

## **ITIS Holdings plc (“ITIS” or the “Company”)**

### **Preliminary Results for the year ended 31<sup>st</sup> March 2006**

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ITIS Holdings plc, a leading road traffic information and data specialist is pleased to announce its preliminary results for the year ended 31<sup>st</sup> March 2006.

#### **HIGHLIGHTS**

- Full year profit before tax £1.66m (2005: loss of £1.35m) excluding an exceptional item. Profit before taxation including an exceptional profit of £0.33m was £1.99m (2005: loss of £1.35m).
- Turnover up 39% to £14.10m (2005: £10.16m) excluding an exceptional item. The turnover including the exceptional item was £14.40m (2005: £10.16m)
- Year end cash balance remains strong at £5.70m (2005: £3.41m)
- UK business continues to experience strong growth and is highly profitable
- Interest remains high in Cellular Floating Vehicle Data (“CFVD”) from the US and other countries
- First revenues from Missouri CFVD contract now expected to commence during the latter part of the current financial year

Stuart Marks, Chief Executive of ITIS commented: “We are delighted with these results and, in particular, to announce our first full year of profitability. Our business in the UK is particularly strong and, through a combination of our largely fixed cost base and a growing number of customers, is becoming substantially profitable. Whilst the timing of new contracts is difficult to predict, we remain encouraged about our overseas expansion, particularly in the US, and believe that demand for our services will only increase as road traffic congestion worsens around the world.”

## **FINANCIAL OVERVIEW**

For the year ended 31<sup>st</sup> March 2006, pre-exceptional turnover increased by 39% to £14.06m (2005: £10.16m). Exceptional turnover of £354,000 (2005: nil) represents income from UK customers relating to the year ended 31<sup>st</sup> March 2005 that was not declared to the Group until after the publication of the 2005 financial statements. The costs related to this exceptional turnover were £23,000 and the Group therefore recorded an exceptional profit in the year ended 31<sup>st</sup> March 2006 of £331,000 (2005: nil).

Turnover for the year ended 31<sup>st</sup> March 2006 came predominantly from the Group's UK business – from traffic data sales to RDS-TMC customers; from data sales to local and central Government and other third party organisations; and from customers using the Group's various mobile telephone information services.

With the majority of its cost base fixed, the UK business made a pre-exceptional profit before taxation of £2.58m (2005: loss £0.76m) and a post exceptional profit before taxation of £2.92m (2005: loss £0.76m). These results again demonstrate that the Group's operational infrastructure is capable of supporting incremental business without substantial increases to its cost base.

The Group continued to invest heavily in its research and development centre in Israel during the year, spending £871,000 (2005: £548,000).

On a Group basis, pre-exceptional profit before taxation was £1.65m (2005: loss before taxation £1.35m), rising to £1.99m (2005: loss of £1.35m) on a post exceptional basis. Basic and diluted earnings per share were 2.1p (2005: loss per ordinary share of 1.3p).

The year-end cash balance remains strong at £5.70m (2005: £3.41m).

## **UK BUSINESS REVIEW**

Since ITIS shares were admitted to trading on the AIM Market in 2000, the Company has become one of the UK's leading providers of traffic information and has experienced a period of substantial growth leading to its first full year of profitability in 2006. The turnaround in our UK business from a loss of £0.76m in the year ended 31<sup>st</sup> March 2005 to a pre tax profit of £2.58m for the year under review demonstrates the robustness of our business model, the quality of our service and the advantages of our high operational gearing.

Our traffic business began in early 2002 with the launch of our commercial RDS-TMC service in the UK initially supported by BMW and Toyota. We have since developed TMC into a business which now provides traffic information to seventeen car manufacturers and to seventeen personal navigation devices and aftermarket systems. We believe there are now over 250,000 users of our traffic information through these channels and we expect continued growth.

Floating Vehicle Data (“FVD”), which covers the entire UK road network, has proven itself to be of very high quality. This unique data set is at the heart of our real time and historic information and is presented in various formats dependant on the requirements of the end user. FVD predominantly generates road speed and flow information and is supplemented with a rich incident data feed provided to us, under an exclusive agreement, by Trafficlink, the UK’s leading provider of incident based traffic information.

Under the terms of our partnership with the AA, we support both web based and mobile phone services under our exclusive use of the AA Roadwatch brand. Mobile phone users can access our real time traffic information across all the major networks using unique short dial numbers. During the year under review, we have added greater functionality such as places of interest and specific incident reports to enrich the quality of the service.

We continue to focus NavTrak, our stolen vehicle tracking business, on the very top end of the prestige car market and now factory install our system for Bentley, Ferrari and Maserati. This has enabled us to concentrate on quality engineering and customer service at a price point which sustains profitability.

