ITIS Holdings plc

Annual report and financial statements
for the year ended 31 March 2007

Registered number 3461748

Statement of the Chairman and the Chief Executive

FINANCIAL OVERVIEW

For the year ended 31st March 2007, turnover increased by 30 3% to £18 79m (2006 £14 42m) £4 62m of turnover for the year (2006 £4 24m) has been presented as discontinued following the sale on 26 March 2007 of NavTrak Limited ("NavTrak"), the Group's stolen vehicle tracking subsidiary, to Cobra Automotive Technologies spa Turnover for the year ended 31st March 2007 arose predominantly from the Group's UK business, being traffic data sales to RDS-TMC customers, data sales to local and central Government and other third party organisations and from customers using the Group's various mobile telephone information services

On a Group basis, pre exceptional profit before taxation was £3 90m (2006 £1 63m), and £7 96m (2006 £1 96m) on a post exceptional basis During the year a deferred tax asset of £1 49m was recognised (2006 £nil), which created a taxation credit of £1 49m in the profit and loss account

Adjusted basic and diluted earnings per share (defined in note 9 to these financial statements) were up 271% to 5 2p (2006 1 4p), after taking into account the deferred tax asset credit of 1 5p per share (2006 nil) Basic and diluted earnings per share were 9 6p (2006 2 1p)

NavTrak was sold for an initial cash consideration of £2 20 million Additional cash consideration of up to £1 38 million may become receivable by the Group over the next five years, subject to NavTrak meeting certain trading conditions Boosted by this cash receipt, the year-end cash balance strengthened to £11 57m (2006 £5 70m)

The Company is proposing to pay a maiden dividend of 1 5p per share subject to court and shareholder approval

UK BUSINESS REVIEW

For the period under review, virtually all of our revenues and profits were generated in the UK Our growth has been driven from customers' demand to integrate real time traffic information into satellite systems to improve functionality and the driver experience

In particular, our early adoption of RDS-TMC, the international standard for the delivery of traffic to satellite navigation systems, has given us close relationships with eighteen car manufacturers We are particularly pleased to have renewed contracts with BMW UK Limited and Porsche GB for a five year period and with the Ford Motor Company for three years We remain committed to developing our data quality and service coverage for TMC and recently signed deals with UTV Radio, Guardian Media Group (GMG) and others to acquire further capacity on FM radio to supplement the our national broadcast licence on Classic FM

Apart from competing for contract renewals and pitching for new contracts from the few manufacturers we do not service, growth in this market is entirely dependant upon our customers selling more navigation units year on year We believe that there are now over 550,000 devices receiving our TMC service and this number will continue to grow

Last month we simultaneously launched an enhanced mobile IVR (Interactive Voice Response) service and increased our presence on the web with a totally redesigned site at www keepmoving co uk

Amongst many new options, the IVR now offers callers the opportunity to record their own eyewitness report

The Company provides its traffic information to twenty Personal Navigation Device (PND) and aftermarket manufacturers and to support mapping and routing organisations such as the AA and Multimap The PND market continues to attract new entrants of which ITIS will be supplying traffic to Thinkware Systems, a new entrant to the UK market, and Road Angel who are for the first time integrating traffic into their navigation products

The Company has a powerful real time and historic data set which supports all of the UK business Outside of organic growth from its existing customers, the Company intends to build on several strong and long term relationships to develop service enhancements that will be valued by drivers whilst creating new revenue streams

Statement of the Chairman and the Chief Executive

INTERNATIONAL BUSINESS REVIEW

ITIS enjoys a reputation for innovation, high levels of data quality and commercial success All of these attributes have enabled us to develop our business outside the UK with local partners who can benefit from our technology and expertise

As we found when we launched the business in the UK, developing a new market successfully can take time with considerable effort spent on pilot schemes before a national service can be implemented We have proven in the UK that our technologies are robust and scaleable which allow us quickly to scope the potential of a new market and to work closely with partners to establish a business model and demonstrate the viability of the services Whilst our strategy is to qualify new prospects by speed and potential, business models and start up costs can vary from country to country

USA

On 6 December 2005, the Company announced that an agreed form contract with the Missouri Department of Transportation ("MODOT") had been approved by the Missouri Highways and Transportation Commission

However, as previously highlighted, due to circumstances beyond ITIS' control, this project remained undelivered in the year ended 31 March 2007 During this time both ITIS and its US partner, Delcan, remained in contract with MODOT whilst seeking a solution with its involvement Whilst Missouri has the potential to provide us with an excellent reference site, the financial contribution from delivering this contract is expected to very modest

OTHER COUNTRIES

Activities outside the UK and the US are now beginning to show their true potential We are pleased to announce today that we have reached agreement to provide traffic information services in the Republic of Ireland through a new licensing deal Under this arrangement our partner, iTraffic, has secured the cooperation of a mobile operator which has become a de facto requirement for us when launching our services into a new country We have also licensed our technology in a second European country and the system is currently being rolled out nationwide More details will be announced shortly once our partners have made their own press announcements

Other European activity includes a pilot with a mobile operator based in Spain to provide traffic information in Barcelona and the launch of a traffic service in Prague

In Australia we have successfully provided our RDS-TMC software platform for Intelematics, a wholly owned subsidiary of Royal Automobile Club of Victoria, and have completed a successful demonstration of our CFVD technology through our partner Traffic Intelligence for Optus Optus are a leading mobile operator, who are part of the SingTel group, one of Asia's leading communications groups with operations in more than twenty countries and territories around the world

CURRENT TRADING & PROSPECTS

The Board is encouraged with the Company's progress and believes that it can build upon the success in the UK and start to generate revenues internationally

The current financial year has started well and the Board remains confident about the Company's future prospects

Sir Trevor Chinn CVO
Chairman
11 June 2007

Stuart Marks
Chief Executive

Directors

Stuart Marks, Chief Executive
Stuart Marks, aged 40, is the founder of ITIS Holdings, and has fifteen years' experience in the service industry He was the founder and Chief Executive Officer of Handling Solutions Limited, a company which specialises in database-led promotional fulfilment, direct mail and customer loyalty programmes The company was later sold to Park Group plc In 1997 he established Module Communications, which grew to become a leading new media company, and was sold to Grey Advertising in 1999

Jonathan Burr, Chief Technology Officer
Jonathan Burr, aged 46, graduated from the University of Oxford in 1982 and in 1985 qualified as a Chartered Accountant with Touche Ross Management Consultants In 1987 he joined Avis Europe plc and in 1993 became Director of Business Development Europe for Capital Fleet Services In December 1996 GECFS appointed him as Managing Director, Benelux and then as Managing Director, UK and Ireland in September 1996 He joined ITIS Holdings in January 2000

Andrew Forrest, Finance Director
Andrew Forrest, aged 39, graduated from the University of Bath, with a degree in Electronic and Communication Engineering in 1990 He qualified as a chartered accountant with Cassons in 1993 and joined ITIS Holdings in May 2000 to assist with the flotation process He was appointed as Finance Director in November 2002

Sir Trevor Chinn, CVO, Chairman
Sir Trevor Chinn, aged 71, is Chairman of the Automobile Association He retired at the end of April 2003 as Chairman of RAC plc (formerly Lex Service PLC) He was appointed to the Board of Lex Service PLC in 1959, became Managing Director in 1968, Chairman and Chief Executive in 1973 and Chairman in September 1996 In 1999 he was appointed Chairman of the Motorists' Forum He was awarded the CVO in 1989 and a knighthood in 1990 for his charitable activities, in particular the Wishing Well Appeal for Great Ormond Street Hospital He was appointed Chairman of ITIS Holdings in September 2000

John Hewett, Non-Executive Director
John Hewett, aged 43, is Chief Executive of Smedvig Capital, a London based venture capital firm he founded with Peder Smedvig in 1996 He sits on a number of boards in connection with Smedvig Capital investments Prior to this, he was a management consultant with Bain & Company and an investment banker with NatWest Markets He has an MBA from Harvard Business School He was appointed as a Non-Executive Director of ITIS Holdings in April 2000

Steven Norris, Non-Executive Director and Senior Independent Director
Steven Norris, aged 62, was a Member of Parliament from 1983 to 1997 and Minister of Transport from 1992 to 1996 He retired in 1997 to be Director General of the Road Haulage Association He was the Conservative candidate for Mayor of London in 2000 and 2004 He is currently Executive Chairman of Jarvis plc, Chairman of AMT-Sybex Group Ltd and a director of a number of other companies in the transport field He is Senior Partner of Park Place Communications, a specialist in transport, land use and planning policy He is President of ITS UK, the trade association of the UK telematics industry, and a former President of the Motorcycle Industry Association He was the first Chair of the National Cycling Strategy Board He is a leading authority on transport policy in the UK He was appointed as Non-Executive Director of ITIS Holdings in May 1997

Directors' report

For the year ended 31 March 2007

The directors present their annual report on the affairs of the Group, together with the financial statements and auditors' report, for the year ended 31 March 2007

Enhanced Business Review

ITIS is a leading international provider of traffic information The Group is now focused on one division the provision of road traffic and data services through its subsidiaries Integrated Transport Information Services Limited, ITIS UK Limited and ITIS Traffic Services Limited (collectively ITIS) after the disposal of its vehicle security services division NavTrak Limited on 26 March 2007 This sale is the only significant change in the Group's principal activities in the year under review The directors are not aware, at the date of this report, of any likely major changes in the Group's activities in the next year

