

ITIS Holdings plc

Annual report and financial statements
for the year ended 31 March 2008

Registered number 3461748

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Statement of the Chairman and the Chief Executive

Highlights

- Revenue from continuing operations up 29.3% to £18.32m (2007 £14.17m), of which £1.43m is from Trafficlink
- Profit before taxation on continuing operations up 30.5% to £4.79m (2007 profit of £3.67m), of which £0.19m is from Trafficlink
- Basic and diluted earnings per share from continuing operations were 3.2p (2007 5.2p) Continuing basic and diluted earnings per share before the effects of tax increased 29.7% to 4.8p (2007 3.7p)
- Final dividend proposed of 1.5p
- The nationwide CFVD® system with Be-mobile in Belgium is now fully operational and profitable
- Significant growth from international business with projects including China, South Africa and Russia
- Acquisition of Trafficlink in December 2007, the UK's leading distributor of traffic incident and travel information to broadcasters, business and Government in December 2007
- Renewal of TMC traffic contracts with Jaguar, Land Rover, Renault and Nissan and new contract with Garmin
- New contract to supply traffic information on Nokia mobile devices the UK announced today

Stuart Marks, Chief Executive of ITIS commented "This has been a record year for ITIS in terms of both revenues and profits from continuing operations. We anticipate revenue from the international markets is set to grow strongly this year as we now convert prospects into customers and as we continue to find new countries that are eager to deploy our technologies. Our acquisition of Trafficlink has brought immediate benefits to the quality of our information in the UK and we are now implementing operational synergies between the companies, which will enable us to grow both businesses. ITIS enjoys a reputation for market leading technology combined with unparalleled commercial success and we are building on these strengths to expand our business around the world."

FINANCIAL OVERVIEW

For the year ended 31st March 2008, revenue from continuing operations increased by 29.3% to £18.32m (2007 £14.17m). Following the sale on 27 March 2007 of NavTrak Limited, the Group's stolen vehicle tracking subsidiary, to Cobra Automotive Technologies spa, £4.62m of revenue for the year ended 31 March 2007 has been presented as discontinued. Revenue for the year ended 31st March 2008, also included a revenue contribution of £1.43m from Trafficlink Limited ("Trafficlink") post its acquisition on 7 December 2007. Revenue 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 as well as from customers using the Group's various mobile telephone information services.

Whilst the majority of the UK's traffic business costs are fixed, there has been a step change of just under £0.5m in those fixed costs during the year, mainly as a consequence of establishing a data centre. This necessitates additional annual communications, licensing and running costs but allows all live systems to be run from one site of the highest quality with extensive capacity for expansion. Additional FM bandwidth has been acquired to improve the quality and coverage of the businesses' TMC service. Trafficlink, the nature of its cost base being primarily fixed, also increased the fixed cost base of the Group.

On a Group basis, continuing profit before taxation was £4.79m (2007 £3.67m). Trafficlink contributed £0.19m profit before taxation post its acquisition. During the year a deferred tax asset of £1.49m was released, which created a taxation debit of £1.49m (2007 credit of £1.49m) in the profit and loss account.

Statement of the Chairman and the Chief Executive

Financial overview (continued)

Basic and diluted earnings per share from continuing operations were 3 2p (2007 5 2p) Continuing basic and diluted earnings per share were up 29 7% to 4 8p (2007 3 7p), before the effects of tax

On 7 December 2007, ITIS purchased Trafficlink Limited for £2 18m and repaid certain loans within Trafficlink of £8 32m Purchased with Trafficlink were its approx £10m tax losses which are available for Trafficlink to use against its future trading profits This cash outflow on Trafficlink, the purchase and fit out of the data centre and the payment of a maiden dividend of £1 42m in February 2008 all contributed to reducing the year end cash balance to £1 96m (2007 £11 57m)

Following the High Court approval given on 23 January 2008 of the resolution passed at the Company's extraordinary general meeting on 22 November 2007 for the elimination of an accumulated deficit on its profit and loss account of £33,520,972 by the cancellation of the whole of the amount standing to the credit of its share premium account, a dividend of 1 5p per share was paid on 29 February 2008 in respect of the 2006/7 year

The Board of ITIS will declare a final dividend each year The Board will recommend to shareholders at the Company's forthcoming AGM that a final dividend for the year ended 31 March 2008 of 1 5p per will be paid on 29 September 2008 to the members on the register at the close of business on 5 September 2008

The Board would like to thank all of the management and staff for their huge contribution to this year's results and for their hard work, especially the extensive travelling undertaken by the international development team We would like to welcome too, the staff of Trafficlink and we are confident that together both businesses will be able to offer exciting new services to our customers

UK BUSINESS

For the year in review, the UK market generated the majority of our revenues and profits, which grew substantially by £3 72m (of which Trafficlink contributed £1 43m) and £0 68m (of which Trafficlink contributed £0 19m) respectively We continue to work closely with our customers in the UK and are finding ways to introduce new products and applications using both our real time and historic data In the last few months we have renewed important RDS-TMC contracts with Jaguar, Land Rover, Renault and Nissan

Contracts with General Motors and the DfT were not renewed Whilst progress has been made in replacing the revenue and profit from these lost contracts and we do expect growth from existing customers, these contract losses will impact on the performance in the UK in this current financial year

It is too early in the year to comment on whether the crisis in the credit market will affect our revenues from new car sales and the personal navigation device (PND) market, though penetration of navigation systems in the car, which is still our largest market, is less than 10% of all new vehicles sold We are seeing evidence of our traffic service becoming bundled as standard on more PND devices, and we continue to win new customers, notably Garmin and Nokia ITIS has been selected as the UK data provider for Nokia's delivery of real time traffic reports to their mobile handsets with built in GPS This contract is part of a European wide solution via Arc Transistance ARC Transistance was founded in 1991 by the 8 major automobile clubs in Europe, including the UK.

Revenues from our IVR (Interactive Voice Response) business were flat this year which we believe to be partly attributable to lack of significant promotion from the mobile networks and the dramatic increase in navigation systems equipped with RDS-TMC which provide high quality information to the driver However we are working on introducing some new services and content to users which takes advantage of the Trafficlink data and broadcast facility We expect the first of these to be available next month

ITIS is extending its association with Mobile Commerce, a leading mobile content aggregator and distributor, enabling companies to deliver content to mobile users via Mobile Commerce's best of breed mobile content delivery platform The latest development will bring ITIS's content to AA mobile users In addition, ITIS has recently developed bespoke IVR telephone services delivering real time traffic content, enhanced by live studio additional broadcast bulletins, for both Mobile Commerce and BSKYB This follows on previous and ongoing IVR associations with both ClearChannel (The Hound brand) and the RBS Group (Tracker brand)

Statement of the Chairman and the Chief Executive

UK business (continued)

ITIS continues to provide several UK Local Government authorities with both live and historic traffic speed and journey time information to be used as part of their local transport planning. Our data set has now been enhanced by incident data from Trafficlink and this will help in providing higher quality predictive journey time information. Additionally, various expert traffic consultants including JourneyDynamics, Kingswood MapMechanics and Faber Maunsell have been provided with ITIS's floating vehicle data (FVD®) for use in traffic planning, logistic and traffic congestion monitoring applications. The public sector is under considerable cost pressure and we therefore expect that sales made to local Government will generate only modest revenues.

Working with Global Traffic Network's new European subsidiary, ITIS and Trafficlink will be delivering content to the Highways Agency radio station. Global Traffic Network are the leading provider of custom traffic and news reports to radio and television stations in Canada and Australia.

ITIS continues to develop products for Government and industry using the historic dataset now including information from Trafficlink. This combined database is unique and we are having considerable success in selling information to those who wish to provide better predictions on journey times and to create their own products where the combination of historic and real time information provides a superior experience for the customer.

We continue to attract new visitors and members to our own traffic website, www.keeppmoving.co.uk. One particularly successful new service has been the availability of live cameras on the site so that users can look at both speed and flow data and live pictures side by side.

TRAFFICLINK

ITIS acquired Trafficlink on 6th December 2007. Trafficlink is the UK's leading distributor of traffic incident and travel information to broadcasters, business and Government. Key customers include the BBC, the Highways Agency and through an exclusive agreement with UBC Media, 185 commercial radio stations.

Trafficlink gathers, edits and broadcasts traffic and travel information from a network of seven regional offices (London, Bristol, Birmingham, Cardiff, Manchester, Middlesbrough, Edinburgh) that operate 24 hours per day, 7 days a week. REGIS, Trafficlink's data aggregation tool, covers the entire UK road network as well as all forms of public transport and aggregates real-time traffic and travel information from over 5,000 CCTV cameras, police forces, government agencies, local councils and other sources.

The acquisition enables ITIS to expand its strong presence within the UK market, adding value to existing services and enriching both companies' content offerings to customers. Whilst the previous arrangements between ITIS and Trafficlink have been commercially successful for both parties, ITIS believes that the pace of development and increasingly competitive environment made it the right time to control end to end data quality and extend its business model.

Shortly prior to the acquisition, Trafficlink's contract with the BBC was renewed for three years to provide traffic and travel information to all local and national BBC stations. Trafficlink is the contracted supplier of Traffic and Travel news to the BBC. The service includes streaming of live data to BBCi and Ceefax. Information and editorial support to BBC TV, BBC Radios 2 and Five Live and BBC Local Radio. Live bulletins to BBC Local Radio and BBC Wales and recorded audio for BBCi. Trafficlink also works with the BBC on new and innovative ways to bring up to the minute travel news to the BBC audience across a variety of platforms. Trafficlink has been a supplier of Traffic news to the BBC since November 1998, and the current contract runs until 2011.

A further major contract for which the company was bidding did not materialise and therefore it is now unlikely that there will be any payment of deferred consideration.

Our customers have reacted well to our acquisition of Trafficlink and we are working actively with a number of them to find ways of using the unique combination of high quality incident data with speed and flow information to add value to what is provided already. In particular with the increased focus on green motoring and multi-modal travel, Trafficlink is in a very strong position to fuse road traffic and public transport information to create a complete journey management dataset.

Statement of the Chairman and the Chief Executive

INTERNATIONAL

We are extremely pleased with the momentum we are now achieving with our international business and we have partnerships developing throughout the world which leads us to believe that revenues will grow significantly year on year. Since we first started deploying our Cellular Floating Vehicle Data (CFVD®) platform awareness of this technology has become more widespread leading to greater knowledge from the mobile operators and in turn more willingness from them to work with companies like ITIS.

Our business model is to find licencees or develop joint ventures in order to minimise risk and have strong local representation. We also need to work closely with mobile operators in each country and consequently the Company has to make certain investments in order to bring the technology to market and generate revenues within an acceptable timescale. The upside of this is that once the system becomes fully operational, the model becomes profitable.

