face and video conferencing and employee newsletters. The board issues periodic communications keeping staff aware of the progress within the Group.

The directors have acted in accordance with their duties codified in law, which includes their duty to act in a way in which they consider, in good faith, would most likely promote the success of the Group for the benefit of its members as a whole and for the long term, having regard to the stakeholders and matters set out in section 172(1) of the Companies Act 2006.

Section 172 considerations are embedded in the decision making at board level, of Group issues and when discharging the duties of the directors as covered by this report. The board has several external advisors who also review the directors' activities and decisions to provide an independent oversight of the decisions, with the ability to report directly to the shareholders.

Streamlined Energy & Carbon reporting

Reporting of energy consumption and emissions for the Group are included in the annual report of Core Highways Group Limited.

Strategic Report (*continued*)

Employee involvement and equal opportunity

All operatives within the group undergo a continuous training programme, relevant to their specialist area of operations, to ensure the safety of all employees and provide career opportunities. All depot sites are assessed using a site-specific risk assessment and equipment installation takes place using an approved method statements to provide safe and COVID-secure working environments.

The company is committed to non-discriminatory recruitment procedures and practise. All job offers are based on merit taking into account aptitude and capability to carry out the roles as defined in the job specification.

By order of the board:



Mr MH Hartman
Director

Unit 1
22 Aspen Way
Paignton
TQ4 7QR
25 October 2021

Directors' report

The directors present their report with the financial statements of the group for the year ended 30 April 2021.

Principal activity

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.

Dividends

The total distribution of dividends for the year ended 30 April 2021 were £nil (*13 months ended 30 April 2020: £200k*).

Directors

All directors served throughout the financial year. Ms B Sweet-Williams resigned as a director on 14 September 2021.

Financial instruments and financial risks

The group's principal financial instruments comprise bank balances, trade creditors, shareholder funding and hire purchase arrangements. The main purpose of each of these instruments is to raise funds for the company's ongoing operations.

Due to the nature of the financial instruments used by the company there is not considered to be significant exposure to price risk. The company's approach to managing other risks applicable to the financial instruments concerned is explained below:

With respect to bank balances the liquidity risk is managed by maintaining a balance between the various elements of working capital. The group's banking facilities provide committed banking, term debt, capital expenditure and revolving credit facilities as well as access to an asset finance facility which are utilised to support the operations of all group companies. All have a broadly fixed margin depending on certain financial ratios and so, due to the low interest rates in place currently and minimal foreign currency transactions, neither interest rate risk or foreign exchange risk are considered significant in respect of these instruments.

The company utilises assets held under hire purchase arrangements. At present, interest rate risk is not considered significant in relation to these instruments as the rates are fixed.

Trade creditors' liquidity risk is managed by ensuring there are sufficient funds available from working capital to meet amounts due.

Credit risk

The company has credit exposures to its customers as well as credit risk on the cash deposits and equivalents held with its bankers. Credit exposure with customers is monitored regularly with credit limits set for individual customers underpinned by a credit insurance policy.

All deposits are with its bankers who are all reputable financial institutions.

Disclosure in the strategic report

Disclosure of performance, future developments and principal risks and uncertainties has been made in the Strategic Report, rather than within this Directors Report, as is permitted by the relevant regulations.

Directors' report *(continued)*

Political contributions

The Company made no political donations nor incurred any political expenditure during the year (2020: £nil).

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the 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.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 2.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and RSM UK Audit LLP will therefore continue in office.

By order of the board:



Mr MH Hartman
Director

Unit 1
22 Aspen Way
Paignton
Devon
TQ4 7QR

25 October 2021

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the Group and parent Company 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 they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Forest Traffic Services Limited

Opinion

We have audited the financial statements of Forest Traffic Services Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 April 2021 which comprise the consolidated income statement, the company and consolidated statement of financial position, the company and consolidated statement of changes in equity and notes to the financial statements, including 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 group's and of the parent company's affairs as at 30 April 2021 and of the group's 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 group and parent 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Independent auditor's report to the members of Forest Traffic Services Limited (continued)

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 group and the parent company and their 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 set out on page 7, 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 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 group's and the parent 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 group or the parent 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial

Independent auditor's report to the members of Forest Traffic Services Limited *(continued)*

statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to health and safety. We performed audit procedures to inquire of management and those charged with governance whether the group is in compliance with these law and regulations and inspected public databases maintained by the relevant regulatory authorities for any potential notices or breaches.