The Statement of the Chairman and the Chief Executive, which forms part of this report, describes the development of the business during the financial year and the outlook for the future

ITIS has continued to invest in and develop a family of traffic probe technologies that generate high quality traffic information through sampling data from vehicles travelling on a given road network The two technologies that ITIS have developed are

Floating Vehicle Data (FVD®) A system that gathers location and speed information from vehicles equipped with location devices such as a GPS/GSM unit This system provides high quality real-time and historic traffic information In the UK, ITIS operates the world's largest such commercial system providing traffic services to a number of markets including the government and the automotive industry Real-time probe data is combined with journalistic information and content is then delivered over a variety of platforms including RDS-TMC (Alert C), digital radio and automated telephone services (IVR) ITIS also sells the same information as historic data to organisations such as the Government

Cellular Floating Vehicle Data (CFVD®) In December 2003 ITIS acquired Estimotion Inc , a company based in Israel which has developed patented technology that provides a system for measuring and forecasting real time traffic flow based on anonymously sampling the positions of mobile devices on a cellular network

ITIS set up a subsidiary (ITIS Traffic Services Limited) based in Tel Aviv, which took on the Estimotion employees to continue the development of the CFVD technology This Israeli operation is a research and development centre

The Group continues to invest in research and development as the directors regard such investment as necessary for continuing success in the medium to long-term future

As shown in the Group profit and loss account on page 23, the Group's sales have increased by £4 372m (30 3%) over the prior year As much of the cost base on the road traffic and data services side of the group is fixed, this has resulted in an increase to gross profit of £3 174m (42 7%) over the previous year

The consolidated balance sheet on page 25 of the financial statements shows that the Group's financial position at the end of the year is, after taking into account the sale of NavTrak and the increase in profitability, consistent with the prior year in both net assets and cash terms Cash has increased during the year from £5,697 5m to £11,571 1m

There have been no significant events since the balance sheet date

Enhanced Business Review (continued)

ITIS Holdings plc managed its operations during the year as stated above on a divisional basis For this reason, the Group's directors believe that further key performance indicators for the Group are not necessary or appropriate for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

Competitive activity in the UK and elsewhere in the world is a continuing risk for the Group, which could result in it losing sales to its key competitors The Group manages this risk through the provision of high quality data, added value services to its customers, maintaining strong relationships with customers and by continuing technological developments in its research and development

Certain of the Group's transactions are undertaken in foreign currencies and it is therefore exposed to movements in the various exchange rates The Group's treasury function, where it considers it to be appropriate, takes out contracts to manage this risk at a Group level

In trading overseas, the Group has adopted a low risk strategy by forming partnerships and licensing its technology to interested parties

The Group has developed a strong patent portfolio, which enables it to control and protect its technology, and gives it the design freedom required to maintain technical superiority in the field

Contingent liabilities

A subsidiary of the Group is involved in a patent litigation case in Israel It is the view of the Directors, in light of advice from legal counsel, that it is unlikely that a liability will arise from this litigation and no provision has therefore been made for any such losses in these financial statements Further details are given in note 28

Environment

The nature of the Group's business means that the Group's activities have very little impact on the environment The Group recognises though the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the Group's activities Initiatives designed to minimise the Group's impact on the environment include safe disposal of waste and assets no longer in use, recycling and reducing energy consumption

Results and dividends

The Group profit for the financial year, after taxation and minority interests, amounted to £9,445,845 (2006 restated Group profit of £2,048,278 (Note 1)) Before the profit from the sale of NavTrak Limited and the credit arising from the recognition of a deferred tax asset, £3,664,426 of the 2007 profit resulted from continuing operations (2006 - £1,370,368) – a reconciliation of these amounts is given in note 9 No dividend can be paid (2006 - £nil) though a maiden dividend of 1 5p per share, which remains subject to court and shareholder approval, has been proposed by the directors

Directors

The directors who served during the year, together with their interests in the ordinary 2 pence shares of the company at 31 March 2007 and at 1 April 2006 were as follows

		Beneficial holdings		Share options	
		Ordinary shares of 2p each 2007	Ordinary shares of 2p each 2006	Ordinary shares of 2p each 2007	Ordinary shares of 2p each 2006
	Sir T Chinn CVO (Chairman)	1,732,240	1,732,240	-	-
	S A Marks (Chief Executive)	31,165,751	31,165,751	1,500,000	1,500,000
	J Burr	166,665	166,665	1,000,000	1,000,000
	A D Forrest	26,126	26,126	500,000	500,000
*	J Hewett [1]	200,000	200,000	-	-
*+	S Norris	750,000	750,000	-	-

* Non-Executive director

+ Senior independent director

[1] John Hewett is the board representative of Smedvig Capital AS, the holder of 13,620,212 ordinary shares of 2p

There have been no other changes in directors' interests between the year end and 11 June 2007

The directors have no other interests required to be disclosed under Schedule 7 of the Companies Act 1985

Sir Trevor Chinn and Jonathan Burr retire by rotation at the next Annual General Meeting and, being eligible, offer themselves for re-election Brief biographical details of these directors are set out on page 3

Information given to auditors

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

(1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This information is given and should be interpreted in accordance with the provision of section 234ZA of the Companies Act 1985

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements The directors have prepared the accounts for the company and the Group in accordance with United Kingdom Generally Accepted Accounting Practice ('UK GAAP')

Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view, in accordance with UK GAAP, of the state of affairs of the company and of the Group and of the profit or loss of the Group for that period and comply with UK GAAP and the Companies Act 1985 In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and Group will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and Group and enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Supplier payment policy

It is company and Group policy to agree and clearly communicate the terms of payment as part of the commercial arrangement negotiated with suppliers and then to pay according to those terms based on the timely receipt of an accurate invoice The proportion of trade creditors at 31 March 2007 to amounts supplied during the year to the company gives an average payment term of 19 days (2006 - 18 days)

Donations

Charitable donations during the year amounted to £3,442 (2006 - £750)

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group This is achieved through formal and informal meetings Employees' representatives are consulted regularly on a wide range of matters affecting their current and future interests

Research and development

The Group continues an active programme of research and development, the costs of which in the year amounted to £1,826,817 (2006 - £1,593,194) The costs incurred reflect the Group's investment in traffic information and associated services

Substantial shareholdings

On 11 June 2007, the company had been notified in accordance with sections 198 to 208 of the Companies Act 1985 of the following interests in the ordinary share capital of the company

	Number of Ordinary 2p shares	% of issued share capital
Mr S A Marks	31,165,751	30 92
Smedvig Capital AS	13,620,212	13 51
ITIS Holdings plc EBT	4,782,757	4 74
Universities Superannuation Scheme Limited	4,070,000	4 04

International Financial Reporting Standards

The Group intends to comply with AIM regulations and implement International Financial Reporting Standards ('IFRS') for the financial statements from 2007 The financial statements for the year ending 31 March 2008, including comparative information for the year ended 31 March 2007, will therefore be prepared in accordance with IFRS The Group is currently undertaking a detailed review of the impact of IFRS on its published financial statements Although these standards are themselves evolving and undergoing improvements, a preliminary review shows that the key standards that are expected to have an impact on the Group are

- IFRS 1 First time adoption of IFRS,
- IFRS 5 Non-current assets held for sale and discontinued operations,
- IAS 14 Segment reporting,
- IAS 17 Leases,
- IAS 18 Revenue,
- IAS 38 Intangible assets, and
- IAS 39 Financial instruments

The interim report to September 2007 will be prepared in accordance with IFRS and full reconciliations of the impact will be provided

Directors' report (continued)

Auditors

A resolution to re-appoint Deloitte & Touche LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting

By order of the Board,

A D Forrest
Company Secretary

Station House
Stamford New Road
Altrincham
Cheshire WA14 1EP

11 June 2007

Corporate governance

For the year ended 31 March 2007

The company ıs commıtted to the pnncıples of corporate governance contaıned ın the July 2003 FRC Combıned Code ('the FRC Code'), whıch ıs appended to the Lıstıng Rules of the Fınancıal Servıces Authonty and for whıch the Board ıs accountable to shareholders Although not requıred to, the dırectors have elected to provıde corporate governance dısclosures

Statement of complıance with the Code of Best Practıce

Throughout the year ended 31 March 2007, the company has been ın complıance wıth the Code provısıons set out ın Sectıon 1 of the FRC Code, wıth the followıng exceptıons

Board composıtıon

The Board has one ındependent non-executıve dırector, Steven Norrıs John Hewett ıs not consıdered to be ındependent by vırtue of the fact that he ıs the board representatıve of Smedvıg Capıtal AS, whıch has a sıgnıficant shareholdıng ın the company

Consequently, throughout the year the company has been unable to comply wıth the followıng paragraphs of the FRC code ın relatıon to composıtıon of the Board and ıts commıttees