In Israel Our technology centre is responsible for the development and installation of CFVD®. Since acquiring this technology in 2003 we have continued to invest in the team there and believe that access to highly skilled people in the areas of Geographical Information Systems, Wireless Networks and GPS has enabled us uniquely to roll out nationwide systems quickly and reliably.

In July last year Dr Gary Gates was promoted to the board as International Development Director and Gary has successfully built a strong team around him with responsibility for business development and partner support.

Europe, Middle East and Africa (EMEA)

Our business model in this region has produced a profit for the first time mainly from the Belgian market and the pilot in Spain. Our second nationwide CFVD® system (the first being in Israel) is now fully operational in Belgium and Be-mobile, our licensee, is generating on-going revenues through a wide range of contracts with the media, mobile operators and navigation system vendors. A major share holder in Be-mobile is Touring (Belgium's largest motoring club) whilst cellular data is provided through an exclusive 5 year deal with Proximus, the largest mobile operator in Belgium.

In Spain we successfully completed a pilot project using data from the Telefonica mobile network which was showcased at 3GSM, the largest mobile event in the world and we are exploring this market further with potential local partners. In the Republic of Ireland our licensee, iTraffic, is working with O2 Telefonica Ireland and will be launching a fully commercial service early next year. In Israel our business continues to develop strongly and we are supplying traffic information on IVR to the two largest mobile operators, Orange IL and Cellcom, and to Telmap, a leading provider of navigation solutions. In the Czech Republic we have successfully completed a pilot with our local partner CEDA using network data from T-mobile and commercial discussions are underway for the next phase of this project.

In Russia we have appointed a licensee and have already started to identify suitable customers and a mobile operator. Moscow suffers from very bad traffic congestion and this coupled with the recent boom in navigation systems there gives us confidence that this will be an important market for our technology.

In South Africa we have formed a joint venture with Altech Netstar, the leading stolen vehicle tracking and fleet management company in Africa. We are currently rolling out our technologies and a range of services which will closely replicate our UK services.

Directors

Americas

As previously announced, a new contract with revised milestones has now been signed between Delcan, our partner in America, and Missouri Department of Transportation (MoDOT) to enable ITIS to supply Statewide real time traffic information. We expect the financial contribution to be modest and there is no guarantee that MoDOT will commit to the full extent of the contract.

Whilst the roll-out of technology in the US has been slower than we have hoped we have identified several projects in Canada and South America and we are currently in the process of working with mobile operators and potential licensees to work out the business case and timescales for deployment in these countries.

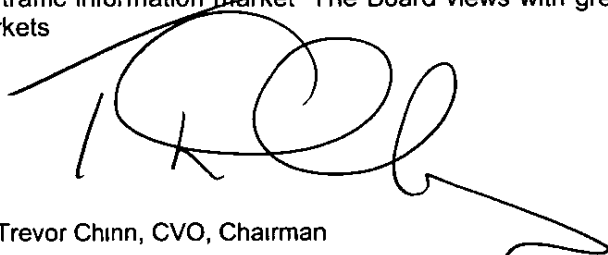
Asia Pacific

We are particularly excited by the business we are generating in Asia Pacific region. In Australia our licensee Traffic Intelligence, in conjunction with major partners, has commenced the design stage of a national traffic service which will be launched in the second quarter of the financial year ending 31 March 2009 and will cover approximately 70,000km of roadway. The service will use a combination of data sources including the ITIS CFVD[®] technology. Intelematics, our RDS-TMC licensee in Australia, successfully launched a commercial RDS-TMC service this year. In Singapore, we are pleased to collaborate with SingTel on their latest Live Traffic Services, which enables customers to view real-time traffic information. The service also provides estimated travelling time and costs for customers' easy reference. The services will be demonstrated at CommunicAsia2008. SingTel is Asia's leading communications group providing a portfolio of services including voice and data services over fixed, wireless and Internet platforms. It has a network of 37 offices in 19 countries and territories throughout Asia Pacific, Europe and the United States. Together with its regional partners, SingTel is Asia's largest multi-market mobile operator, serving more than 185 million mobile customers in eight markets.

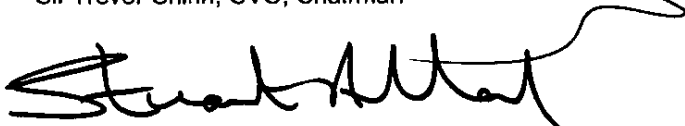
Our partnership with ITOCHU is progressing well and we are working closely with them throughout the Asia Pacific region. We have identified opportunities in most countries but in particular Malaysia, Thailand, Taiwan and China. In China we are demonstrating our technology in four regions as part of an initiative with a mobile operator to use CFVD[®] to provide high quality traffic data throughout China. If successful this has the potential to be a large part of our business in Asia we do not expect major revenues in the near future as the Olympic games will prevent any technical work occurring on the mobile network during this period.

7. CURRENT TRADING AND PROSPECTS

We are encouraged by the rate of growth of our International business and ITIS's position as a world leader in the traffic information market. The Board views with great confidence the profitable expansion of ITIS into new markets.



Sir Trevor Chinn, CVO, Chairman



Stuart Marks, Chief Executive

Directors

Stuart Marks, Chief Executive

Stuart Marks, aged 41, 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 47, 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 40, 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.

Dr Gary Gates, International Business Director

Dr Gary Gates, aged 39, graduated from the University of York in 1991 with a degree in Theoretical Physics and obtained a PhD in Computational Physics in 1993. He became a Chartered Physicist in 1995. In 1994, he joined British Energy to work on a number of key research projects and moved to BNFL in 1996. In 1998 he moved to Norway to manage BNFL's nuclear fuel research programme. In 2000, he moved back to the UK to lead BNFL's fuel performance team. Gary joined ITIS Holdings in January 2001 as Product Development Manager and then International Business Director in 2004. He was appointed to the ITIS board in July 2007.

Sir Trevor Chinn, CVO, Chairman

Sir Trevor Chinn, aged 72, is Senior Adviser, CVC Capital Partners Ltd, Chairman of Aurora Russia Ltd, an AIM listed investment company established to acquire interests in private companies in Russia which are focused on the financial, business and consumer services sectors, Chairman of Streetcar Limited, the UK's largest car club operator and Chairman of Vigilant Technology Ltd, an AIM listed Israeli company which supplies 'intelligent' solutions for the high-end CCTV security and surveillance market. He was appointed Chairman of ITIS Holdings in September 2000. He was Chairman of the AA from September 2004 until September 2007 when it was sold. He was Chairman of Kwik-Fit from November 2002 when it was acquired by CVC until August 2005 when it was sold. He retired in April 2003 as Chairman of RAC plc (formerly Lex Service PLC) after 47 years' service. He became Managing Director in 1968, Chairman and Chief Executive in 1973 and Chairman in September 1996, having appointed a Chief Executive. In 1999 he was appointed by the Deputy Prime Minister, John Prescott, as Vice Chair of the Commission for Integrated Transport, stepping down in June 2004. He was also asked to form and continues to chair the Motorists' Forum. He was awarded the CVO in 1989 and a knighthood in 1990 for his charitable activities.

Directors

John Hewett, Non-Executive Director

John Hewett, aged 44, is Chief Executive of Smedvig Capital, a London based venture capital firm he founded with Peter 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 63, 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 2008

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 2008

Enhanced Business Review

ITIS is a leading international provider of traffic information. The Group is focused on one activity, namely the provision of road traffic and data services through its subsidiaries Integrated Transport Information Services Limited, ITIS UK Limited, Trafficlink Limited and ITIS Traffic Services Limited (collectively ITIS). On 6 December 2007, The Group acquired Trafficlink Limited, a company which collects, processes and disseminates journalistic traffic data, mainly to the broadcast market. There was no 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.

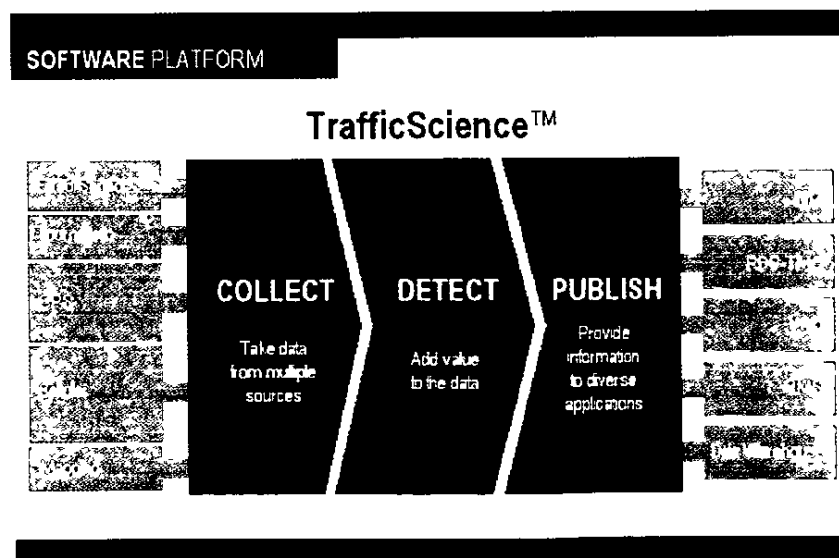
The Statement of the Chairman and the Chief Executive, which forms part of this report, describes the development of the business during the financial year and the outlook for the future.

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 products, applications and services that ITIS has invested in, developed and continues to develop are shown below.

Products

TrafficScience

The software platform that ITIS has developed over several years to support diverse applications which ITIS and its partners develop. These applications deliver information through a variety of media (web, mobile phone voice messages, short message text, e-mail, radio, digital, phone) to enable users to get information about their journeys which is timely and accurate. TrafficScience produces reliable, high-quality real-time and historical traffic information, suitable for a range of applications and users. The Group's patented FVD® technology gives ITIS a distinct advantage in providing detailed information that covers wide geographic territories - often nationally - at a lower cost than was previously possible. To its partners, ITIS's software platform is the basis for their applications, generating new and increased revenue streams.



Directors' report (continued)

CFVD

Cellular Floating Vehicle Data® (CFVD) is technology developed and patented by ITIS to derive high-quality traffic information from cellular networks. ITIS has developed and operates patented technology to enable the measuring and forecasting of traffic flow based on anonymously sampling the position of mobile phones. The system complements ITIS GFVD™ traffic information application. ITIS CFVD® technology can provide highly accurate traffic data as a result of the large concentration of mobile phones and because all major cities in the world support mobile phone networks. ITIS set up a subsidiary (ITIS Traffic Services Limited) based in Tel Aviv to continue the development of the CFVD technology. This Israeli operation is a research and development centre.

GFVD

GPS devices in vehicle fleets provide GPS Floating Vehicle Data® for TrafficScience to transform into high-quality traffic information.

Applications

ITIS' technology supports a wide variety of applications, many of which are developed with its business partners.