The group audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, testing the recognition of a sample of revenue items both pre and post year end with reference to the relevant contractual documentation, assessing and challenging the estimates made by management in terms of their assessment and determination of the percentage completion of relevant contractual work, which includes reviewing whether events occurring up to the date of the auditors report support the year end recognition criteria.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

Independent auditor's report to the members of Forest Traffic Services Limited
(continued)

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.

RSM UK Audit LLP

Hywel Pegler (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Hartwell House, 55-61 Victoria Street
Bristol, BS1 6AD
Date: 28 October 2021

Consolidated Income Statement
for the year ending 30 April 2021

	<i>Note</i>	Year ended 30 April 2021 £000	13 months ended 30 April 2020 £000
Turnover		67,624	34,604
Cost of sales		(50,242)	(26,387)
Gross profit		17,382	8,217
Administrative expenses		(10,321)	(5,621)
Other operating income		299	275
Group operating profit		7,360	2,870
Interest receivable and similar income		-	11
Interest payable and similar expenses - other	6	(36)	(18)
Profit before taxation for the financial year		7,324	2,863
Tax	7	(940)	(437)
Profit for the financial year/period		6,384	2,426

The Consolidated Income Statement has been prepared on the basis that all operations are continuing operations.

The Group has no items of Other Comprehensive Income in either the current or preceding period.

The notes on pages 16 to 29 form an integral part of these financial statements.

Consolidated Statement of Financial Position
at 30 April 2021

	<i>Note</i>	Year ended 30 April 2021		13 months ended 30 April 2020	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	8	5,590		5,461	
			5,590		5,461
Current assets					
Stocks	10	135		53	
Debtors	11	20,972		10,114	
Cash at bank and in hand		1,240		5,243	
		22,347		15,410	
Creditors: amounts falling due within one year	12	(15,654)		(15,069)	
Net current assets			6,693		342
Total assets less current liabilities			12,283		5,803
Creditors: amounts falling due after more than one year:	13		(878)		(638)
Deferred tax asset/(liability)	15		133		(11)
Net assets/(liabilities)			11,538		5,154
Capital and reserves					
Called up ordinary share capital	16		1		1
Merger reserve			(255)		(255)
Retained earnings			11,792		5,408
Shareholders' funds			11,538		5,154

The notes on pages 16 to 29 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 25 October 2021 and were signed on its behalf by:



Mr MH Hartman
Director

Company registered number: 01664145

Company Statement of Financial Position
at 30 April 2021

	Note	Year ended 30 April 2021 £000	£000	13 months ended 30 April 2020 £000	£000
Fixed assets					
Tangible fixed assets	8		1,957		1,931
Fixed assets investment	9		5,992		-
			7,950		1,931
Current assets					
Debtors	11	11,687		5,809	
Cash at bank and in hand		738		3,019	
		12,425		8,828	
Creditors: amounts falling due within one year	12	(10,442)		(5,492)	
Net current assets			1,983		3,336
Total assets less current liabilities			9,933		5,267
Creditors: amounts falling due after more than one year	13		(39)		(85)
Deferred tax asset	15		96		9
Net assets			9,989		5,191
Capital and reserves					
Called up share capital	16		1		1
Retained earnings			9,988		5,190
Shareholders' funds			9,989		5,191

As permitted by s408 Companies Act 2006, the company has not presented its own statement of comprehensive income and related notes as it prepares group accounts. The company's profit for the year was £4,796k (2020 - £2,208k).

The notes on pages 16 to 29 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 25 October 2021 and were signed on its behalf by:

MH Hartman

Mr MH Hartman
Director

Company registered number: 01664145

Statement of Changes in Equity
for the period ended 30 April 2021

<i>Group</i>	Called up Ordinary share capital £000	Merger reserve account £000	Retained earnings £000	Total equity £000
Balance at 1 April 2019	1	-	3,182	3,183
Total comprehensive income	-	-	2,426	2,426
Merger Reserve arising on group reconstruction	-	(255)	-	(255)
Dividends	-	-	(200)	(200)
Balance at 30 April 2020	1	(255)	5,408	5,154
Changes in equity				
Total comprehensive income	-	-	6,384	6,384
Balance at 30 April 2021	1	(255)	11,792	11,538

<i>Company</i>	Called up Share capital £000	Retained earnings £000	Total Equity £000
Balance at 1 April 2019 (restated)	1	3,182	3,183
Total comprehensive income	-	2,208	2,208
Dividends	-	(200)	(200)
Balance at 30 April 2020	1	5,190	5,191
Changes in equity			
Total comprehensive income	-	4,798	4,798
Balance at 30 April 2021	1	9,988	9,989