- A 3 2 – A smaller company should have at least two ındependent non-executıve dırectors
- A 4 1 – A majorıty of members of the nomınatıon commıttee should be ındependent non-executıve dırectors
- B 2 1 – The Board should establısh a remuneratıon commıttee of at least, ın the case of smaller companıes, two members, who should all be ındependent non-executıve dırectors
- C 3 1 – The Board should establısh an audıt commıttee of at least, ın the case of smaller companıes, two members, who should all be ındependent non-executıve dırectors

In addıtıon, the fact that the Chaırman sıts on the remuneratıon and audıt commıttees ıs at varıance wıth provısıons B 2 1 and C 3 1 above

The Board does not belıeve ıt necessary to appoınt further ındependent non-executıve dırectors at thıs tıme and belıeves that the current Board composıtıon ıs appropnate for the sıze and nature of the Group

Performance evaluatıon

Durıng the year, the performance evaluatıon of the executıve dırectors by the remuneratıon commıttee has taken place However, performance appraısal of the Board, ıts commıttees, the chaırman and the non-executıve dırectors has been on an ınformal basıs only Thıs ıs at varıance wıth Prıncıple A 6 of the FRC Code, whıch states that the Board should undertake a formal and rıgorous annual evaluatıon of ıts own performance and that of ıts commıttees and ındıvıdual dırectors The Board belıeves ınformal evaluatıon ıs adequate and appropnate for the current sıze of the Group

Statement about applying the Principles of Good Governance

The company has applied the Principles set out in Section 1 of the FRC Code by complying with the Code provisions as reported above Further explanations of how the principles have been applied are set out below and, in connection with directors' remuneration, in the remuneration report

Board operation

The Board of directors is set out on page 3 The Group has achieved a balanced Board by the inclusion of two non-executive directors, under the leadership of Sir Trevor Chinn, who serves as chairman of the Board, chairman of the audit and nomination committees and also serves on the remuneration committee

Certain defined issues are reserved for the Board to decide, including

- strategy and management, including approval of the Group's objectives and commercial strategy, oversight of the Group's operations and review of Group performance,
- Group structure and capital,
- financial reporting and controls, including approval of financial statements and circulars,
- ensuring maintenance of a sound system of internal control and risk management, and
- directors' appointment, service agreements and remuneration

Timeliness and quality of Board information

The Board has sought to ensure that directors are properly briefed on issues arising at Board meetings by establishing procedures for distributing Board papers in advance of meetings, considering the adequacy of the information before making decisions, and adjourning meetings or deferring decisions when directors have concerns about the information available to them

100% attendance was recorded for all meetings of the Board, audit and remuneration committees, which numbered eight, three and two respectively

The Board considers that it has shown its commitment to leading and controlling the company by communicating the Group's development to the employees through its management structure throughout the year

Appointments to the Board

The Board follows formal and transparent procedures when appointing directors There were no Board appointments during the year and hence the nomination committee did not meet during the year

The terms and conditions of appointment of non-executive directors are available for inspection at the company's registered office during normal business hours and at the Annual General Meeting

Statement about applying the Principles of Good Governance (continued)

Board performance evaluation

An assessment of the performance of the executive directors was carried out during the year by the remuneration committee Informal assessment of all remaining directors, the Board and its committees was also carried out

Regular re-election of directors

All directors are subject to re-election by rotation every three years, as required by Provision A 7 1 of the FRC Code As disclosed in the Directors' report, Sir Trevor Chinn and Jonathan Burr are offering themselves for re-election Brief biographical details of these directors are set out on page 3

Following the performance evaluations carried out in respect of Sir Trevor Chinn, the Board proposes his re-election as a director The Board asserts that Sir Trevor Chinn's performance continues to be effective and to demonstrate commitment to his role

Dialogue with institutional investors

The directors seek to build on a mutual understanding of objectives between the Group and its institutional shareholders by attending a number of meetings throughout the year with analysts and institutional shareholders

Constructive use of Annual General Meeting

The Board has sought to use the Annual General Meeting to communicate with private investors, with the directors and committee chairs making themselves available for questions

Investors are also able to visit the company's website at **www itisholdings com**

Maintenance of a sound system of internal control

In applying Principle C 2 of the Combined Code that the Board should maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets, the directors recognise that they have overall responsibility for ensuring that the Group maintains a system of internal control to provide them with reasonable assurance regarding effective and efficient operations, internal control and compliance with laws and regulations There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, which has been in place throughout the year ended 31 March 2007 and up to the date of signing of these financial statements This process is reviewed regularly by the Board and accords with the Turnbull guidance However, there are inherent limitations in any system of internal control and accordingly even the most effective system can provide only reasonable, and not absolute, assurance against material misstatement or loss

In recognition of the importance of the maintenance of a sound system of internal control, the Group has an internal audit department

Responsibility for designing and operating the system is delegated to the executive directors The Audit Committee has reviewed the effectiveness of the Group's internal control environment, the Group's financial statements and the scope of the work undertaken by the internal and external auditors against material misstatement or loss

The Group recognises that employees who raise concerns are an asset and employees are provided with a procedure by which concerns may be raised without reprisals in any form

Maintenance of a sound system of internal control (continued)

In compliance with provision C 2 1 of the Combined Code, the Board continuously reviews the effectiveness of the system of internal controls Key elements include

- Clearly defined organisational structure with lines of responsibility and delegation of authority to executive management, who are accountable for the conduct and performance of the business within the agreed business strategy

- Detailed Group-wide budgeting with the annual budget approved by the Board There is monthly reporting of results to the Board, including monthly reporting of actual against budget at each operational level and revised forecasts to executive management

- Control of key financial risks through clear authorisation levels and proper segregation of accounting duties Significant capital projects and acquisitions and disposals require Board approval

- The Group has established controls and procedures over the security of data held on computer systems and is in the process of strengthening disaster recovery arrangements These arrangements will be tested regularly

- The budgetary reviews include the identification and assessment of business and financial risks Executive management is responsible for the identification and evaluation of key risks applicable to their areas of business The audit committee reviews the risk assessment from senior management together with the reports from the internal and external auditors

- The audit committee is responsible for monitoring the controls in place and determines any corrective action that it considers is appropriate in respect of internal control issues raised by the internal and external auditors The external auditors have an opportunity to meet the audit committee without any executive directors being present

Audit committee
Sir Trevor Chinn, John Hewett and Steven Norris served on the audit committee throughout the year, with Sir Trevor Chinn as chairman These directors also form the nominations committee Details on the qualifications and experience of these directors are given on page 3

In reporting financial results to shareholders, the committee depends on the skill, objectivity and independence of the external auditors In the year ended 31 March 2007, the committee obtained confirmation of the auditors' independence

Maintenance of a sound system of internal control (continued)

Audit committee (continued)

The committee's areas of activity during the year included

- assessment of independence of auditors,
- approval of auditors' re-appointment and fees,
- approval of scope of internal audits,
- review of the findings of external audits,
- approval of management representations to the external auditors,
- review of financial statements and results announcements,
- review of arrangements for reporting and investigation of employee concerns,
- review of internal audit findings and monitoring of effectiveness of internal audit,
- review of effectiveness of Board's internal controls and risk management process,
- assessment of internal and external audit effectiveness, and
- recommendation of new terms of reference for committee and internal audit function

Going concern

After making enquiries, the directors have formed a judgment, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future For this reason the directors continue to adopt the going concern basis in preparing the financial statements

By order of the Board,

Sir Trevor Chinn CVO
Chairman

11 June 2007

Directors' remuneration report
For the year ended 31 March 2007

Introduction

This report has been voluntarily prepared and is in accordance with the Directors' Remuneration Report Regulations 2002, which introduced new statutory requirements for the disclosure of directors' remuneration in respect of periods ending on or after 31 December 2002 for companies with a full listing on the London Stock Exchange The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to directors' remuneration As required by the Regulations, a resolution to approve the report will be proposed at the Annual General Meeting of the company at which the financial statements will be approved

The Regulations require the auditors to report to the company's members on the "auditable part" of the Directors' Remuneration Report and to state whether in their opinion that part of the report has been properly prepared in accordance with Companies Act 1985 (as amended by the Regulations)

Unaudited information

Remuneration committee

The committee consists of Steven Norris and Sir Trevor Chinn, under the chairmanship of John Hewett Its purpose is to determine the remuneration, benefits and the terms and conditions of employment of the executive directors No director plays a part in any discussion about his own remuneration

Remuneration policy

Executive remuneration packages are prudently designed to attract, motivate and retain directors and senior executives of the high calibre needed to maintain the company's position as a market leader and to reward them for enhancing value to shareholders The performance measurement of the executive directors and the determination of their annual remuneration package is undertaken by the committee Within the limits set out by the Articles of Association, the Board determines the remuneration of the non-executive directors Details of the directors' remuneration are given in the 'Audited Information' section, below

There are four main elements of the remuneration package for executive directors and senior management

- Basic annual salary and benefits,
- Annual bonus payments,
- Share option incentives, and
- Pension arrangements

Basic salary

Salaries for the executive directors are reviewed annually, with the most recent review taking effect from July 2006 In deciding appropriate levels, the committee considers the Group as a whole and salary levels of comparative companies Executive directors' contracts of service, which include details of remuneration, will be available for inspection at the Annual General Meeting