Interactive Voice Response

Interactive Voice Response (IVR) is a fully automated traffic information service generally provided to users on their mobile phone whilst travelling, although it can also be accessed from landlines for pre-trip planning.

RDS-TMC

RDS-TMC is a European-developed and standardised means of delivering real-time traffic information via a sub-carrier of FM radio. Transmitted data is decoded by a receiving device such as a satellite navigation system and translated into text or speech traffic alerts. By combining traffic information delivered via RDS-TMC with the re-routing facilities offered by satellite navigation systems, drivers are afforded dynamic avoidance of traffic congestion. ITIS supports sixteen car manufacturers and all of the aftermarket vendors with a national RDS-TMC service and has over 600,000 drivers using the service.

Services

Delivering successful projects, reliably and on schedule, is helped by the methodologies ITIS uses in the services it provides.

Hosted Services for TrafficScience

ITIS provides its software platform, TrafficScience™, as a hosted service. Applications built by its customers and partners interact with TrafficScience™, and it is important for ITIS to provide the highest level of service to them. The Group's primary data centre is in the UK. It is a custom-built facility in which it has invested more than £1 million since 2006.

Deployment of TrafficScience with DRIVE

The methodology ITIS uses to deliver successful projects is called DRIVE. Its carefully controlled phases are designed to ensure that all the essential steps are carried out to the required standard. Deployment of TrafficScience involves sourcing appropriate data, implementing the platform, and delivering the resultant traffic information to applications. Since ITIS' focus is on providing the platform, rather than developing applications, this methodology is also designed to ensure that partners developing applications are in position to begin their development at an early stage, using reliable simulation data.

Directors' report (continued)

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

Results and dividends

As shown in the Group income statement on page 30, the Group's continuing sales have increased by £4.2m (29%) over the prior year. As much of the cost base on the UK road traffic and data services side of the group is fixed, this has resulted in an increase to gross profit of £2.7m (29%) over the previous year. There has been a step change in the UK fixed cost base during the year, with additional fixed costs being incurred in the Trafficlink business acquired (£0.9m in the four months since acquisition).

The consolidated balance sheet on page 32 of the financial statements shows that the Group's financial position at the end of the year is consistent with the prior year in both net assets and cash terms, after taking into account the acquisition of Trafficlink (£10.8m cash outflow), the payment of a maiden dividend (£1.42m cash outflow), the purchase of a new data centre and its associated fit out / equipment costs (£1.0m cash outflow) and the working capital movements associated with the increase in profitability. Cash has decreased during the year from £11.57m to £1.96m.

There have been no significant events since the balance sheet date.

ITIS Holdings plc managed its operations during the year as one activity, which was the provision of road traffic and data services both in the UK and overseas.

The continuing Group profit for the financial year, after taxation and dividends, amounted to £1,782,447 (2007 - £5,156,256). The continuing Group profit before taxation for the financial year amounted to £4,792,683 (2007 - £3,670,163). Following court and shareholder approval, a dividend of £1,417,012 (2007 - £nil) was paid during the year.

In the period since its acquisition, Trafficlink has contributed £1.43m to the Group's turnover and £0.19m profit before taxation.

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 advances in its research and development.

In providing services or data, the Group relies upon third party data suppliers and certain third party contractors. There is always a risk that the Group could be let down by one or more of these suppliers. The Group minimises this risk by good project management and clear line of sight of the end deliverables.

Directors' report (continued)

Principal risks and uncertainties (continued)

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. The strategic management of ITIS' intellectual property, particularly its patent assets, means ensuring that its patent rights are aligned with the commercial advantages of its traffic probe technologies, extending territorial patent coverage to support the Group's international business objectives and maintaining a leading position having regard to competitors. The Group ensures that its strategic decisions take account of the evolution of the patent landscape.

Contingent liabilities

As stated last year, 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 26.

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.

Share premium and dividend

Following the High Court approval given on 23 January 2008 of the resolution passed at the Company's extraordinary general meeting on 22 November 2007 for the elimination of an accumulated deficit on its profit and loss account of £33,520,972 by the cancellation of the whole of the amount standing to the credit of its share premium account, an interim dividend of 1.5p per share was paid on 29 February 2008.

Directors' report (continued)

Directors

The directors who served during the year, together with their interests in the ordinary 2 pence shares of the company at 31 March 2008 and at 1 April 2007 were as follows

	Beneficial holdings		Share options	
	Ordinary shares of 2p each 2008	Ordinary shares of 2p each 2007	Ordinary shares of 2p each 2008	Ordinary shares of 2p each 2007
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	2,000,000	1,000,000
A D Forrest	426,126	26,126	600,000	500,000
G Gates (appointed 23 July 2007)	-	-	425,000	425,000
* J Hewett ¹	250,000	200,000	-	-
** S Norris	800,000	750,000	-	-

* Non-executive director

* Senior independent director

¹ John Hewett is the board representative of Smedvig Capital AS, the holder of 15,550,212 ordinary shares of 2p. There have been no changes in directors' interests between the year end and 17 June 2008

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

Stuart Marks and John Hewett 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 pages 6 and 7

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' report (continued)

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. The directors are required by the IAS Regulation to prepare the group financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union. The group financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and the AIM Rules.

International Accounting Standard 1 requires that IFRS financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information, and
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The parent company financial statements are required by law to give a true and fair view of the state of affairs of the company. In preparing these 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, and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' report (continued)

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 2008 to amounts supplied during the year to the Group gives an average payment term of 29 days (2007 - 19 days)

Donations

Charitable donations during the year amounted to £3,180 (2007 - £3,442). There were no political donations in either year.

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 £1,795,392 (2007 - £1,826,817). The costs incurred reflect the Group's investment in traffic information and associated services.

Directors' report (continued)

Substantial shareholdings

On 16 June 2008, 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	30.97
Smedvig Capital AS	15,550,212	15.45
Universities Superannuation Scheme Limited	4,005,000	3.98
ITIS Holdings plc EBT	3,975,420	3.95

International Financial Reporting Standards

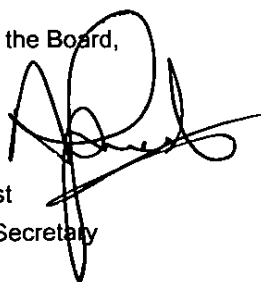
In accordance with AIM Rules, the group has implemented International Financial Reporting Standards ('IFRS') for the first time for its 2008 financial statements. The financial statements and comparative information for the year ended 31 March 2007 are prepared in accordance with IFRS. The key standards that have had an impact on the Group are

- IFRS 1 First time adoption of IFRS,
- IFRS 3 Business combinations,
- 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

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

17 June 2008

Corporate governance

For the year ended 31 March 2008

The company is committed to the principles of corporate governance contained in the 2006 FRC Combined Code ('the FRC Code'), which is appended to the Listing Rules of the Financial Services Authority and for which the Board is accountable to shareholders. Although, as an AIM listed company, not required to, the directors have elected to provide corporate governance disclosures.

Statement of compliance with the Code of Best Practice

Throughout the year ended 31 March 2008, the company has been in compliance with the Code provisions set out in Section 1 of the FRC Code, with the following exceptions:

Board composition

The Board has one independent non-executive director, Steven Norris. John Hewett is not considered to be independent by virtue of the fact that he is the board representative of Smedvig Capital AS, which has a significant shareholding in the company.

Consequently, throughout the year the company has been unable to comply with the following paragraphs of the FRC code in relation to composition of the Board and its committees:

- A 3.2 – A smaller company should have at least two independent non-executive directors
- A 4.1 – A majority of members of the nomination committee should be independent non-executive directors
- B 2.1 – The Board should establish a remuneration committee of at least, in the case of smaller companies, two members, who should all be independent non-executive directors
- C 3.1 – The Board should establish an audit committee of at least, in the case of smaller companies, two members, who should all be independent non-executive directors

In addition, the fact that the Chairman sits on the remuneration and audit committees is at variance with provisions B 2.1 and C 3.1 above.

The Board does not believe it necessary to appoint further independent non-executive directors at this time and believes that the current Board composition is appropriate for the size and nature of the Group.

Performance evaluation

During the year, the performance evaluation of the executive directors by the remuneration committee has taken place. However, performance appraisal of the Board, its committees, the chairman and the non-executive directors has been on an informal basis only. This is at variance with Principle A 6 of the FRC Code, which states that the Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors. The Board believes informal evaluation, carried out by the Board itself, is adequate and appropriate for the current size of the Group.

Corporate governance (continued)

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 pages 6 and 7. 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' appointments, 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, four and one respectively. Dr Gary Gates attended all Board meetings held post his appointment.

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. In the Board's view the appointment of Dr Gary Gates in July 2007 was a good example of this. Dr Gates was known by and had worked with the Board since January 2001, and had been appointed International Business Director in 2004, before his appointment to the Board.

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.

Corporate governance (continued)

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, Stuart Marks and John Hewett are offering themselves for re-election. Brief biographical details of these directors are set out on pages 6 and 7.

Following the performance evaluations carried out in respect of John Hewett, the Board proposes his re-election as a director. The Board asserts that John Hewett'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 2008 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, which investigates different areas of the Group's activities and reports back its findings to the Audit Committee.

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.

Corporate governance (continued)

Maintenance of a sound system of internal control (continued)

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

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 a comparison of actual results to 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 pages 6 and 7

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 2008, the committee obtained confirmation of the auditors' independence

Corporate governance (continued)

Maintenance of a sound system of internal control (continued)

Audit committee (continued)

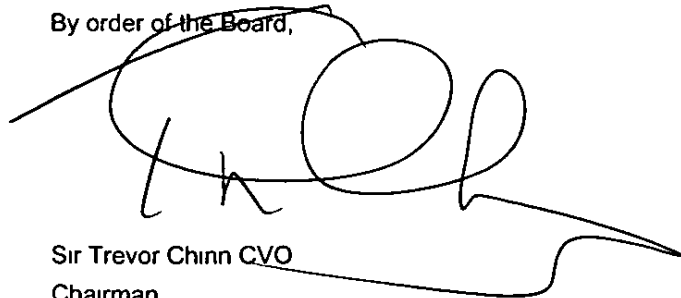
The committee's areas of activity during the year included

- 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 the 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,

A large, stylized handwritten signature in black ink, appearing to be 'T. Chinn', is written over the text 'By order of the Board,' and extends below the name 'Sir Trevor Chinn CVO'.

Sir Trevor Chinn CVO
Chairman

17 June 2008

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, beginning on page 24.

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 2007. In deciding appropriate levels, the committee considers the Group as a whole and salary levels of comparator companies. Executive directors' contracts of service, which include details of remuneration, will be available for inspection at the Annual General Meeting.

Directors' remuneration report (continued)

Annual bonus payments

The remuneration 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 2008 are given below.