The notes on pages 16 to 29 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Forest Traffic Services Limited is private company, limited by shares, registered in England and Wales. The company's registered number is 01664145 and registered office address is Unit 1, 22 Aspen Way, Paignton, Devon, United Kingdom TQ4 7QR.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company and all subsidiaries are included in the consolidated financial statements of Core Highways Group Limited and are considered to be a qualifying entities under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company and consolidated financial statements have been applied:

- No separate parent company or consolidated Cash Flow Statements with related notes are included; and
- Key Management Personnel compensation has not been included a second time.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 20.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified at fair value through the profit or loss.

1.2 Going concern

The company is a member of the Core Highways Group Limited group of companies and is party to the group's banking facilities which provide committed banking, term debt, capital expenditure and revolving credit facilities. Because of the interlinked nature of the arrangements with its ultimate parent, in order to assess the going concern assumption of this company, detailed consideration has been undertaken at a group level, and group support has been confirmed as available for a period of at least 12 months from the date of approval of these financial statements.

In order to assess the going concern assumption, the directors have considered detailed trading and cash flow projections for a period of at least 12 months from the date of approval of these financial statements, taking into account the ongoing COVID-19 situation and the uncertainty this presents in drawing their conclusions. Sensitivity analysis and further detailed review was undertaken on the more judgemental areas of the forecasts, as well as a review of mitigating factors and potential upsides. The directors are confident that the steps that they have taken to mitigate associated risk will ensure that the group is well positioned to continue to trade throughout the current uncertain economic environment. They have therefore concluded that there is no material uncertainty about the ability of the group to continue as a going concern and that it remains appropriate to prepare the financial statements on a going concern basis.

1.3 Basis of consolidation

The consolidated financial statements incorporate those of Forest Traffic Services Limited and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). The group was created on 30 April 2021 when Forest Traffic Services Limited acquired the trade, assets and liabilities of its sister companies MLP Traffic Limited and Barrier Services Limited, both part of the Core Highways Group Limited group of companies.

The business combination met the definition of a group reconstruction under FRS102 and the directors chose to account for it using the merger accounting method. Under this method:

- no adjustments were made to reflect the fair values of the acquired assets and liabilities;
- no internal goodwill or new intangibles were recognised;

Notes (*continued*)

1 Accounting policies (*continued*)

- comparatives were drawn up as if the new group structure had always existed. All financial statements are made up to a 30 April year end.
- Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Preference shares redeemed on the sale of the Company are classified as part of equity.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Tangible fixed assets include investment property whose fair value cannot be measured reliably without undue cost or effort.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- | | |
|-----------------------------------|----------------------|
| • plant and equipment | 2-10 years |
| • fixtures and fittings | 2-10 years |
| • motor vehicles - excluding HGVs | 25% reducing balance |
| • motor vehicles - HGVs | 2-5 years |

Notes (continued)

1 Accounting policies (continued)

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.6 Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

1.7 Turnover

All turnover is generated from the provision of traffic management services and the installation of permanent and temporary fencing. All turnover is generated within the UK. Turnover represents net invoiced sales, excluding value added tax, from the provision of services and goods falling within the group's ordinary activities.

Revenue arising from the provision of traffic management services is recognised in the period in which the service was provided, or the goods were despatched while revenue from the hire of equipment is recognised in the period to which the hire relates.

Revenue arising from the installation of fencing is measured using contractual terms and any subsequent amendments. Revenue is recognised in proportion to the stage of completion of the contract activity.

1.8 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

1.9 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Notes (continued)

1 Accounting policies (continued)

1.10 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable and finance leases recognised in profit or loss using the effective interest method.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.11 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes (continued)

2 Operating profit

Operating profit is stated after charging/(crediting):

	Year ended 30 April 2021 £000	13 months ended 30 April 2020 £000
Depreciation of tangible fixed assets	2,396	1,169
Depreciation of tangible fixed assets under finance leases	115	1,044
Operating lease rentals	2,938	2,543
Other operating income – government grant	(299)	(275)

3 Staff costs and numbers

The average number of persons employed by the Group (including directors) during the period, analysed by category, was as follows:

	Year ended 30 April 2021 Number	13 months ended 30 April 2020 Number
Staff	526	490
Directors	5	5
	<u>531</u>	<u>495</u>