Annual bonus payments

The committee establishes the objectives that must be met for each financial year if a cash bonus is to be paid In setting appropriate bonus parameters the committee refers to comparator companies as noted above The committee believes that any incentive compensation awarded should be tied to the interests of the company's shareholders Incentive payments made for the year ended 31 March 2007 are given below

Fifty per cent of the directors' bonus scheme for the year ended 31 March 2007 was based on a three-tier scale, with 6 66% of salary being payable if targets are met within 5% A further 6 66% is payable for meeting targets and a further 6 66% is payable on exceeding these targets by more than 5% In addition to this, the directors can receive an additional 10% of salary dependent upon international progress and a further discretionary amount of 10% of salary based upon overall performance

Share options

Grants of share options are at the discretion of the Board All grants are intended to promote a longer term involvement in the well-being of the company and capital growth benefits for option holders Options are not routinely granted on an annual basis but made on an individual basis to reflect performance, increased responsibilities and promotions

The company operates three share option plans the approved plan, the unapproved plan and the EMI plan

Approved plan

All executive scheme options are granted at a price not less than the five-day average market price prevailing at the date of grant The options are exercisable at the earlier of the third anniversary of the date of grant or such other date as may be determined as at the date of grant by the Grantor

Unapproved plan

Options granted prior to admission to the Alternative Investment Market were granted at an option price determined by the Board which was equivalent to market value

EMI plan

Options granted under this scheme are granted at prices set by the Board and may be less than the market value prevailing at the date of grant but may not be less than the nominal value of an ordinary share The Board in each individual case will determine the circumstances in which an employee can exercise their EMI option

Directors' pension arrangements

Executive directors are eligible to be members of the company's money purchase (defined contribution) Group personal pension scheme The company makes pension contributions of 15 percent of basic salary for executive directors Their dependents are eligible for dependents' pensions at the level of 25 percent of the member's earnings Life assurance is provided for each executive director at a maximum of four times basic salary

Service agreements

All non-executive directors have specific terms of engagement and their remuneration is determined by the Board within the limits set out in the Articles of Association and based upon independent surveys of fees paid to non-executive directors of similar companies Non-executive directors cannot participate in any of the company's share option schemes and are not eligible to join the company's pension scheme

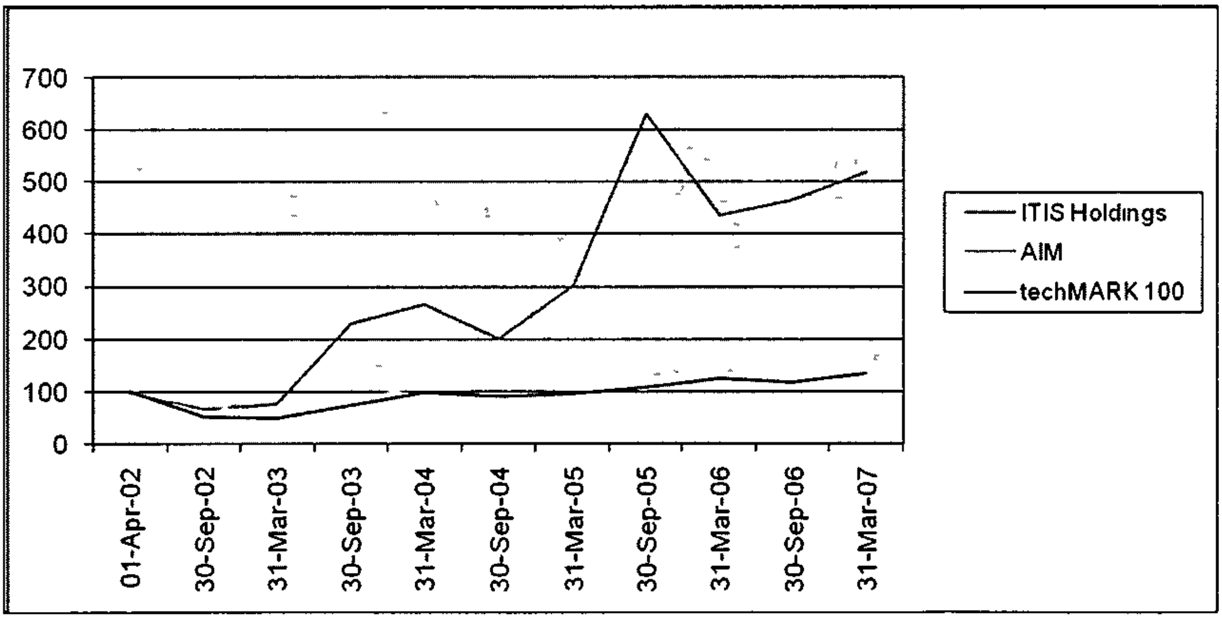
In the case of early termination of employment, the committee will adopt the objectives outlined in the Combined Code

Payment in respect of Steven Norris' services is made to a company owned by him Payment in respect of John Hewett's services is made to Smedvig Capital Limited

Performance graphs

The following graph illustrates the company's Total Shareholder Return (TSR) performance since 1 April 2002 relative to the FTSE AIM index and to the FTSE techMARK 100 index The FTSE AIM comparator Group was chosen as ITIS Holdings plc is a member of that index, and the FTSE techMARK 100 index was chosen as it represents a broad equity index, which the directors feel is comparable to the company The graph looks at the value, by 31 March 2007, of £100 invested in ITIS Holdings plc on 1 April 2002 compared with that of £100 invested in the FTSE AIM and techMARK 100 indexes The other points are plotted at half-year and financial year ends

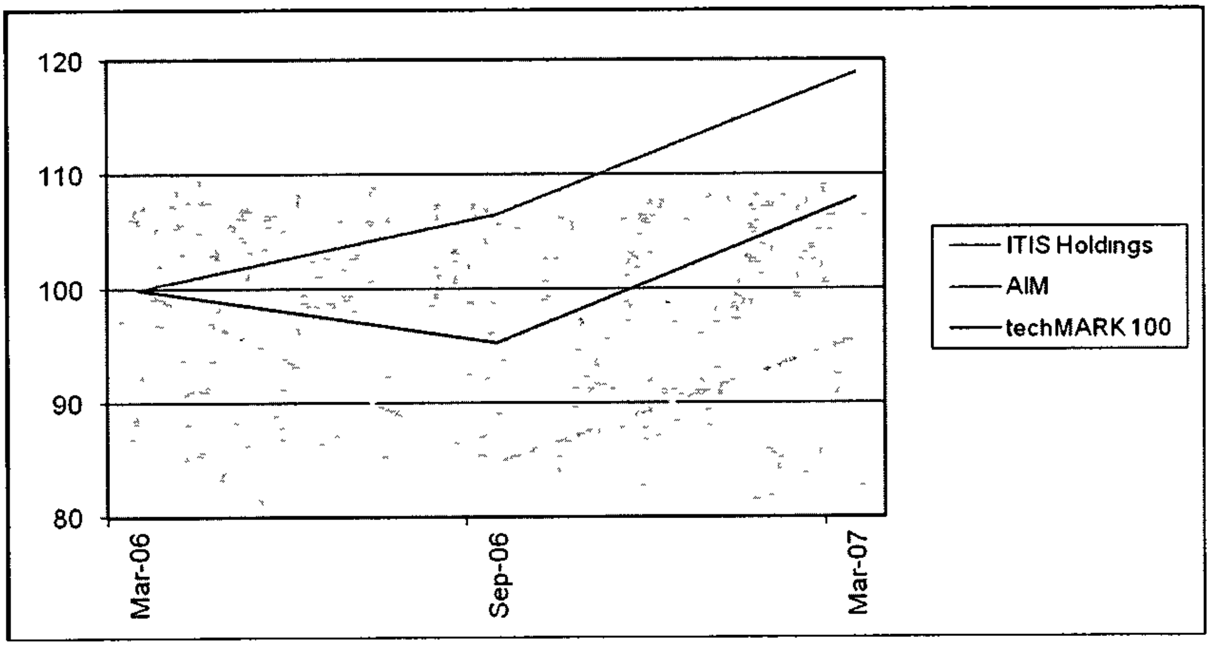
TSR Performance Graph



Performance graphs (continued)

The following graph illustrates the company's TSR performance for the year ended 31 March 2007, the period since the last annual report and financial statements The graph looks at the value, by 31 March 2007, of £100 invested in ITIS Holdings plc on 1 April 2006 compared with that of £100 invested in the FTSE AIM and techMARK 100 indexes The other point is plotted at the half-year end

TSR Performance Graph



It is the company's policy that executive directors should have contracts with an indefinite term providing for a maximum of six months' notice The details of the directors' contracts are summarised below

	Date of contract	Notice period
S A Marks	4 October 2000	6 months
J Burr	4 October 2000	6 months
A D Forrest	20 November 2002	6 months

Audited Information

Aggregate remuneration

The total amounts for directors' remuneration and other benefits were as follows

	2007 £	2006 £
Emoluments	705,835	565,247
Money purchase pension contributions	34,988	30,492
	740,823	595,739