50% of the directors' bonus scheme for the year ended 31 March 2008 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% of basic salary for executive directors. Their dependents are eligible for dependents' pensions at the level of 25% of the member's earnings. Life assurance is provided for each executive director at a maximum of four times basic salary.

Directors' remuneration report (continued)

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.

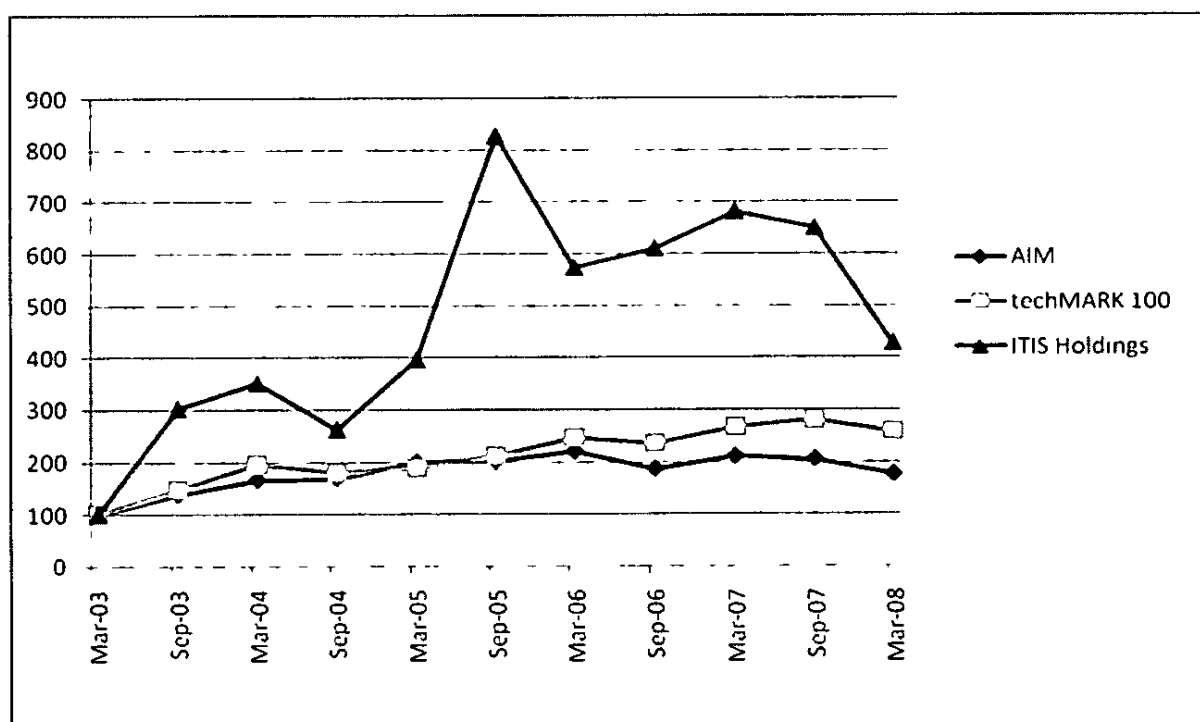
In the case of early termination of employment, the committee will adopt the objectives outlined in the Combined Code.

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 2003 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 2008, of £100 invested in ITIS Holdings plc on 1 April 2003 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

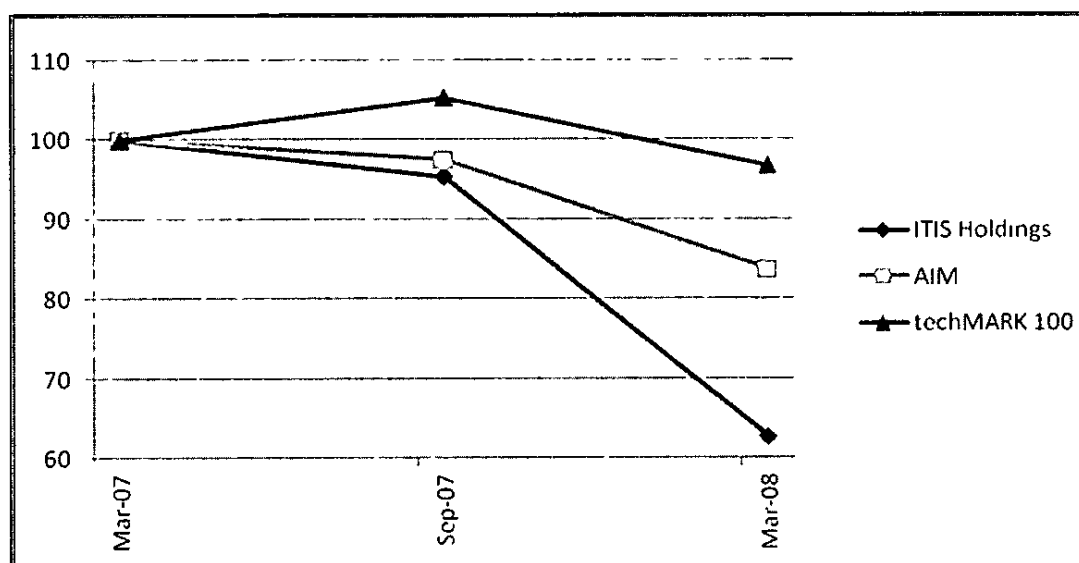


Directors' remuneration report (continued)

Performance graphs (continued)

The following graph illustrates the company's TSR performance for the year ended 31 March 2008, the period since the last annual report and financial statements. The graph looks at the value, by 31 March 2008, of £100 invested in ITIS Holdings plc on 1 April 2007 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
G Gates	23 July 2007	6 months

Audited Information

Aggregate remuneration

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

	2008 £	2007 £
Emoluments	1,087,117	705,835
Money purchase pension contributions	43,295	34,988
	<u>1,130,412</u>	<u>740,823</u>

Directors' remuneration report (continued)

Directors' emoluments

	Fees / basic salary £	Annual bonuses £	Benefits in kind £	Gain on exercise of share options	Total 2008 £	Total 2007 £	Money purchase pension contributions	
							2008 £	2007 £
<i>Executive</i>								
S A Marks	181,562	64,313	55,009	-	300,884	249,788	-	-
J Burr	155,625	55,125	9,876	-	220,626	209,416	23,344	21,657
A D Forrest	96,228	34,086	13,755	198,000	342,069	134,131	14,434	13,331
G Gates (appointed 23 July 2007)	65,675	33,250	12,113	-	111,038	-	5,517	-
<i>Non-executive</i>								
Sir T Chinn	62,500	-	-	-	62,500	62,500	-	-
S Norris	25,000	-	-	-	25,000	25,000	-	-
J Hewett	25,000	-	-	-	25,000	25,000	-	-
	<u>611,590</u>	<u>186,774</u>	<u>90,753</u>	<u>198,000</u>	<u>1,087,117</u>	<u>705,835</u>	<u>43,295</u>	<u>34,988</u>

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 exercised during this year are as follows

Director	Scheme	Number of options	Exercise price	Market price at exercise date	Gains on exercise 2008	Gains on exercise 2007
A D Forrest	ITIS Holdings PLC EMI scheme	400,000	7 5p	57p	198,000	-

The 400,000 share options exercised increased A Forrest's shareholding from 26,126 to 426,126 ordinary shares of 2p each

Directors' remuneration report (continued)

Directors' share options (continued)

Details of options for directors who served during the year are as follows

Director	At beginning of the year or on appointment Number	Exercised Number	Granted Number	At end of the year Number	Exercise price	Earliest date of exercise	Expiry date
S A Marks	1,500,000	-	-	1,500,000	7 5p	2 Dec 03/04/05 ¹	1 Dec 2012
J Burr	1,000,000	-	-	1,000,000	7 5p	2 Dec 03/04/05 ¹	1 Dec 2012
	-	-	29,220	29,220	76 9p	18 Jun 08/09/10 ⁴	17 Jun 17
	-	-	38,961	38,961	76 9p	18 Jun 08/09/10 ⁴	17 Jun 17
	-	-	431,819	431,819	76 9p	18 Jun 08/09/10 ⁴	17 Jun 17
	-	-	500,000	500,000	41 25p	14 Jan 09/10/11 ⁵	13 Jan 18
A D Forrest	400,000	(400,000)	-	-	7 5p	2 Dec 03/04/05 ¹	1 Dec 2012
	100,000	-	-	100,000	24 7p	22 June 05/06/07 ²	21 June 2014
	-	-	109,818	109,818	41 25p	14 Jan 09/10/11 ⁵	13 Jan 18
	-	-	72,727	72,727	41 25p	14 Jan 09/10/11 ⁵	13 Jan 18
	-	-	317,455	317,455	41 25p	14 Jan 09/10/11 ⁵	13 Jan 18
G A Gates	100,000	-	-	100,000	7 5p	2 Dec 03/04/05 ¹	1 Dec 2012
	129,011	-	-	129,011	64 5p	7 Nov 07/08/09 ³	6 Nov 2016
	44,776	-	-	44,776	64 5p	7 Nov 07/08/09 ³	6 Nov 2016
	151,213	-	-	151,213	64 5p	7 Nov 07/08/09 ³	6 Nov 2016

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

**Denotes share options issued under the company's Approved 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 dates of exercise are 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 tranches, for which the earliest dates of exercise are 7 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

Directors' remuneration report (continued)

Directors' share options (continued)

⁴The number of options granted is divided into three equal tranches, for which the earliest dates of exercise are 18 June 2008, 2009 and 2010 respectively. Under the terms of the option deed, these options may all be exercised in certain circumstances on termination of employment.

⁵The number of options granted is divided into three equal tranches, for which the earliest dates of exercise are 14 January 2009, 2010 and 2011 respectively. Under the terms of the option deed, these options may all be exercised in certain circumstances on termination of employment.

The market price of ordinary shares at 31 March 2008 was 37.5 pence and the range during the year was 33 pence to 80 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

17 June 2008

Independent auditors' report

We have audited the group financial statements of ITIS Holdings plc for the year ended 31 March 2008 which comprise the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated balance sheet, the consolidated cash flow statement and the related notes 1 to 29. These group 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.

We have reported separately on the parent company financial statements of ITIS Holdings plc for the year ended 31 March 2008.

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, the directors' remuneration report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the group financial statements give a true and fair view, whether the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation and whether the part of the directors' remuneration report described as having been audited has been 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 group financial statements.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's 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 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, 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 other information contained in the annual report as described in the contents section and consider whether it is consistent with the audited group financial statements. The other information comprises only the directors' report, the statement of the chairman and the chief executive and the unaudited part of the directors' remuneration report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any further information outside the annual report.

Independent auditors' 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 group financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the group financial statements, and of whether the accounting policies are appropriate to the group's circumstances, 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 group financial statements and the part of the directors' remuneration report to be 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 group financial statements and the part of the directors' remuneration report to be audited.