The aggregate payroll costs of these persons were as follows:

	Year ended 30 April 2021 £000	13 months ended 30 April 2020 £000
Wages and salaries	25,760	17,421
Social security costs	2,224	1,404
Other pension costs	664	351
	<u>28,648</u>	<u>19,176</u>

4 Directors' remuneration

	Year ended 30 April 2021 £000	13 months ended 30 April 2020 £000
Directors' remuneration	580	270
Company contributions to money purchase pension plans	20	11
	<u>600</u>	<u>281</u>

The aggregate of remuneration of the highest paid director for the year was £188,370 (13 months ended 30 April 2020: £131,212), and company pension contributions of £6,799 (13 months ended 30 April 2020: £4,550) were made to a money purchase scheme on his behalf.

Notes (continued)

5 Auditor's remuneration

	Year ended 30 April 2021	13 months ended 30 April 2020
	£000	£000
Audit of these financial statements	19	18
Audit of subsidiary financial statements	27	4
Other services in relation to taxation	10	5
	<u>56</u>	<u>27</u>

6 Interest payable and similar expenses

	Year ended 30 April 2021	13 months ended 30 April 2020
	£000	£000
Bank interest	7	-
Hire purchase interest	28	18
Other interest	1	-
	<u>36</u>	<u>18</u>

7 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	Year ended 30 April 2021	13 months ended 30 April 2020
	£000	£000
<i>Current tax</i>		
Current tax on income for the period	1,084	604
Adjustments in respect of prior periods	(21)	(54)
		<u>550</u>
Total current tax	1,063	
<i>Deferred tax</i>		
Origination and reversal of timing differences	(144)	(110)
Adjustments in respect of prior periods	-	(13)
Effect of tax rate change on opening balance	-	10
	<u>(144)</u>	<u>(113)</u>
Total deferred tax	(144)	
Tax on profit on ordinary activities	<u>940</u>	<u>437</u>

The total tax above has been recognised in the profit and loss account in full.

Notes (continued)

7 Taxation (continued)

Reconciliation of effective tax rate

	Year ended 30 April 2021 £000	13 months ended 30 April 2020 £000
Profit for the period	6,384	2,426
Total tax expense	940	437
Profit excluding taxation	7,324	2,863
Tax using the UK corporation tax rate of 19.0%	1,392	544
Non-deductible expenses	2	58
Fixed asset timing differences	10	14
Income not taxable for tax purposes	-	(2)
Remeasurement of deferred tax for changes in tax rates	-	(8)
Adjustment in respect of prior periods – current tax	-	(65)
Adjustment in respect of prior periods – deferred tax	-	2
Deferred tax not recognised	-	3
Group relief claimed	(464)	(109)
Total tax expense included in profit or loss	940	437

8 Tangible fixed assets

Group	Short Leasehold £000	Plant and Equipment £000	Fixtures & fittings £000	Motor vehicles £000	Total £000
Cost					
At 1 May 2020	449	6,790	806	3,806	11,851
Additions	12	2,040	146	381	2,579
Disposals	-	(1,593)	(106)	(306)	(2,005)
Balance at 30 April 2021	461	7,237	846	3,881	12,425
Depreciation and impairment					
At 1 May 2020	226	3,208	519	2,438	6,391
Depreciation charge for the year	72	1,582	141	601	2,396
Disposals	-	(1,564)	(105)	(280)	(1,949)
Balance at 30 April 2021	298	3,226	555	2,759	6,838
Net book value					
At 30 April 2021	163	4,011	291	1,122	5,587
At 30 April 2020	223	3,582	287	1,368	5,460

Notes (continued)

8 Tangible fixed assets (continued)

Company

	Long Leasehold Property £000	Plant and Machinery £000	Fixtures and Fittings £000	Motor Vehicles £000	Totals £000
Cost or valuation					
At 1 May 2020	315	4,025	602	1,341	6,283
Additions	2	1,015	93	15	1,125
Disposals	-	(712)	(96)	-	(808)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 April 2021	317	4,325	599	1,359	6,600
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 May 2020	200	2,797	405	951	4,353
Charge for year	38	808	112	138	1,096
Eliminated on disposal	-	(711)	(95)	-	(806)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 April 2021	238	2,894	422	1,089	4,643
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 30 April 2021	79	1,431	177	270	1,957
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 April 2020	115	1,228	197	390	1,931
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