Directors' emoluments

	Fees / basic salary £	Annual bonuses £	Benefits in kind £	**Total 2007 £**	Total 2006 £	Money purchase pension contributions 2007 £	2006 £
Executive							
S A Marks	171,825	61,250	16,713	**249,788**	201,526	-	-
J Burr	144,380	52,500	12,536	**209,416**	157,469	21,657	18,989
A D Forrest	88,875	32,463	12,793	**134,131**	100,256	13,331	11,503
Non-executive							
Sir T Chinn	62,500	-	-	**62,500**	50,000	-	-
S Norris	25,000	-	-	**25,000**	24,996	-	-
J Hewett	25,000	-	-	**25,000**	31,000	-	-
	517,580	146,213	42,042	**705,835**	565,247	34,988	30,492

Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the company granted to or held by the directors Details of options for directors who served during the year are as follows

Director	At beginning and end of the year Number	Exercise price	Earliest date of exercise	Expiry date
S A Marks	1,500,000	7 5p	2 Dec 03/04/05[1]	1 Dec 2012
J Burr	1,000,000	7 5p	2 Dec 03/04/05[1]	1 Dec 2012*
A D Forrest	400,000	7 5p	2 Dec 03/04/05[1]	1 Dec 2012*
	100,000	24 7p	22 June 05/06/07[2]	21 June 2014*

*Denotes share options issued under the company's EMI scheme

[1] The number of options granted is divided into three equal tranches, for which the earliest dates of exercise are 2 December 2003, 2004 and 2005 respectively Under the terms of the option deed, these options may all be exercised in certain circumstances on termination of employment

[2]The number of options granted is divided into three equal tranches, for which the earliest date of exercise is 22 June 2005, 2006 and 2007 respectively Under the terms of the option deed, these options may all be exercised in certain circumstances on termination of employment

Directors' share options (continued)

The market price of ordinary shares at 31 March 2007 was 59 75 pence and the range during the year was 48 25 pence to 67 5 pence

Unless otherwise indicated, the options have been issued under the company's unapproved share option scheme

None of the share options issued have performance conditions attached to them Other than these share option schemes, the company has no long-term incentive plans

By order of the Board,

Mr J Hewett
Chairman - Remuneration Committee

11 June 2007

Independent auditors' report

We have audited the Group and individual company financial statements (the "financial statements") of ITIS Holdings plc for the year ended 31 March 2007, which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and individual company balance sheets, the consolidated cash flow statement and the related notes 1 to 28 These financial statements have been prepared under the accounting policies set out therein We have also audited the information in the Directors' Remuneration Report that is described as having been audited

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 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 auditors' 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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities They are also responsible for the preparation of the other information contained in the annual report, including the directors' remuneration report

Our responsibility is to audit the financial statements and the part of the directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

The directors have also asked us to review whether the corporate governance statement reflects the company's compliance with the nine provisions of the July 2003 FRC Combined Code specified for our review as if the listing rules of the Financial Services Authority applied, and we report if it does not We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section, including the unaudited part of the directors' remuneration report, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any further information outside the Annual Report

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report described as having been audited It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the Group, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the directors' remuneration report described as having been audited are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the directors' remuneration report described as having been audited

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the individual company's affairs as at 31 March 2007 and of the Group's profit for the year then ended,

- the financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985, and

- the information given in the directors' report is consistent with the financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Manchester, England
11 June 2007

Consolidated profit and loss account

For the year ended 31 March 2007

	Notes	2007	2006 Restated (Note 1)
		£	£
Turnover			
Continuing operations		14,171,896	10,177,457
Discontinued operations		4,616,585	4,238,656
Total Turnover	2,4	18,788,481	14,416,113
Cost of sales	3	(8,179,828)	(6,982,244)
Gross profit		10,608,653	7,433,869
Distribution costs	3	(116,605)	(106,179)
Administrative expenses	3	(6,912,267)	(5,523,966)
Operating profit		3,579,781	1,803,724
Operating profit - continuing operations		3,358,743	1,138,937
Exceptional item - continuing operations	4	-	331,268
Operating profit - discontinued operations		221,038	333,519
Operating profit		3,579,781	1,803,724
Profit on sale of discontinued operations	4	4,056,923	-
Interest receivable and similar income		323,755	158,723
Interest payable and similar charges	6	(707)	(2,123)
Profit on ordinary activities before taxation		7,959,752	1,960,324
Current tax on ordinary activities	8	(5,737)	93,350
Deferred tax credit	8	1,491,830	-
Total tax on profit on ordinary activities	8	1,486,093	93,350
Profit on ordinary activities after taxation		9,445,845	2,053,674
Minority interests		-	(5,396)
Profit for the financial year		9,445,845	2,048,278
Basic and diluted earnings per share from continuing operations (pence)*	9	5 2	1 4
Adjusted basic and diluted earnings per share from continuing operations excluding in 2007 a 1.5p per share deferred tax credit (pence)**	9	3 7	1 4
Basic and diluted earnings per ordinary share (pence)	9	9 6	2 1

The accompanying notes are an integral part of this consolidated profit and loss account

*Excludes exceptional items, the profit on the sale of NavTrak and net interest receivable of £11,628 (2006 - £13,123) relating to discontinued operations A full reconciliation is provided in note 9

**Excludes exceptional items, the profit on the sale of NavTrak, net interest receivable of £11,628 (2006 - £13,123) relating to discontinued operations and the impact of a deferred tax credit of £1,491,830 A full reconciliation is provided in note 9

Consolidated statement of total recognised gains and losses

For the year ended 31 March 2007

	2007	2006 Restated (Note 1)
	£	£
Profit for the financial year	9,445,845	2,048,278
Currency translation difference	(1,649)	1,858
Total recognised gains and losses relating to the year	9,444,196	2,050,136

The adoption of FRS 20 (see Note 1) has had no cumulative impact on reserves

The accompanying notes are an integral part of this consolidated statement of total recognised gains and losses

Consolidated balance sheet

31 March 2007

	Notes	2007	2006 Restated (Note 1)
		£	£
Fixed assets			
Intangible assets	11	684,838	617,812
Tangible assets	12	932,997	659,746
		1,617,835	1,277,558
Current assets			
Stocks	14	-	374,998
Debtors			
- due within one year	15	6,182,635	4,300,432
- due after more than one year	15	98,337	40,000
Cash at bank and in hand		11,571,102	5,697,498
		17,852,074	10,412,928
Creditors Amounts falling due within one year	16	(3,291,283)	(4,434,618)
Net current assets		14,560,791	5,978,310
Total assets less current liabilities		16,178,626	7,255,868
Creditors Amounts falling due after more than one year	17	(61,396)	(601,991)
Provisions for liabilities and charges	18	-	(54,459)
Net assets		16,117,230	6,599,418
Capital and reserves			
Called-up share capital	20	5,230,270	5,230,270
Share premium account	21	38,070,740	38,070,740
Profit and loss account	21	(27,440,187)	(36,888,816)
Other reserve	21	256,407	178,025
Equity shareholders' funds	22	16,117,230	6,590,219
Minority interests - equity	23	-	9,199
Total capital employed – equity		16,117,230	6,599,418

The accompanying notes are an integral part of this consolidated balance sheet

Company balance sheet
31 March 2007

	Notes	2007	2006
		£	£
Fixed assets			
Investments	13	571,647	571,649
Current assets			
Debtors			
- due within one year	15	30,106	30,193
- due after more than one year	15	-	21,117,646
Cash at bank and in hand		9,295,639	5,114,146
		9,325,745	26,261,985
Creditors: Amounts falling due within one year	16	(117,354)	(1,466,711)
Net current assets		9,208,391	24,795,274
Net assets		9,780,038	25,366,923
Capital and reserves			
Called-up share capital	20	5,230,270	5,230,270
Share premium account	21	38,070,740	38,070,740
Profit and loss account	21	(33,520,972)	(17,934,087)
Equity shareholders' funds		9,780,038	25,366,923

The accompanying notes are an integral part of this company balance sheet

Signed on behalf of the Board

S A Marks

A D Forrest
Directors

11 June 2007

Consolidated cash flow statement

For the year ended 31 March 2007

	Notes	2007 £	2006 £
Net cash inflow from operating activities	25 a)	4,774,220	1,765,284
Returns on investments and servicing of finance			
Interest element of finance lease rental payments		(707)	(2,123)
Interest received		323,755	158,723
Net cash inflow from returns on investments and servicing of finance		323,048	156,600
Taxation			
Foreign tax paid		(18,205)	(20,300)
Research and development taxation credit		23,856	127,124
Net cash inflow from taxation		5,651	106,824
Capital expenditure			
Purchase of tangible fixed assets		(894,958)	(489,566)
Sale of tangible fixed assets		17,749	-
Purchase of intangible fixed assets		(381,820)	-
Net cash outflow from capital expenditure		(1,259,029)	(489,566)
Disposals			
Proceeds on sale of subsidiary		3	
Costs of disposal	4	(164,484)	-
Net cash balances disposed of with subsidiary undertaking		(4,153)	-
Repayment of loans owed by subsidiary	4	2,199,997	-
Net cash inflow from disposals		2,031,363	-
Cash inflow before financing		5,875,253	1,539,142
Financing			
Proceeds on issue of shares		-	771,847
Capital element of finance lease rental payments		-	(28,690)
Net cash inflow from financing		-	743,157
Increase in cash in the year	25 c)	5,875,253	2,282,299