Opinion

In our opinion

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2008 and of its profit for the year then ended,
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation,
- the part of the directors' remuneration report described as having been audited has been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the group financial statements



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Manchester, United Kingdom

17 June 2008

Consolidated income statement

For the year ended 31 March 2008

	Notes	2008 £	2007 £
Continuing operations			
Revenue	2, 3	18,322,831	14,171,896
Cost of sales		<u>(6,342,440)</u>	<u>(4,910,605)</u>
Gross profit		11,980,391	9,261,291
Operating costs		<u>(7,672,342)</u>	<u>(5,902,548)</u>
Operating profit		4,308,049	3,358,743
Interest receivable and similar income	5	493,620	312,127
Interest payable and similar charges	6	<u>(8,986)</u>	<u>(707)</u>
Profit before tax		4,792,683	3,670,163
Current tax on ordinary activities	8	(106,680)	(5,737)
Deferred tax (charge) credit	8	<u>(1,486,544)</u>	<u>1,491,830</u>
Total tax on profit on ordinary activities	8	<u>(1,593,224)</u>	<u>1,486,093</u>
Profit for the financial year from continuing operations		3,199,459	5,156,256
Discontinued operations			
Profit for the financial year from discontinued operations	9	<u>-</u>	<u>4,289,589</u>
Profit for the financial year		<u>3,199,459</u>	<u>9,445,845</u>
Basic and diluted earnings per share from continuing operations (pence)	10	3 2	5 2
Basic and diluted earnings per share from continuing and discontinued operations (pence)	10	<u>3 2</u>	<u>9 6</u>

The accompanying notes are an integral part of this consolidated income statement

Consolidated statement of recognised income and expense

For the year ended 31 March 2008

	2008 £	2007 £
Profit for the financial year	3,199,459	9,445,845
Currency translation difference	527	(1,649)
Total recognised income and expense for the financial year	3,199,986	9,444,196
Attributable to		
Equity holders of the parent	3,199,986	9,444,196

The accompanying notes are an integral part of this consolidated statement of total recognised income and expense

Consolidated balance sheet

31 March 2008

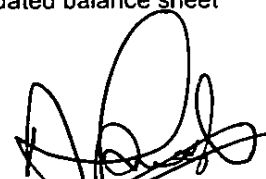
	Notes	2008 £	2007 £
Non-current assets			
Goodwill	12	9,315,548	-
Other intangible assets	13	2,288,700	684,838
Property, plant and equipment	14	1,885,005	932,997
Deferred tax asset	8	5,286	1,491,830
Other receivables	15	552,854	98,337
		<u>14,047,393</u>	<u>3,208,002</u>
Current assets			
Trade and other receivables	15	6,322,318	4,690,805
Cash and cash equivalents		1,964,522	11,571,102
		<u>8,286,840</u>	<u>16,261,907</u>
Total assets		<u>22,334,233</u>	<u>19,469,909</u>
Current liabilities			
Trade and other payables	16	(4,193,130)	(3,291,283)
Net current assets		<u>4,093,710</u>	<u>12,970,624</u>
Non-current liabilities			
Other payables	17	(69,039)	(61,396)
Total liabilities		<u>(4,262,169)</u>	<u>(3,352,679)</u>
Net assets		<u>18,072,064</u>	<u>16,117,230</u>
Equity			
Called-up share capital	19	5,230,270	5,230,270
Share premium account	20	-	38,070,740
Retained earnings	20	12,413,527	(27,440,187)
Other reserve	20	428,267	256,407
Equity attributable to equity holders of the parent		<u>18,072,064</u>	<u>16,117,230</u>
Total equity		<u>18,072,064</u>	<u>16,117,230</u>

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

Signed on behalf of the Board



S A Marks
Director
17 June 2008



A D Forrest
Director
17 June 2008

Consolidated cash flow statement

For the year ended 31 March 2008

	Notes	2008 £	2007 £
Net cash from operating activities	23	<u>3,874,611</u>	<u>4,790,792</u>
Investing activities			
Interest received		493,620	312,127
Proceeds on sale of subsidiary		-	3
Costs of disposal		-	(164,484)
Net cash balances disposed of with subsidiary undertaking		-	(4,153)
Repayment of loans owed by subsidiary		-	2,199,997
Proceeds on disposal of property, plant and equipment		136,627	17,749
Purchases of property, plant and equipment		(1,347,812)	(894,958)
Purchase of intangible assets		(16,795)	(381,820)
Acquisition of subsidiary		(3,010,346)	-
Net cash (used in) from investing activities		<u>(3,744,706)</u>	<u>1,084,461</u>
Financing activities			
Dividends paid		(1,417,012)	-
Repayment of borrowings		(8,320,000)	-
Net cash used in financing activities		<u>(9,737,012)</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents		(9,607,107)	5,875,253
Cash and cash equivalents at beginning of year		11,571,102	5,697,498
Effect of foreign exchange rate changes		527	(1,649)
Cash and cash equivalents at end of year		<u>1,964,522</u>	<u>11,571,102</u>

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

Notes to the financial statements

1 General information and principal accounting policies

The Group has previously prepared its financial statements under UK Generally Accepted Accounting Practice ('UK GAAP') Following a revision in the AIM Rules, the Group is required to prepare its 2008 consolidated financial statements in accordance with International Financial Reporting Standards (IFRS)

Accordingly these financial statements have been prepared under the accounting policies set out below Adoption of these policies has resulted in disclosure and presentational changes only and has not made necessary the restatement of any balances Consequently no reconciliations between UK GAAP and IFRS balances have been presented

The rules for the first time adoption of IFRS are set out in IFRS 1 'First time adoption of International Financial Reporting Standards' IFRS 1 requires that IFRS be applied retrospectively unless a specific exemption is applied In preparing this financial information the Group has adopted the following exemptions

- to apply IFRS 2 'Share based payment' to those share options granted after 7 November 2002 that had not vested by 1 April 2006, and
- to deem cumulative translation differences for all foreign operations to be zero as at the opening IFRS balance sheet date (1 April 2006)

The cash flow differences between UK GAAP and IFRS are either movements within a classification or presentational only There is no impact on the final cash position nor the movement during the periods presented

General information

ITIS Holdings plc is a company incorporated in the United Kingdom under the Companies Acts 1948 to 1980 The address of the registered office is given on page 15 The nature of the group's operations and its principal activities are set out on page 8 of the directors' report

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates Foreign operations are included in accordance with the policies set out in the foreign currency accounting policy below

At the date of the authorisation of these financial statements, the following standards and interpretations that are expected to impact on the Group but which have not been applied in these financial statements, were in issue but not yet effective

With the exception of changes in disclosure, the directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group The directors anticipate that the Group will adopt these standards and interpretations on their effective dates

Notes to the Financial Statements (continued)

1 General information and principal accounting policies (continued)

General information (continued)

- IAS 1 Presentation of financial statements, revised version issued in September 2007, effective for annual periods beginning on or after 1 January 2009
- IAS 23 Borrowing costs, revised version issued in March 2007, effective for annual periods beginning on or after 1 January 2009
- IFRS 8 Operating segments, issued in November 2006, effective for periods beginning on or after 1 January 2009

The impact of all other standards and interpretations not yet adopted is not expected to be material

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

a) Basis of accounting

The financial statements have been prepared in accordance with IFRS. The financial statements have been prepared on the historical cost basis.

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 are consolidated from the date on which control passed. Acquisitions are accounted for under the acquisition method.

c) Revenue recognition

Group revenue 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.

Notes to the financial statements

1 General information and principal accounting policies (continued)

d) Research and development costs

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred

An internally-generated intangible asset arising from the group's development is recognised only if all of the following conditions are met

- an asset is created that can be identified (such as software and new processes),
- it is probable that the asset will generate future economic benefits, and
- the development cost of the asset can be measured directly

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred

e) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Notes to the financial statements

f) Intangible assets

Intangible assets are stated at discounted cost, net of amortisation and any provision for impairment. Intangible assets are amortised over their estimated useful lives, using the straight line method, on the following bases:

Customer relationships	10% to 20%
Intellectual property	20%
Licences	33%
Other intangibles	8% to 33%

g) Property, plant and equipment

Fixtures and equipment are stated at cost, net of depreciation and any recognised impairment loss. Depreciation is charged so as to write off the cost of assets – with the exception of land, which is not depreciated – over their estimated useful lives, using the straight line method, on the following bases:

Buildings	4%
Fixtures	20% to 33%
Motor vehicles	33%
Equipment	25% to 33%

h) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease.

i) 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.

Notes to the financial statements

1 General information and principal accounting policies (continued)

i) *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.

j) *Income statement*

Operating profit is stated after charging normal operating expenses, goodwill impairment and amortisation of acquired intangible assets but before investment income and finance costs.

k) *Retirement benefits*

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) *Long-term contracts*

Where the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion represented by contract costs incurred for work performed to date of total estimated contract costs. Variations in contract work are included to the extent that they have been agreed with the customer.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable that they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense in the income statement.

m) *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 income statement.

n) *Financial instruments*

Financial assets and financial liabilities are recognised in the Group's balance sheet when the group becomes a party to the contractual provisions of the instrument. Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Notes to the financial statements

1 General information and principal accounting policies (continued)

o) Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been reduced.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the income statement.

p) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

q) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

r) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Notes to the financial statements

1 General information and principal accounting policies (continued)

s) *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

t) *Financial liabilities*

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

u) *Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

v) *Share-based payment*

The group has applied the requirements of IFRS 2, Share-based payment. In accordance with the transitional provisions, IFRS 2 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.

w) *Critical judgements in applying the Group's accounting policies*

In the process of applying the Group's accounting policies, which are described above, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below):

w (i) *Revenue and profit recognition*

Amounts of revenue and profit recognised under contracts for the provision of traffic information services are based on management's assessment of the stage of completion or delivery of the relevant services.

Notes to the financial statements

1 General information and principal accounting policies (continued)

x) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below

x (i) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

x (ii) Useful economic lives of intangibles

Brand name

The brand has been valued on a relief from royalty approach. There is considered to be strength in the brand arising from Trafficlink's leadership in the UK market and its established name, and therefore a useful economic life of 10 years has been used.

Proprietary software

A cost approach was taken to value the proprietary software acquired and, in line with Group policies on proprietary software, this will be amortised over three years.

Customer relationships

This was valued using a multi-period excess earnings methodology. Depending upon length of current contracts and strength of relationship with the customer, these are considered to have useful economic lives of between five and ten years with an attrition factor applied to years outside of the current contracted terms to recognise the risk of non-renewal.