Group	Plant and Machinery £000	Motor Vehicles £000	Totals £000
Cost or valuation			
At 1 May 2020	650	1,520	2,170
Additions	491	305	796
Disposals	(135)	(305)	(440)
	<hr/>	<hr/>	<hr/>
At 30 April 2021	1,006	1,520	2,527
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 May 2020	89	418	507
Charge for period	34	81	115
Eliminated on disposal	(17)	(81)	(98)
	<hr/>	<hr/>	<hr/>
At 30 April 2021	106	418	524
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 April 2021	900	1,103	2,003
	<hr/>	<hr/>	<hr/>
At 30 April 2020	561	1,102	1,664
	<hr/>	<hr/>	<hr/>

Notes (continued)

8 Tangible fixed assets (continued)

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

<i>Company</i>	Fixtures and Fittings Machinery £000	Motor Vehicles £000	Totals £000
Cost or valuation			
At 1 May 2020	51	200	251
Additions	-	-	-
	<hr/>	<hr/>	<hr/>
At 30 April 2021	51	200	251
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 May 2020	28	76	104
Charge for year	10	40	50
	<hr/>	<hr/>	<hr/>
At 30 April 2021	38	116	154
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 April 2021	13	84	97
	<hr/>	<hr/>	<hr/>
At 30 April 2020	23	124	147
	<hr/>	<hr/>	<hr/>

9 Fixed asset investments

Company

	Shares in group undertakings £000
At 1 May 2020	-
Additions (<i>see note 1.3</i>)	5,992
At 30 April 2021	5,992

The company's investments at the year-end date in the share capital of the following companies:

	Aggregate of capital and reserves £000	Profit or loss for the year £000	Class of shares held	Ownership 2021	Ownership 2020	Principal activity
Barrier Services Limited	2,389	741	Ordinary	100%	100%	Road barrier erection
MLP Traffic Limited	5,152	845	Ordinary	100%	0%	Traffic management and associated services

All investments share the same registered office as Core Highways Group Limited which can be found in note 1.

Notes (continued)

10 Stocks

	Year ended 30 April 2021		13 months ended 30 April 2020	
	Group £000	Company £000	Group £000	Company £000
Raw materials and consumables	135	-	53	-

Raw materials, consumables recognised as cost of sales in the period amounted to £5,640k (2020: £847k). The write-down of stocks to net realisable value amounted to £nil (2020: £nil).

11 Debtors

	Year ended 30 April 2021		13 months ended 30 April 2020	
	Group £000	Company £000	Group £000	Company £000
Trade debtors	6,891	4,240	5,886	3,928
Amounts owed by group undertakings	8,289	4,253	565	397
Amounts receivable on contracts	5,143	2,821	2,674	875
Other debtors	53	20	360	319
Prepayments and accrued income	596	353	628	291
	<u>20,972</u>	<u>11,687</u>	<u>10,113</u>	<u>5,810</u>

Amounts owed by group undertakings are repayable on demand.

Included Amount receivable on contracts are amounts that are receivable in more than one year of £130k (13 months ended 30 April 2020: £166k) for the Group and £8k (13 months ended 30 April 2020: £nil) for the Company.

12 Creditors: amounts falling due within one year

	Year ended 30 April 2021		13 months ended 30 April 2020	
	Group £000	Company £000	Group £000	Company £000
Obligations under finance leases (see note 14)	502	46	1,210	52
Trade creditors	5,731	2,003	3,267	1,692
Amounts owed to group undertakings	6,597	6,524	6,396	404
Other taxation and social security	743	577	2,693	2,320
Other creditors	340	263	269	236
Accruals and deferred income	1,741	1,029	1,234	788
	<u>15,654</u>	<u>10,442</u>	<u>15,069</u>	<u>5,492</u>

Notes (continued)

13 Creditors: amounts falling after more than one year

	Year ended 30 April 2021		13 months ended 30 April 2020	
	Group £000	Company £000	Group £000	Company £000
Obligations under finance leases (see note 14)	878	39	638	85
	<u>878</u>	<u>39</u>	<u>638</u>	<u>85</u>

14 Leasing agreements

The present value of minimum lease payments for hire purchase contracts fall due as follows:

	Year ended 30 April 2021		13 months ended 30 April 2020	
	Group £000	Company £000	Group £000	Company £000
Net obligations repayable:				
Within one year	502	46	1,210	52
Between one and five years	878	39	638	85
	<u>1,380</u>	<u>85</u>	<u>1,848</u>	<u>137</u>

Non-cancellable operating lease rentals are payable as follows:

	Year ended 30 April 2021		13 months ended 30 April 2020	
	Group £000	Company £000	Group £000	Company £000
Within one year	797	371	746	223
Between one and five years	1,870	596	1,486	603
More than five years	271	56	294	94
	<u>2,938</u>	<u>1,023</u>	<u>2,526</u>	<u>920</u>

During the year ended April 2021 £919k (2020: £455k) was recognised as an expense in the consolidated profit and loss account in respect of operating leases.