The accompanying notes are an integral part of this consolidated cash flow statement

1 Principal accounting policies

The principal accounting policies are summarised below The Group's accounting policies have been applied consistently throughout the current and prior year except as noted below

FRS 20, Share-based Payment, was adopted in the year FRS 20 requires the group to recognise a charge in the Profit and Loss account and a credit in equity to reflect the fair value of outstanding share options issued to employees Share compensation charges have been recognised in the period and the comparative periods have been restated to include a similar charge (see note 10)

a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards

b) Basis of consolidation

The Group financial statements consolidate the financial statements of ITIS Holdings plc and its subsidiary undertakings made up to 31 March each year

The results of subsidiaries acquired are consolidated for the periods from the date on which control passed Acquisitions are accounted for under the acquisition method

No profit and loss account is presented for ITIS Holdings plc as provided by Section 230 of the Companies Act 1985 The company's loss for the year, determined in accordance with the Act, was £15,586,885 (2006 - £77,196)

c) Turnover

Group turnover comprises the value of sales (excluding VAT and trade discounts) of goods and services in the normal course of business Where revenue is earned under contractual arrangements, this is recognised in line with contractual performance Where the right to receive consideration is dependent upon the fulfilment of milestones or other customer-acceptance events, revenue is recognised only when the related conditions have been satisfied

d) Research and development costs

Research and development costs are written off to the profit and loss account in the year in which they are incurred

e) Intangible assets

Licences are stated at discounted cost, net of amortisation and any provision for impairment Licences are written off over their useful economic life, which is the period of the licence agreement

Intellectual property rights are included at cost and amortised in equal instalments over a period of 5 years, which is their estimated useful economic life

Notes to the Financial Statements (continued)

f) Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows

Fixtures and fittings	20% to 33%
Motor vehicles	33%
Computer and office equipment	25% to 33%

Residual value is calculated on prices prevailing at the date of acquisition

g) Investments

Fixed asset investments are stated at cost less provision for impairment

h) Stocks

Stocks represent finished goods stated at the lower of cost and net realisable value Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal Provision is made for obsolete, slow-moving or defective items where appropriate

i) Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful life The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding Hire purchase transactions are treated similarly, except that assets are depreciated over their useful lives

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis

j) Taxation

UK corporation tax and foreign tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted *j) Taxation (continued)*

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

k) Pensions

The Group operates a defined contribution pension scheme and the pension costs charged against profits represent the amount of contributions payable to the scheme in the year Differences between contributions payable and contributions actually paid are shown as either accruals or prepayments in the balance sheet

l) Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets as at the rates ruling at the balance sheet date Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in the statement of total recognised gains and losses All other exchange differences are included in the profit and loss account

m) Share-based payment

The group has applied the requirements of FRS 20, Share-based Payment In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 April 2006

The group issues equity-settled share-based payments to certain employees Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions

Fair value is measured by use of the Black-Scholes pricing model The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations

Notes to the Financial Statements (continued)

2 Segmental analysis

The directors are of the opinion that the Group operates in a single segment, that of the provision of telematic products and services Hence all turnover, profits and net assets relate to this class of business

	Turnover by origin		Turnover by destination	
	2007	2006	2007	2006
	£	£	£	£
United Kingdom - continuing operations	13,653,148	9,977,366*	13,859,776	9,977,366*
United Kingdom – discontinued operations	4,616,585	4,238,656	4,499,062	4,210,467
Mainland Europe – continuing operations	192,558	-	-	-
Mainland Europe – discontinued operations	-	-	117,523	28,189
U S A – continuing operations	67,545	200,091	67,545	200,091
Israel – continuing operations	2,820	-	-	-
Other – continuing operations	255,825	-	244,575	-
Total	18,788,481	14,416,113	18,788,481	14,416,113

	Profit (loss) before taxation		Net assets (liabilities)	
	2007	2006	2007	2006
	£	£	£	£
United Kingdom – continuing operations	4,989,702	2,542,376	16,208,587	7,704,372
United Kingdom – discontinued operations	232,666	346,642	-	(1,151,648)
United Kingdom – profit on sale of discontinued operations	4,056,923	-	-	-
Mainland Europe – continuing operations	(12,460)	(123,796)	-	-
U S A – continuing operations	(280,658)	66,318	-	-
Israel – continuing operations	(1,301,034)	(871,216)	(91,357)	46,694
Other – continuing operations	274,613	-	-	-
Total	7,959,752	1,960,324	16,117,230	6,599,418

*Turnover in 2006 includes amounts as disclosed in note 4

3 Cost of sales, gross profit and other operating expenses (net)

	2007			2006		
	Continuing £	Discontinued £	**Total £**	Continuing £	Discontinued £	**Total £**
Cost of sales	4,910,605	3,269,223	**8,179,828**	4,088,634	2,893,610	**6,982,244**
Gross profit	9,261,291	1,347,362	**10,608,653**	6,088,823	1,345,046	**7,433,869**
Distribution costs	-	116,605	**116,605**	-	106,179	**106,179**
Administrative expenses	5,902,548	1,009,719	**6,912,267**	4,618,618	905,348	**5,523,966**
Other operating expenses	5,902,548	1,126,324	**7,028,872**	4,618,618	1,011,527	**5,630,145**

On 26 March 2007 the group disposed of its interest in the ordinary share capital of NavTrak Limited The results of NavTrak Limited up to the date of the disposal and the comparatives for the year ended 31 March 2006 are shown under discontinued operations

4 Exceptional items

2007 Profit on sale of discontinued operations

On 26 March 2007 the group disposed of its interest in the ordinary share capital of NavTrak Limited This resulted in a profit on sale relating to discontinued operations of £4,056,923 (see note 27) NavTrak Limited was the Group's stolen vehicle tracking division, and as post sale the Group no longer participates in stolen vehicle tracking, this amount has been classed as discontinued operations

Upon disposal, the Group disposed of £15,054,148 of tax losses, which transferred out of the Group with NavTrak Limited The disposal generated a tax loss of £1,379,061

2006 Turnover

Included within turnover for the year ended 31 March 2006 is an amount of £354,297 This amount, net of associated expenses of £23,029, has been shown as an exceptional item of £331,268 on the face of the profit and loss account as it represents income from one of the Group's customers that related to the 2005 financial year This was not declared to the Group until after the publication of the 2005 financial statements

5 Particulars of employees

The average monthly number of employees (including executive directors) was

	2007 Number	2006 Number
Operations	52	48
Sales and distribution	4	4
Administration	14	14
	70	66

Their aggregate remuneration comprised

	2007 £	2006 £
Wages and salaries	2,711,260	2,496,379
Social security costs	298,616	288,401
Share-based payments charge (see note 10)	82,815	26,128
Pension costs (see note 26)	88,656	79,481
	3,181,347	2,890,389

6 Interest payable and similar charges

	2007 £	2006 £
Interest payable and similar charges	707	2,123

7 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	2007 £	2006 £
Depreciation of tangible fixed assets		
- owned	534,428	303,212
- held under finance leases	-	19,127
Amortisation of intangible fixed assets	305,595	230,595
Profit on disposal of fixed assets	998	-
Auditors' remuneration		
- audit services	52,000	50,000
- non-audit services	43,000	44,000
Rentals under operating leases		
- other operating leases	124,404	118,545
- plant and machinery	17,948	-
Research and development costs	1,826,817	1,593,194

7 Profit on ordinary activities before taxation (continued)

A more detailed analysis of auditors' remuneration on a worldwide basis is provided below

	2007 £	2006 £
Fees payable to the company's auditors for		
- the audit of the company's financial statements	20,000	20,000
- the audit of the company's subsidiaries pursuant to legislation	32,000	30,000
Fees payable to the company's auditors and their associates for other services		
- tax services	34,000	23,000
- all other services	9,000	21,000
	95,000	94,000

Significant non-audit services require pre-approval by the audit committee

8 Tax on profit on ordinary activities

The tax credit/(charge) comprises

	2007 £	2006 £
Current tax		
Research and development tax credit	-	111,555
Overseas corporation tax	-	(18,205)
Adjustment in respect of prior years	(5,737)	-
Total current tax	(5,737)	93,350
Deferred tax		
Recognition of deferred tax asset	1,491,830	-
Total deferred tax	1,491,830	-
Total tax on profit on ordinary activities	1,486,093	93,350

8 Tax on profit on ordinary activities (continued)

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

	2007	2006 Restated (Note 1)
	£	£
Group profit on ordinary activities before tax	7,959,752	1,960,324
Tax charge on Group profit on ordinary activities at standard UK corporation tax rate of 30% (2006 – 30%)	2,387,925	588,097
Effects of		
(Income not taxable) expenses not deductible for tax purposes	(1,142,384)	11,994
Depreciation in excess of capital allowances	64,615	87,256
Decrease in tax losses	(1,310,156)	(670,569)
Research and development tax credit	-	(111,555)
Deferred tax asset recognised	(1,491,830)	-
Adjustment in respect of prior years	5,737	-
Marginal relief	-	(1,200)
Higher tax rates on overseas earnings	-	2,627
Group current tax credit for the year	(1,486,093)	(93,350)