2 Revenue

An analysis of the group's revenue is as follows

	Year ended 2008 £	Year ended 2007 £
Continuing operations		
Revenue from contracts	18,322,831	14,171,896
Investment income	493,620	312,127
Discontinued operations		
Revenue (see note 9)	-	4,616,585
	<u>18,816,451</u>	<u>19,100,608</u>

Notes to the financial statements

3 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.

An analysis of revenue and results by geographical region is presented below.

2008	United Kingdom £	Mainland Europe £	USA £	Israel £	Rest of World £	Eliminations £	Consolidated £
Revenue							
External sales	17,254,785	817,199	140,923	81,221	28,703	-	18,322,831
Inter-segment sales	1,112,397	-	-	1,417,476	-	(2,529,873)	-
Total revenue	<u>18,367,182</u>	<u>817,199</u>	<u>140,923</u>	<u>1,498,697</u>	<u>28,703</u>	<u>(2,529,873)</u>	<u>18,322,831</u>

Inter-segment sales are charged at prevailing market prices.

	United Kingdom £	Mainland Europe £	USA £	Israel £	Rest of world £	Eliminations £	Consolidated £
Result							
Segment result	<u>5,362,641</u>	<u>463,592</u>	<u>(13,752)</u>	<u>(1,510,694)</u>	<u>6,262</u>	<u>-</u>	<u>4,308,049</u>
Investment revenues							493,620
Finance costs							<u>(8,986)</u>
Profit before tax							4,792,683
Tax							<u>(1,593,224)</u>
Profit after tax							<u>3,199,459</u>

2008	United Kingdom £	Israel £	Consolidated £
Other information			
Capital additions	1,314,956	49,651	1,364,607
Depreciation and amortisation	893,002	34,091	927,093
Balance sheet			
Assets			
Segment assets	<u>22,010,268</u>	<u>323,965</u>	
Consolidated total assets			<u>22,334,233</u>
Liabilities			
Segment liabilities	<u>(3,779,677)</u>	<u>(482,492)</u>	
Consolidated total liabilities			<u>(4,262,169)</u>

The Group holds assets only in the United Kingdom and Israel. Whilst the Group trades in other areas of the world, it provides the services for those other countries from the United Kingdom.

Notes to the financial statements

3 Segmental analysis (continued)

2007	United Kingdom £	Mainland Europe £	USA £	Israel £	Rest of World £	Eliminations £	Consolidated £
Revenue							
External sales	13,535,624	310,081	67,545	2,820	255,826	-	14,171,896
Inter-segment sales	758,872	-	-	1,110,570	-	(1,869,442)	-
Total revenue	<u>14,294,496</u>	<u>310,081</u>	<u>67,545</u>	<u>1,113,390</u>	<u>255,826</u>	<u>(1,869,442)</u>	<u>14,171,896</u>

Inter-segment sales are charged at prevailing market prices

	United Kingdom £	Mainland Europe £	USA £	Israel £	Rest of world £	Eliminations £	Consolidated £
Result							
Segment result	<u>4,678,282</u>	<u>(12,460)</u>	<u>(280,658)</u>	<u>(1,301,034)</u>	<u>274,613</u>	<u>-</u>	<u>3,358,743</u>
Investment revenues							312,127
Finance costs							<u>(707)</u>
Profit before tax							3,670,163
Tax							<u>1,486,093</u>
Profit after tax							<u>5,156,256</u>
Profit from discontinued operations							<u>4,289,589</u>
Profit after tax and discontinued operations							<u>9,445,845</u>

2007	United Kingdom £	Israel £	Consolidated £
Other information			
Capital additions	1,121,914	95,665	1,217,579
Depreciation and amortisation	744,610	95,413	840,023
Balance sheet			
Assets			
Segment assets	<u>19,247,359</u>	<u>222,550</u>	
Consolidated total assets			<u>19,469,909</u>
Liabilities			
Segment liabilities	<u>(3,038,772)</u>	<u>(313,907)</u>	
Consolidated total liabilities			<u>(3,352,679)</u>

The Group holds assets only in the United Kingdom and Israel. Whilst the Group trades in other areas of the world, it provides the services for those other countries from the United Kingdom.

Notes to the financial statements

4 Particulars of employees

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

	2008 Number	Restated 2007 Number
Operations	115	71
Sales and distribution	-	4
Administration	16	18
	<u>131</u>	<u>93</u>

2007 employee numbers did not include employees based in Israel. These employees, totalling 24 in 2008 and 23 in 2007, have now been included in the above table.

On 6 December 2007 the Group acquired 100% of the issued share capital of Trafficlink Limited. Of the average number of employees in 2008, 53 are Trafficlink employees and their aggregate remuneration was £1,066,452.

On 26 March 2007, the Group disposed of its interest in the ordinary share capital of NavTrak Limited. Of the average number of employees in 2007, 21 were NavTrak employees and their aggregate remuneration was £619,455.

Excluding Trafficlink and NavTrak employees, the average number of employees rose in the year from 72 to 78.

The aggregate remuneration of employees (including executive directors) comprised

	2008 £	Restated 2007 £
Wages and salaries	4,124,408	3,405,799
Social security costs	412,227	333,125
Share-based payments charge (see note 11)	171,860	82,815
Pension costs (see note 24)	192,264	207,945
	<u>4,900,759</u>	<u>4,029,684</u>

5 Interest receivable and similar income

	2008 £	2007 £
Interest receivable on bank deposits	<u>493,620</u>	<u>312,127</u>

6 Interest payable and similar charges

	2008 £	2007 £
Interest payable and similar charges	<u>8,986</u>	<u>707</u>

Notes to the financial statements

7 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging (crediting)

	2008 £	2007 £
Depreciation of property, plant and equipment	533,955	534,428
Amortisation of intangible assets	393,138	305,595
(Profit)/loss on disposal of property, plant and equipment	(22,370)	998
Rentals under operating leases		
- other operating leases	207,729	124,404
- plant and machinery	12,340	17,948
Research and development costs	1,795,392	1,826,817
Net foreign exchange losses	16,858	39,667
Staff costs (see note 4)	4,900,759	4,029,684

Auditors' remuneration

The analysis of auditors' remuneration is as follows

	2008 £	2007 £
Fees payable to the company's auditors for the audit of the company's annual accounts	20,000	20,000
Fees payable to the company's auditors and their associates for other services to the group		
- The audit of the company's subsidiaries pursuant to legislation	45,000	32,000
Total audit fees	65,000	52,000
 Other services pursuant to legislation		
- tax services	30,000	23,000
- financial due diligence	105,000	-
- other services	22,000	21,000
Total non-audit fees	157,000	44,000

Notes to the financial statements

8 Tax on profit on ordinary activities

The tax (charge)/credit comprises

	2008 £	2007 £
Current tax		
Adjustment in respect of prior years	(106,680)	(5,737)
Total current tax	<u>(106,680)</u>	<u>(5,737)</u>
Deferred tax		
(Charge)/credit in respect of current year	(1,509,287)	1,491,830
Adjustment in respect of prior years	22,743	-
Total deferred tax	<u>(1,486,544)</u>	<u>1,491,830</u>
(Charge)/credit in respect of current year	<u>(1,593,224)</u>	<u>1,486,093</u>

The tax (charge)/credit all relates to continuing operations

Corporation tax is calculated at 30% (2007 30%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the profit per the income statement as follows

	2008 £	2007 £
Profit before tax		
-Continuing operations	4,792,683	7,727,086
-Discontinued operations	-	232,666
Profit before tax	<u>4,792,683</u>	<u>7,959,752</u>
Tax at the UK corporation tax rate of 30% (2007 30%)	1,437,805	2,387,925
Expenses not deductible (income not taxable) for tax purposes	61,025	(1,142,384)
Depreciation (less than)/ in excess of capital allowances	(17,099)	64,615
Decrease in tax losses	(1,412,048)	(1,310,156)
Deferred tax asset recognised	-	(1,491,830)
Adjustment in respect of prior years – current tax	106,680	5,737
Adjustment in respect of prior years – deferred tax	(22,743)	-
Current year deferred tax movement	1,509,287	-
Employees share scheme acquisition relief	(69,683)	-
Group tax charge (credit) for the year	<u>1,593,224</u>	<u>(1,486,093)</u>

A deferred tax asset amounting to £6,009,432 (2007 - £2,730,229) in respect of ITIS UK Limited, Trafficlink 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.

Notes to the financial statements

8 Tax on profit on ordinary activities (continued)

Deferred tax asset

	£
At 1 April 2006	-
Credit arising on recognition of deferred tax asset	1,491,830
At 1 April 2007	1,491,830
Adjustment in respect of prior years	22,743
Charge to income due to utilisation of deferred tax asset	(1,509,287)
At 31 March 2008	5,286

9 Discontinued operations

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

The results of the discontinued operations, which have been included in the consolidated income statement, were as follows

	Year ended 31 March 2008 £	Year ended 31 March 2007 £
Revenue	-	4,616,585
Expenses	-	(4,383,919)
Profit before tax	-	232,666
Attributable tax expense	-	-
Net profit attributable to discontinued operations	-	232,666
Gain on disposal	-	4,056,923
Profit from discontinued operations	-	4,289,589

During the year, NavTrak Limited utilised £nil (2007 £260,169) of the group's net operating cash flows

Notes to the financial statements

10 Basic and diluted earnings per ordinary share

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

	2008 £	2007 £
Profit for the financial year	<u>3,199,459</u>	<u>9,445,845</u>
Profit for the financial year from continuing operations	<u>3,199,459</u>	<u>5,156,256</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share	98,620,384	98,620,384
Effect of dilutive potential ordinary shares - Share options*	<u>1,672,916</u>	<u>-</u>
	<u>100,293,300</u>	<u>98,620,384</u>
Basic and diluted earnings per share from continuing and discontinued operations (pence)	<u>3 2</u>	<u>9 6</u>
Basic and diluted earnings per share from continuing operations (pence)	<u>3 2</u>	<u>5 2</u>

* The number of share options used is the excess of options in issue at 31 March 2008, over the number of shares held in the ITIS Holdings plc EBT

Notes to the financial statements

11 Share based payments

Equity settled share option scheme

The company has share option schemes for all employees of the Group. In the Company's Approved Share Option Scheme and the Company's EMI Option Scheme, 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. In the case of the Company's Unapproved Share Option Scheme the price is at the discretion of the Board. 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 2008		Year ended 31 March 2007	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at beginning of year	4,469,008	0.09	4,373,015	0.09
Granted during the year	1,990,000	0.50	325,000	0.65
Forfeited during the year	3,335	0.25	26,669	0.25
Exercised during the year	807,337	0.08	202,338	0.08
Outstanding at the end of the year	5,648,336	0.27	4,469,008	0.13
Exercisable at the end of the year	3,441,669	0.11	3,853,669	0.08

The weighted average share price for share options exercised during the year was £0.08. The options outstanding at 31 March 2008 had a weighted average exercise price of £0.27 and a weighted average remaining contractual life of 6.83 years. In the year ended 31 March 2008, 500,000 options were granted on 18 June 2007, 1,000,000 were granted on 14 January 2008 and 490,000 options were granted on 4 February 2008. The aggregate of the estimated fair value of the options granted on those dates is £392,700. In the year ended 31 March 2007, options were granted on 23 March 2007. 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

	2008	2007
Weighted average share price	49p	67p
Weighted average exercise price	50p	64.5p
Expected volatility	30%	31%
Expected life	6.5 years	5 years
Risk-free rate	4.67%	4.97%

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. The Group recognised total expenses of £171,860 and £82,815 related to equity-settled share-based payment transactions in 2008 and 2007 respectively.