During the year ended April 2021 £450k (2020: £359k) was recognised as an expense in the company's profit and loss account in respect of operating leases.

Notes (continued)

15 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

<i>Group</i>	Assets £000	Liabilities £000	Year ended 30 April 2021 Net £000	13 months ended 30 April 2020 Net £000
Fixed asset timing differences	(121)	-	(121)	20
Other – short-term timing differences	(12)	-	(12)	(9)
	<hr/>	<hr/>	<hr/>	<hr/>
Tax (assets) / liabilities	(133)	-	(133)	11
Net of tax liabilities/(assets)				
	<hr/>	<hr/>	<hr/>	<hr/>
Net tax (assets) / liabilities	(133)	-	(133)	11
	<hr/>	<hr/>	<hr/>	<hr/>

<i>Company</i>	Assets £000	Liabilities £000	Year ended 30 April 2021 Net £000	13 months ended 30 April 2020 Net £000
Fixed asset timing differences	(89)	-	(89)	(4)
Other – short term timing differences	(7)	-	(7)	(5)
	<hr/>	<hr/>	<hr/>	<hr/>
Tax assets	(96)	-	(96)	(9)
Net of tax liabilities/(assets)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net tax assets	(96)	-	(96)	(9)
	<hr/>	<hr/>	<hr/>	<hr/>

16 Capital and reserves

Allotted, issued and fully paid:

<i>Class</i>	Nominal value	Year ended 30 April 2021		13 months ended 30 April 2020	
		Number	£	Number	£
Ordinary	£1	688	688	688	688
			<hr/>		<hr/>

Notes (continued)

17 Related parties

The group has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Other related party transactions

Admin expense incurred	Year ended 30 April 2021 £000	13 months ended 30 April 2020 £000	Terms
Rent paid to company directors and related parties	24	8	Market rate
	<u>24</u>	<u>8</u>	

Company

Other related party transactions

Admin expense incurred	Year ended 30 April 2021 £000	13 months ended 30 April 2020 £000	Terms
Rent paid to company directors and related parties	24	8	Market rate
	<u>24</u>	<u>8</u>	

Creditors outstanding	Year ended 30 April 2021		13 months ended 30 April 2020	
	Group £000	Company £000	Group £000	Company £000
Rent due to company directors and related parties	1	1	7	7
	<u>1</u>	<u>1</u>	<u>7</u>	<u>7</u>

Notes (continued)

18 Capital commitments

Capital expenditure of £687k (13 months ended 30 April 2020: £nil) was committed to as at the end of the financial year by the Group for the purchase of vehicles and plant and machinery.

Capital expenditure of £116k (13 months ended 30 April 2020: £nil) was committed to as at the end of the financial year by the Company for the purchase of plant and machinery

19 Ultimate parent company

The Company is a subsidiary undertaking of Core Highways Acquisitions Limited. The ultimate controlling party is Core Highways Group Limited.

The largest and smallest group in which the results of the Company are consolidated is that headed by Core Highways Group Limited, Unit 1, 22 Aspen Way, Paignton, Devon, United Kingdom TQ4 7QR.

20 Accounting estimates and judgements

Key sources of estimation uncertainty

The Directors focus on Key areas of accounting estimate and judgement. They believe the following represent the key areas:

Recoverability of investment carrying values

The directors regularly review the carrying value of investments to identify any indicators of impairment. Consideration is given to the future cash generation of the underlying assets through either continued use or sale. Cash flows are discounted to reflect the time value of money.

Recoverability of trade receivables and amounts receivable under contracts

The directors monitor the recovery profile of trade receivables and other amounts receivable under contracts through discussions with customers and reviewing post year end cash collection to assess the need for any allowance for doubtful debts. This includes monitoring the insurance limits applicable for specific customers from the credit insurance policy in place for the company.

Revenue recognition

The group has income streams where it is required to measure the work it has performed during the period, using contractual terms and any subsequent amendments.