A deferred tax asset amounting to £2,730,229 (2006 - £9,832,975) in respect of ITIS UK Limited and ITIS Holdings plc has not been recognised as, in the opinion of the directors, it cannot be regarded as more likely than not that there will be suitable taxable profits arising in those companies from which the underlying timing differences can be deducted

The deferred tax asset amounting to £1,491,830 (2006 - £nil) recognised in these financial statements has been based on management forecasts of the future profitability of Integrated Transport Information Services Limited

9 Basic and diluted earnings per ordinary share

The calculations of earnings per share are based on the following profits number of shares

	2007 £	2006 Restated (Note 1) £
Profit for the financial year	9,445,845	2,048,278
Weighted average number of ordinary shares	98,620,384	97,943,205
Earnings per share (p)	9 6	2 1
Basic and diluted adjusted earnings per share from continuing operations (pence)	5 2	1 4

The profit basis for adjusted earnings per share has been calculated to include only continuing operations and to exclude the impact of exceptional items A reconciliation between profit for the financial year and the profit used to calculate the adjusted earnings per share figures is shown below

	2007 £	2006 Restated (Note 1) £
Profit for the financial year	9,445,845	2,048,278
2006 exceptional item	-	(331,268)
Profit on sale of NavTrak	(4,056,923)	-
Discontinued operations operating profit	(221,038)	(333,519)
interest receivable	(11,628)	(13,123)
Adjusted profit (from continuing operations)	5,156,256	1,370,368
Deferred tax credit	(1,491,830)	-
Adjusted profit (from continuing operations, excluding deferred tax credit)	3,664,426	1,370,368

FRS 14 requires presentation of diluted EPS when a company could be called upon to issue shares that would decrease net profit or increase net loss per share All outstanding share options will be satisfied through shares held by the ITIS Holdings plc Employee Benefit Trust and as such all of these shares are currently in issue Therefore any exercise of options will not result in further dilution and as such basic and diluted EPS are the same

10 Share based payments

Equity settled share option scheme

The company has a share option scheme for all employees of the Group Options are exercisable at a price equal to the average closing market price of the Company's shares on the five days before the date of grant The vesting period is three years If the options remain unexercised after a period of ten years from the date of grant the options expire Options are forfeited if the employee leaves the group before the options vest

Details of the share options outstanding during the year are as follows

	Year ended 31 March 2007		Year ended 31 March 2006	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at beginning of year	4,373,015	0 09	4,404,684	0 08
Granted during the year	325,000	0 65	300,000	0 25
Forfeited during the year	26,669	0 25	13,335	0 16
Exercised during the year	202,338	0 08	318,334	0 09
Outstanding at the end of the year	4,469,008	0 09	4,373,015	0 09
Exercisable at the end of the year	3,853,669	0 08	3,926,342	0 08

The weighted average share price for share options exercised during the year was £0 08 The options outstanding at 31 March 2007 had a weighted average exercise price of £0 08 and a weighted average remaining contractual life of 6 22 years In the year ended 31 March 2007 325,000 options were granted on 7 November 2006 The aggregate of the estimated fair value of the options granted on that date is £100,750 In the year ended 31 March 2006, options were granted on 23 March 2006 The aggregate of the estimated fair value of the options granted on that date is £93,300

The inputs into the Black-Scholes pricing model are as follows

	2007	2006
Weighted average share price	67p	52 25p
Weighted average exercise price	64 5p	24 7p
Expected volatility	0 31	0 33
Expected life	5 years	3 years
Risk-free rate	4 97%	4 46%
Expected dividends	-	-

10 Share based payments (continued)

Expected volatility was determined by calculating the historical volatility of the group's share price from the date of the IPO to the date of grant The expected life used in the model has been adjusted, based on management's best estimate, for the effect of exercise restrictions and behavioural considerations

Prior year adjustment

FRS 20 Share based payments was adopted in the period The group recognised total of expenses of £82,815 in the period The comparative period has been restated to include a charge of £26,128 This has the following impact on the balance sheet and the profit and loss account

	2007 £	2006 £
Profit and loss account		
Charge for the year	(82,815)	(26,128)
Decrease in profit for the year	(82,815)	(26,128)
Balance sheet		
Increase in share option reserve	256,407	178,025
Reduction profit and loss	(256,407)	(178,025)
Change in net assets	-	-

11 Intangible fixed assets

Group	Licences £	Intellectual property £	Total £
Cost			
At beginning of year	-	989,740	989,740
Additions	225,000	147,621	372,621
At end of year	225,000	1,137,361	1,362,361
Amortisation			
At beginning of year	-	371,928	371,928
Charge for the year	75,000	230,595	305,595
At end of year	75,000	602,523	677,523
Net book value			
At beginning of year	-	617,812	617,812
At end of year	150,000	534,838	684,838

12 Tangible fixed assets

Group	Fixtures and fittings £	Motor vehicles £	Computer and office equipment £	Total £
Cost				
At beginning of year	270,427	380,341	1,547,665	2,198,433
Additions	13,821	441,112	440,025	894,958
Disposals	(79,567)	(85,496)	(293,929)	(458,992)
Disposal of subsidiary	(77,856)	(129,045)	(42,529)	(249,430)
At end of year	126,825	606,912	1,651,232	2,384,969
Depreciation				
At beginning of year	219,405	201,523	1,117,759	1,538,687
Charge for the year	13,677	167,679	353,072	534,428
Disposals	(79,157)	(70,577)	(292,507)	(442,241)
Disposal of subsidiary	(77,856)	(67,870)	(33,176)	(178,902)
At end of year	76,069	230,755	1,145,148	1,451,972
Net book value				
At beginning of year	51,022	178,818	429,906	659,746
At end of year	50,756	376,157	506,084	932,997

13 Fixed asset investments

	Company	
	2007	2006
Cost	£	£
At beginning of year	571,649	571,649
Additions	1,379,061	-
Disposals	(1,379,063)	-
At end of year	571,647	571,649
Provision for impairment		
At beginning of year	-	-
Provision	(1,379,061)	-
Eliminated on disposal	1,379,061	-
At end of year	-	-
Net book value	571,647	571,649

Notes to the Financial Statements (continued)

13 Fixed asset investments (continued)

The parent Company and the Group have investments in the following subsidiary undertakings which affect the profits or net assets of the Group

Subsidiary undertakings	***Country of incorporation***	***Shares***	***Percentage holding***	***Principal activity***
Integrated Transport Information Services Limited	UK	£1 ordinary	100%	Provision of traffic information
ITIS UK Limited	UK	£1 ordinary	100%	Provision of traffic information
ITIS Traffic Services Limited	Israel	NIS 0 02 ordinary	100%	Research and development

All of the above subsidiary undertakings are unlisted and are held directly by ITIS Holdings plc, with the exception of ITIS Traffic Services Limited To avoid a statement of excessive length, details of investments that are not significant have been omitted

During the year,16 66% of the share capital in ITIS Traffic Services Limited was acquired for consideration of £156,820, pursuant to the sale and purchase agreement entered into during the year ended 31 March 2004 100% of the share capital of NavTrak Limited was disposed of on 26 March 2007 As part of the disposal of NavTrak, the company's investment was increased Details of the disposal are given in note 27

14 Stocks

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Goods held for resale	-	374,998	-	-

There is no material difference between the prior year balance sheet values of stocks and their replacement cost

15 Debtors

Amounts falling due within one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Trade debtors	1,568,457	1,601,431	-	-
VAT	-	33,383	21,625	21,359
Deferred tax asset	1,491,830	-	-	-
Other debtors	183,530	447,658	-	-
Prepayments and accrued income	2,938,818	2,217,960	8,481	8,834
	6,182,635	4,300,432	30,106	30,193

Amounts falling due after more than one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Amounts owed by Group undertakings	-	-	-	21,117,646
Other debtors	98,337	40,000	-	-
	98,337	40,000	-	21,117,646

Amounts owed to the company by Group undertakings were waived in the year

16 Creditors Amounts falling due within one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Trade creditors	867,208	1,043,874	3,194	95,631
Amounts owed to Group undertakings	-	-	70,840	1,322,501
VAT	183,918	316,969	-	-
Other taxation and social security	80,577	83,210	-	-
Other creditors	14,995	17,224	-	-
Accruals and deferred income	2,144,585	2,973,341	43,320	48,579
	3,291,283	4,434,618	117,354	1,466,711

17 Creditors: Amounts falling due after more than one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Accruals and deferred income	61,396	601,991	-	-

18 Provision for liabilities and charges

	Onerous leases £
Group	
At beginning of year	54,459
Utilised	(51,773)
Released unused	(2,686)
At end of year	-

19 Derivatives and other financial instruments

The Group does not use complex derivative financial instruments Where it does use financial instruments these are mainly to optimise interest receivable The Group does not have any material foreign currency risks in respect of its trading activities and uses no foreign currency hedging The Group has limited borrowings and the exposure to interest expense related to interest rate movements is therefore not material

The numerical disclosures in this note deal with financial assets and financial liabilities as defined in Financial Reporting Standard 13 "Derivatives and Other Financial Instruments Disclosures" (FRS 13) Certain financial assets such as investments in subsidiary undertakings are excluded from the scope of these disclosures

As permitted by FRS 13, short-term debtors and creditors have been excluded from the disclosures