Notes to the financial statements

12 Goodwill

	£
Cost and net book value	
At 1 April 2006, 31 March 2007 and 1 April 2007	-
Recognised on acquisition of a subsidiary (see note 27)	<u>9,315,548</u>
At 31 March 2008	<u>9,315,548</u>

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The groups' goodwill relates entirely to one CGU, being Trafficlink Limited.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next three years and extrapolates cash flows for the following five years based on an estimated growth rate of 3% per cent. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows is 11%.

Notes to the financial statements

13 Other intangible assets

	Customer relationships £	Intellectual Property £	Licences £	Other intangibles £	Total £
Cost					
At 1 April 2006	-	989,740	-	-	989,740
Additions	-	147,621	225,000	-	372,621
At 1 April 2007	-	1,137,361	225,000	-	1,362,361
Additions	-	-	-	16,795	16,795
Acquired with subsidiary	1,565,039	-	-	415,166	1,980,205
At 31 March 2008	1,565,039	1,137,361	225,000	431,961	3,359,361
Amortisation					
At 1 April 2006	-	371,928	-	-	371,928
Charge for the year	-	230,595	75,000	-	305,595
At 1 April 2007	-	602,523	75,000	-	677,523
Charge for the year	52,168	230,595	75,000	35,375	393,138
At 31 March 2008	52,168	833,118	150,000	35,375	1,070,661
Net book value					
At 31 March 2008	1,512,871	304,243	75,000	396,586	2,288,700
At 31 March 2007	-	534,838	150,000	-	684,838

Intellectual property relates to the patents held by the Group in respect of its developed technology

Notes to the financial statements

14 Property, plant and equipment

	Land and buildings £	Fixtures and fittings £	Motor vehicles £	Computer and office equipment £	Total £
Cost					
At 1 April 2006	-	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 1 April 2007	-	126,825	606,912	1,651,232	2,384,969
Additions	441,861	13,608	235,802	656,541	1,347,812
Acquisition of subsidiary	-	80,969	-	171,439	252,408
Disposals	-	(500)	(219,270)	(115)	(219,885)
At 31 March 2008	441,861	220,902	623,444	2,479,097	3,765,304
Depreciation					
At 1 April 2006	-	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 1 April 2007	-	76,069	230,755	1,145,148	1,451,972
Charge for the year	7,364	29,417	157,229	339,945	533,955
Disposals	-	(346)	(105,282)	-	(105,628)
At 31 March 2008	7,364	105,140	282,702	1,485,093	1,880,299
Net book value					
At 31 March 2008	434,497	115,762	340,742	994,004	1,885,005
At 31 March 2007	-	50,756	376,157	506,084	932,997

Notes to the financial statements

15 Trade and other receivables

Amounts falling due after more than one year

	2008 £	2007 £
Cash in escrow	350,000	-
Trade and other receivables	202,854	98,337
	<u>552,854</u>	<u>98,337</u>

Amounts falling due within one year

	2008 £	2007 £
Trade and other receivables	2,262,476	1,575,537
Allowance for doubtful debts	(33,555)	(7,080)
Net trade and other receivables	2,228,921	1,568,457
VAT	24,139	-
Other debtors	57,576	183,530
Prepayments	4,011,682	2,938,818
	<u>6,322,318</u>	<u>4,690,805</u>

The average credit period taken on sales of goods is 44 days (2007 40 days) No interest is charged on the receivables The Group bases its provision policy on past default experience

Of the trade receivables balance at the end of the year, £1,315,573 (2007 £905,650) is due from three of the Group's largest customers The Group monitors the credit quality of these customers and any changes are reflected in the carrying value of the related trade receivable There are no other customers who individually represent more than 5 per cent of the total balance of trade receivables

Included in the Group's trade receivable balance are debtors with a carrying amount of £1,215,445 (2007 £588,510) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable The Group does not hold any collateral over these balances The average age of these receivables is 92 days (2007 98 days)

Ageing of past due but not impaired receivables

	2008 £	2007 £
60-90 days	686,016	284,177
90-120 days	93,222	191,166
Greater than 120 days	436,207	113,167
Total	<u>1,215,445</u>	<u>588,510</u>

Notes to the financial statements

15 Trade and other receivables (continued)

Movement in the allowance for doubtful debts

	2008 £	2007 £
Balance at the beginning of the period	7,080	7,080
Arising on acquisition	26,475	-
Balance at the end of the period	<u>33,555</u>	<u>7,080</u>

Ageing of impaired trade receivables

	2008 £	2007 £
120+ days	<u>33,555</u>	<u>7,080</u>

16 Trade and other payables

	2008 £	2007 £
Trade creditors	790,900	867,208
VAT	323,748	183,918
Other taxation and social security	181,171	80,577
Other creditors	23,405	14,995
Accruals and deferred income	2,322,443	2,144,585
Deferred tax creditor	551,463	-
	<u>4,193,130</u>	<u>3,291,283</u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 29 days (2007: 19 days). For most suppliers no interest is charged on the trade payables for the first 30 days from the date of the invoice. Thereafter, interest is charged on the outstanding balances at various interest rates.

The directors consider that the carrying amount of trade payables approximates to their fair value. The deferred tax creditor arises in relation to the intangible assets acquired in the year (see note 27).

17 Trade and other payables: Amounts falling due after more than one year

	2008 £	2007 £
Accruals and deferred income	<u>69,039</u>	<u>61,396</u>

Notes to the financial statements

18 Financial instruments

The Group does not use complex derivative financial instruments. The Group does not have any borrowings and the exposure to fluctuations in the Group's results due to interest rate movements is therefore not significant.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 19 to 21. Equity includes all capital and reserves of the Group attributable to equity holders of the parent.

Externally imposed capital requirement

The Group is not subject to externally imposed capital requirements.

Financial risk management objectives

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. There has been no change in the year to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2008 £	2007 £
Euro	<u>933,900</u>	<u>572,826</u>

Notes to the financial statements

18 Financial instruments (continued)

Foreign currency sensitivity analysis

The Group is mainly exposed to the Euro currency

The following table details the Group's sensitivity to a 10% increase and decrease in the Sterling against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the Sterling strengthens 10% against the relevant currency. For a 10% weakening of the Sterling against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	Currency impact	
	2008 £	2007 £
Euro	<u>93,390</u>	<u>57,283</u>

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses publicly available financial information and its own trading records to rate its major customers.

The Group does not have any significant credit risk exposure to any group of counterparties having similar characteristics.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 29 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Notes to the financial statements

19 Called-up share capital

	2008 £	2007 £
<i>Authorised share capital</i>		
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
	<u>10,000,000</u>	<u>10,000,000</u>
	2008 £	2007 £
<i>Allotted, called-up and fully paid</i>		
100,620,099 ordinary shares of 2p each (2007 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
	<u>5,230,270</u>	<u>5,230,270</u>

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)

19 Called-up share capital (continued)

Share options

The company had the following ordinary share options in issue at 31 March 2008

Date of issue	Ordinary 2p shares Number	Exercise price	Earliest exercise date	Latest exercise date	
02 December 2002	1,433,335	7 5p	02 Dec 03/04/05 ¹	01 Dec 2012	*
02 December 2002	1,500,000	7 5p	02 Dec 03/04/05 ¹	01 Dec 2012	**
22 June 2004	120,001	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	07 Nov 07/08/09 ⁴	06 Nov 2016	*
7 November 2006	195,989	64 5p	07 Nov 07/08/09 ⁴	06 Nov 2016	**
18 June 2007	29,220	76 9p	18 Jun 08/09/10 ⁵	17 Jun 2017	*
18 June 2007	38,961	76 9p	18 Jun 08/09/10 ⁵	17 Jun 2017	***
18 June 2007	431,819	76 9p	18 Jun 08/09/10 ⁵	17 Jun 2017	**
14 January 2008	109,818	41 25p	14 Jan 09/10/11 ⁶	13 Jan 2018	*
14 January 2008	72,727	41 25p	14 Jan 09/10/11 ⁶	13 Jan 2018	***
14 January 2008	817,455	41 25p	14 Jan 09/10/11 ⁶	13 Jan 2018	**
04 February 2008	490,000	41p	04 Feb 09/10/11 ⁷	03 Feb 2018	*
	<u>5,648,336</u>				

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

¹ The number of options granted is divided into three equal blocks for which the earliest dates of exercise are 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 dates of exercise are 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 dates of exercise are 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

Notes to the financial statements

19 Called-up share capital (continued)

Share options (continued)

⁴ The number of options granted is divided into three equal blocks for which the earliest dates of exercise are 7 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.

⁵ The number of options granted is divided into three equal blocks for which the earliest dates of exercise are 18 June 2008, 2009 and 2010 respectively. Under the terms of the option deed, these options may all be exercised in certain circumstances on termination of employment.

⁶ The number of options granted is divided into three equal blocks for which the earliest dates of exercise are 14 January 2009, 2010 and 2011 respectively. Under the terms of the option deed, these options may all be exercised in certain circumstances on termination of employment.

⁷ The number of options granted is divided into three equal blocks for which the earliest dates of exercise are 4 February 2009, 2010 and 2011 respectively. Under the terms of the option deed, these options may all be exercised in certain circumstances on termination of employment.

Notes to the financial statements

20 Reserves

Group	Other reserve £	Share premium account £	Profit and loss account £
At 1 April 2006	178,025	38,070,740	(36,888,816)
Currency translation differences	-	-	(1,649)
IFRS 2 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)
Currency translation differences	-	-	527
IFRS 2 share option charge	171,860	-	-
Cancellation of share premium	-	(38,070,740)	38,070,740
Retained profit for the year	-	-	3,199,459
Dividends paid (note 28)	-	-	(1,417,012)
At 31 March 2008	428,267	-	12,413,527

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 2008, 3,975,420 (2007 - 4,782,757) ordinary shares were held by the trust, all of which 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 2008 was £1,490,783 (2007 - £2,860,685).

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.

Share premium

High Court approval was received on 23 January 2008 of the resolution passed at the Company's extraordinary general meeting on 22 November 2007 for the elimination of an accumulated deficit on its profit and loss account of £33,520,972 by the cancellation of the whole of the amount standing to the credit of its share premium account.

Notes to the financial statements

21 Statement of changes in equity

	2008 £	2007 £
Profit for the financial year	3,199,459	9,445,845
Other recognised gains and losses relating to the year	527	(1,649)
IFRS 2 share option charge	171,860	82,815
Dividends paid	(1,417,012)	-
Net addition to Group shareholders' funds	1,954,834	9,527,011
Opening shareholders' funds	16,117,230	6,590,219
Closing shareholders' funds	18,072,064	16,117,230

22 Leases

	2008 £	2007 £
Minimum lease payments under operating leases recognised as an expense in the year	220,069	142,352

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows

	2008 £	2007 £
Within one year	362,976	136,744
In the second to fifth years inclusive	963,461	364,818
After five years	320,250	-
	1,646,687	501,562

Operating lease payments represent rentals by the Group for certain of its office properties. Leases are negotiated for an average term of 8 years and rentals are fixed for an average of 4 years with an option to extend for a further 4 years at the then prevailing market rate.

Notes to the financial statements

23 Cash flow information

Reconciliation of operating profit to net cash inflow from operating activities

	2008 £	2007 £
Profit for the year	3,199,459	9,445,845
Adjustments for		
Depreciation of property, plant and equipment	533,955	534,428
Amortisation of intangible assets	393,138	305,595
Interest income	(493,620)	(312,127)
Share-based payment expense	171,860	82,815
Finance costs	8,986	707
Income tax expense	106,680	5,737
Deferred tax charge (credit)	1,486,544	(1,491,830)
Gain on disposal of discontinued operations	-	(4,056,923)
Gain on disposal of property, plant and equipment	(22,370)	(998)
Decrease in provisions	-	(54,459)
Operating cash flows before movements in working capital	5,384,632	4,458,790
Decrease in inventories	-	55,190
Increase in receivables	(833,643)	(1,228,628)
(Decrease)/increase in payables	(672,267)	1,500,496
Cash generated by operations	3,878,722	4,785,848
Interest paid	(8,986)	(707)
Foreign tax paid	-	(18,205)
Research and development tax credit	4,875	23,856
Net cash from operating activities	3,874,611	4,790,792

24 Retirement benefits

The Group provides pension arrangements to the majority of full-time employees through a defined contribution scheme. The pension charge for the year was £192,264 (2007 - £207,945)

25 Related party transactions

Remuneration of key management personnel

The remuneration of the directors, who are also deemed to be the key management personnel of the Group, is set out in the audited part of the Directors' Remuneration Report on pages 24 to 27

Notes to the Financial Statements (continued)

26 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). Decell filed an application for interim relief, which has been rejected by the court.

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.

During the year, an application for security of costs was made by ITSL, and Decell deposited a bank guarantee in the amount of US\$200,000 into court. 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. During the year ended 31 March 2008, the Group spent £228,000 defending the claim.

Notes to the financial statements

27 Acquisition of subsidiary

On 6 December 2007 the group acquired 100% of the issued share capital of Trafficlink Limited for cash consideration of £2,180,000. Trafficlink Limited is the parent company of a group of companies involved in gathering, editing and broadcasting journalistic traffic and travel information. This transaction has been accounted for by the purchase method of accounting.

In addition to the purchase price of £2.18m, there is a further deferred, performance-related cash consideration of up to £6.0 million payable by June 2009. The directors consider that it is unlikely that any of this deferred consideration will be paid.

Net assets acquired

	Book value £	Fair value £
Intangible assets	-	1,969,510
Property, plant and equipment	263,103	263,103
Trade and other receivables	1,363,942	1,363,942
Cash and cash equivalents	6,603	6,603
Trade and other payables	(1,030,294)	(1,030,294)
Bank loans	(537,835)	(537,835)
Deferred tax liabilities relating to intangible assets	-	(551,463)
Loan	(8,320,000)	(8,320,000)
	<u>(8,254,481)</u>	<u>(6,836,434)</u>
Goodwill		9,315,548
Total consideration		<u>2,479,114</u>
Satisfied by:		
Cash		2,180,000
Directly attributable costs		299,114
		<u>2,479,114</u>
Net cash outflow arising on acquisition:		
Cash consideration		(2,479,114)
Cash and cash equivalents acquired		(531,232)
		<u>(3,010,346)</u>

The fair value adjustments recognised related to

- intangible assets in respect of acquired brands, customer relationships and proprietary software in accordance with IFRS 3 Business combinations, and
- deferred tax liabilities in relation to the acquired intangible assets

Notes to the financial statements

27 Acquisition of subsidiary (continued)

The goodwill arising on the acquisition of Trafficlink Limited is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination

Trafficlink Limited contributed £1,429,265 revenue and £189,250 to the Group's profit before tax for the period between the date of acquisition and the balance sheet date

If the acquisition of Trafficlink Limited had been completed on the first day of the financial year, group revenues for the period would have been £21,363,176 and group profit attributable to equity holders of the parent would have been £3,696,787

28 Dividends

	2008 £	2007 £
Amounts recognised as distributions to equity holders in the period		
Interim dividend for the year ended 31 March 2008 of 1 5p (2007 nil) per share	<u>1,417,012</u>	<u>-</u>

29 Borrowings

Undrawn borrowing facilities

At 31 March 2008, the group had available £8 million (2007 £nil) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met

Independent auditors' report

We have audited the parent company financial statements of ITIS Holdings plc for the year ended 31 March 2008 which comprise the Balance Sheet and the related notes 1 to 7. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the group financial statements of ITIS Holdings plc for the year ended 31 March 2008 and on 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 parent company 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.

Our responsibility is to audit the parent company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the Directors' Report is consistent with the parent company 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.

We read the other information contained in the annual report as described in the contents section and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the directors' report, the unaudited part of the directors' remuneration report and the statement of the chairman and the chief executive. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any further information outside the annual report.

Independent auditors' 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 parent company financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, 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 parent company financial statements 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 parent company financial statements.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008,
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the parent company financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Manchester, United Kingdom

17 June 2008

Company balance sheet

31 March 2008

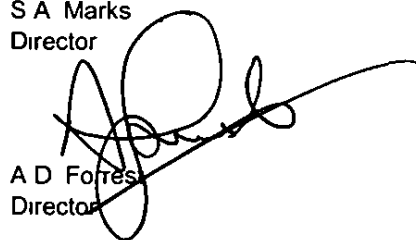
	Notes	2008 £	2007 £
Non-current assets			
Investments	3	<u>3,050,761</u>	<u>571,647</u>
Current assets			
Trade and other receivables	4	8,365,204	30,106
Cash and cash equivalents		<u>248,618</u>	<u>9,295,639</u>
		<u>8,613,822</u>	<u>9,325,745</u>
Total assets		<u>11,664,583</u>	<u>9,897,392</u>
Current liabilities			
Trade and other payables	5	<u>(3,402,876)</u>	<u>(117,354)</u>
Net current assets		<u>5,210,946</u>	<u>9,208,381</u>
Total liabilities		<u>(3,402,876)</u>	<u>(117,354)</u>
Net assets		<u>8,261,707</u>	<u>9,780,038</u>
Capital and reserves			
Called-up share capital	6	5,230,270	5,230,270
Share premium account	7	-	38,070,740
Retained earnings	7	<u>3,031,437</u>	<u>(33,520,972)</u>
Equity attributable to equity holders of the parent		<u>8,261,707</u>	<u>9,780,038</u>
Total equity		<u>8,261,707</u>	<u>9,780,038</u>

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

Signed on behalf of the Board



S A Marks
Director



A D Forbes
Director

17 June 2008

Notes to the company financial statements

31 March 2008

1 Significant accounting policies

Basis of accounting

The separate financial statements of the company are presented as required by the Companies Act 1985. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Investments

Fixed asset investments in subsidiaries are shown at cost less provision for impairment.

For investments in subsidiaries acquired for consideration, including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value only of the shares issued. Any premium is ignored.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

2 Profit for the year

As permitted by section 230 of the Companies Act 1985 the company has elected not to present its own profit and loss account for the year. ITIS Holdings plc reported a loss for the financial year ended March 2008 of £1,518,331 (2007: £15,586,885).

The auditors' remuneration for audit and other services is disclosed in note 7 to the consolidated financial statements.

Notes to the company financial statements (continued)

3 Fixed asset investments

	2008 £	2007 £
Subsidiaries	<u>3,050,761</u>	<u>571,647</u>
Cost	2008 £	2007 £
At beginning of year	571,647	571,649
Additions	2,479,114	1,379,061
Disposals	-	(1,379,063)
At end of year	<u>3,050,761</u>	<u>571,647</u>
Provision for impairment		
At beginning of year	-	-
Provision	-	(1,379,061)
Eliminated on disposal	-	1,379,061
At end of year	<u>-</u>	<u>-</u>
Net book value	<u>3,050,761</u>	<u>571,647</u>

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
Trafficlink Limited	UK	£1 ordinary	100%	Provision of traffic information

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, 100% of the share capital in Trafficlink Limited was acquired for consideration of £2,479,114. Details of the acquisition are given in note 27 to the consolidated financial statements.

Notes to the company financial statements (continued)

4 Debtors

	2008 £	2007 £
Amounts falling due within one year:		
Amounts owed by group undertakings	8,320,000	-
VAT	20,151	21,625
Prepayments and accrued income	25,053	8,481
	<u>8,365,204</u>	<u>30,106</u>

5 Creditors

	2008 £	2007 £
Amounts falling due within one year		
Trade creditors	31,379	3,194
Amounts owed to group undertakings	3,305,272	70,840
Accruals and deferred income	66,225	43,320
	<u>3,402,876</u>	<u>117,354</u>

6 Called-up share capital

	2008 £	2007 £
<i>Authorised share capital</i>		
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
	<u>10,000,000</u>	<u>10,000,000</u>

	2008 £	2007 £
<i>Allotted, called-up and fully paid</i>		
100,620,099 ordinary shares of 2p each (2007 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
	<u>5,230,270</u>	<u>5,230,270</u>

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.

Details of share options in issue are set out in note 19 to the consolidated financial statements.

Notes to the company financial statements (continued)

7 Reserves

	Share premium account £	Profit and loss account £	Total £
At 1 April 2007	38,070,740	(33,520,972)	4,549,768
Cancellation of share premium account	(38,070,740)	38,070,740	-
Retained loss for the year	-	(1,518,331)	(1,518,331)
At 31 March 2008	<u>-</u>	<u>3,031,437</u>	<u>3,031,437</u>

Share premium

High Court approval was received on 23 January 2008 of the resolution passed at the Company's extraordinary general meeting on 22 November 2007 for the elimination of an accumulated deficit on its profit and loss account of £33,520,972 by the cancellation of the whole of the amount standing to the credit of its share premium account