19 Derivatives and other financial instruments (continued)

Interest rate profile

The Group has no financial assets other than sterling cash deposits of £11,571,102 (2006 - £5,697,498), which are part of the financing arrangements of the Group The interest rate profile of the Group's financial assets at 31 March 2007 and 31 March 2006 was as follows

	2007 £	2006 £
Sterling		
Fixed rate		
- cash deposits	11,569,436	5,695,741
Interest free		
- cash deposits	1,666	1,757
	11,571,102	5,697,498

The fixed rate sterling cash deposits in 2007 had a weighted average interest rate of 4 23% and the weighted average period for which the rate is fixed was 0 1 years

20 Called-up share capital

	2007 £	2006 £
Authorised share capital		
339,106,585 ordinary shares of 2p each	6,782,132	6,782,132
32,178,683 deferred shares of 10p each	3,217,868	3,217,868
	10,000,000	10,000,000

	2007 £	2006 £
Allotted, called-up and fully paid		
100,620,099 ordinary shares of 2p each (2006 100,620,099 ordinary shares of 2p each)	2,012,402	2,012,402
32,178,683 deferred shares of 10p each	3,217,868	3,217,868
	5,230,270	5,230,270

The authorised share capital of the company is divided into ordinary shares of 2p each and deferred shares of 10p each The holders of the deferred shares are not entitled to receive notice or attend any general meeting of the company and no dividends will be made in respect of such deferred shares On a return of capital on liquidation or otherwise, no assets of the company available for distribution among the members will be applied in making payments to the holders of the deferred shares (unless distributions totalling £1,000,000,000 have been made to the holders of the ordinary shares) No resolution proposed or passed by members of the company shall affect the class rights of the holders of the deferred shares The company has the right to purchase the deferred shares for 1p in aggregate

Notes to the Financial Statements (continued)

20 Called-up share capital (continued)

Share options

The company had the following ordinary share options in issue at 31 March 2007

Date of issue	Ordinary 2p shares Number	Exercise price	Earliest exercise date	Latest exercise date	
2 December 2002	2,194,005	7 5p	2 Dec 03/04/05[1]	01 Dec 2012	*
2 December 2002	1,500,000	7 5p	2 Dec 03/04/05[1]	01 Dec 2012	**
22 June 2004	170,003	24 7p	22 June 05/06/07[2]	21 June 2014	*
23 March 2006	280,000	24 7p	23 March 06/07/08[3]	22 March 2016	**
7 November 2006	129,011	64 5p	06 Nov 07/08/09[4]	06 Nov 2016	*
7 November 2006	195,989	64 5p	06 Nov 07/08/09[4]	06 Nov 2016	**
	4,469,008				

All options were granted at an exercise price equal to or above market value at the date of grant

* Denotes share options issued under the Company's EMI Share Option Scheme

** Denotes share options issued under the Company's Unapproved Share Option Scheme

[1] The number of options granted is divided into three equal blocks for which the earliest date of exercise is 2 December 2002, 2003 and 2004 respectively Under the terms of the option deed, these options may all be exercised in certain circumstances on termination of employment

[2] The number of options granted is divided into three equal blocks for which the earliest date of exercise is 22 June 2005, 2006 and 2007 respectively Under the terms of the option deed, these options may all be exercised in certain circumstances on termination of employment

[3] The number of options granted is divided into three equal blocks for which the earliest date of exercise is 23 March 2006, 2007 and 2008 respectively Under the terms of the option deed, these options may all be exercised in certain circumstances on termination of employment

[4] The number of options granted is divided into three equal blocks for which the earliest date of exercise is 06 November 2007, 2008 and 2009 respectively Under the terms of the option deed, these options may all be exercised in certain circumstances on termination of employment

21 Reserves

Group	Other Reserve £	Share premium account £	Profit and loss account Restated (Note 1) £
At 1 April 2006 as previously stated	-	38,070,740	(36,710,791)
Prior year adjustment (note 10)	178,025	-	(178,025)
At 1 April 2006 as restated	178,025	38,070,740	(36,888,816)
Currency translation differences	-	-	(1,649)
FRS 20 share option charge	82,815	-	-
Reserve transfer	(4,433)	-	4,433
Retained profit for the year	-	-	9,445,845
At 31 March 2007	256,407	38,070,740	(27,440,187)

Company	Other reserve £	Share premium account £	Profit and loss account £
At 1 April 2006	-	38,070,740	(17,934,087)
Retained loss for the year	-	-	(15,586,885)
At 31 March 2007	-	38,070,740	(33,520,972)

Own shares held

Shares of the company are held under trust by Mourant ECS Trustees (Jersey) Limited for the ITIS Holdings plc Employee Benefit Trust The trust holds ITIS Holdings plc shares and satisfies awards made to employees and directors At 31 March 2007 4,787,727 (2006 - 4,985,095) ordinary shares were held by the trust, of which 4,469,008 ordinary shares are allocated to employees and directors to satisfy awards made to them under company share schemes The market value of these shares at 31 March 2007 was £2,860,685 (2006 - £2,252,103)

The profit and loss account in both years is stated after deducting £132,724 written off to reserves on the issue of shares to the Employee Benefit Trust in the year ended 31 March 2001 and £435,443 relating to the purchase of treasury shares in the year ended 31 March 2004

22 Reconciliation of movements in Group shareholders' funds

	2007 £	2006 Restated (Note 1) £
Profit for the financial year	9,445,845	2,048,278
Other recognised gains and losses relating to the year	(1,649)	1,858
Proceeds on issue of shares	-	771,847
FRS 20 share option charge	82,815	26,128
Net addition to Group shareholders' funds	9,527,011	2,848,111
Opening shareholders' funds	6,590,219	3,742,108
Closing shareholders' funds	16,117,230	6,590,219

23 Minority interests

	£
At 1 April 2006	9,199
Acquired during the year	(9,199)
At 31 March 2007	-

24 Financial commitments

At 31 March 2007, the Group had annual commitments under non-cancellable operating leases as set out below

	Land & buildings	
	2007 £	2006 £
Operating leases which expire		
- within one year	-	29,624
- within two to five years	142,352	118,545
	142,352	148,169

25 Cash flow information

a) Reconciliation of operating profit to net cash inflow from operating activities

	2007 £	2006 (Restated) £
Operating profit	3,579,781	1,803,724
Depreciation and amortisation of licenses	840,023	552,934
Decrease (increase) in stocks	55,190	(21,447)
Increase in debtors	(1,145,813)	(1,322,584)
Increase in creditors	1,500,496	867,563
Decrease in provisions	(54,459)	(141,034)
Profit on disposal of fixed assets	(998)	-
Adoption of FRS 20	-	26,128
Net cash inflow from operating activities	4,774,220	1,765,284

25 Cash flow information (continued)

b) Analysis and reconciliation of net funds

	1 April 2006 £	Cash flow £	Exchange movement £	31 March 2007 £
Cash in hand and at bank	5,697,498	5,875,253	(1,649)	11,571,102
Net funds	5,697,498	5,875,253	(1,649)	11,571,102

c) Reconciliation of net cash flow to movement in net funds

	2007 £	2006 £
Increase in cash in the year	5,875,253	2,282,299
Cash outflow from decrease in lease financing	-	28,690
Change in net funds resulting from cash flows	5,875,253	2,310,989
Translation differences	(1,649)	1,858
Movement in net funds in the year	5,873,604	2,312,847
Net funds brought forward	5,697,498	3,384,651
Net funds carried forward	11,571,102	5,697,498

26 Pensions

The Group provides pension arrangements to the majority of full-time employees through a defined contribution scheme The pension charge for the year was £88,656 (2006 - £79,481)

27 Sale of subsidiary undertaking

On 26 March 2007 the group sold its 100% interest in the ordinary share capital of NavTrak Limited, The profit of NavTrak Limited up to the date of disposal was £232,666, and for its last financial year to 31 March 2006 was £346,642

Net assets disposed of and the related sales proceeds were as follows

	£
Fixed assets	70,528
Current assets	859,149
Creditors	(5,151,083)
Net liabilities	(4,221,406)
Profit on sale	4,056,923
Sale proceeds	
Satisfied by cash	3
Net cash inflows in respect of the sale comprised	
Cash consideration	3
Costs associated with sale	(164,484)
Cash at bank and in hand sold	(4,153)
Intercompany loan repaid	2,199,997
	2,031,363

28 Contingent liability

On 30 November 2006 a claim was filed in the Tel Aviv District Court by an Israeli Company, Decell Technologies Ltd, and a US Corporation, Decell Inc , against six defendants including ITIS Traffic Service Ltd ("ITSL"), a wholly owned subsidiary of the Group The plaintiffs allege an infringement of an Israeli patent for which they are claiming NIS12,000,000 (approximately £1 5 million)

Based on advice from legal counsel the Directors believe ITSL has strong defences to the claims asserted in these proceedings and intend to defend vigorously such claims The Directors believe, having taken advice from legal counsel, it is unlikely that a liability will arise from this litigation and as a result no contingency in respect of the claim has been provided for in the company accounts

An application for security of costs has been made and ITSL will seek to recover all costs incurred in relation to the proceedings However the Directors note there is a risk that some or all of those costs may not ultimately be recovered