We expect to continue to win new business in the UK and to renew existing contracts as they fall due.

## **OVERSEAS BUSINESS REVIEW**

Our UK customer base and the services we provide to them act as valuable reference points for our overseas development, especially in countries where commercial traffic information services are only now beginning to be launched. Our competitive position is materially enhanced by our ability to offer proven experience and applications to these new markets.

In many overseas markets, and especially in the US, there has been a marked roll out of on board navigation systems in the last eighteen months helped greatly by the falling costs of hardware. Of greater interest to ITIS is the growth in the number of GPS equipped mobile phones in the US to support the E-911 legislation that requires a mobile be locatable when an emergency call is placed. Penetration with some networks is now over 80%. The networks are moving quickly to provide other Location Based Services of which navigation and traffic consistently feature in the top three services most required. We believe that working directly with the mobile phone networks to produce traffic information from their raw data will enhance their willingness to supply us and will create a new revenue stream for both ITIS and the networks.

Our partnership with Delcan.NET in the US is proving very successful. Our similar cultures allowed for an effective handling of our first projects in Baltimore, Maryland and the current state-wide roll out of CFVD in Missouri. By partnering with Delcan we have been able to fully explore and develop our business in the US along side an organisation which already has successful relationships with many Government Departments Of Transport’s (“DOT’s”). Our first goal is the successful delivery of

existing projects in order to provide ‘proof of concept’ and ensure that we achieve a reputation for delivery and quality. We believe that this approach will enhance negotiations with other DOT’s.

We have stated previously that the quality of our CFVD service and our roll out plans in the US are dependent upon support from mobile network operators and ensuring a reliable supply of data from them. In this regard, there have been some delays on the Missouri project outside of our control. Initial revenues from this contract are now not expected until the latter part of the current financial year.

In the US our agreements with mobile network operators are likely to include a fixed annual payment to ensure the delivery of data to us in a market ready format. As a consequence, early stage costs of some US projects, including Missouri will be proportionally higher.

We remain optimistic about opportunities in Europe and are involved in a number of advanced negotiations for the provision of traffic information. We are very pleased with the quality of data now being provided in Antwerp, Belgium which has become an important reference site for us. However, as we are predominantly focussing on Government agencies and large mobile operators, the exact timing of when overseas contracts will be awarded is difficult to predict precisely.

Our licensee in Australia, Traffic Intelligence Pty is making excellent progress and is already working with a major mobile operator. We expect our first revenues from this region in the current year.

Our office in Israel is now exclusively managing the Group’s R&D effort. We have a very bright and able team there focused on ensuring that we retain a leading position with our traffic technology.

## **CURRENT TRADING & PROSPECTS**

The Board believes that ITIS has the ability to become a world leader in traffic information services.

Revenues and profits from the UK business are showing consistent strong growth and, whilst we are still in the very early stages of developing our overseas business, our performance in the UK is an excellent indicator of what we are able to achieve once we have established our presence in a market.

The current financial year has started well and the Board is confident that ITIS will maintain its exciting high growth.

**ITIS Holdings plc**  
**Preliminary announcement of results for the year ended 31 March 2006**

**Consolidated profit and loss account**

	2006	2005
	£	£
<b>Group turnover</b>	14,416,113	10,159,268
Cost of sales	(6,982,244)	(6,667,524)
<b>Gross profit</b>	7,433,869	3,491,744
Distribution costs	(106,179)	(122,948)
Administrative expenses	(5,497,838)	(4,890,305)
<b>Operating profit (loss)</b>	1,829,852	(1,521,509)
Operating profit (loss) before exceptional item	1,498,584	(1,521,509)
Exceptional item	331,268	-
Operating profit (loss)	1,829,852	(1,521,509)
Interest receivable and similar income	158,723	176,943
Interest payable and similar charges	(2,123)	(1,414)
<b>Profit (loss) on ordinary activities before taxation</b>	1,986,452	(1,345,980)
Tax on profit (loss) on ordinary activities	93,350	136,417
<b>Profit (loss) on ordinary activities after taxation</b>	2,079,802	(1,209,563)
Minority interests	(5,396)	(1,495)
<b>Profit (loss) for the financial year</b>	2,074,406	(1,211,058)
<b>Basic and diluted earnings (loss) per ordinary share</b>	2.1	(1.3)

All activity has arisen from continuing operations.

**Consolidated statement of total recognised gains and losses**

	2006	2005
	£	£
Profit (loss) for the financial year	2,074,406	(1,211,058)
Currency translation difference	1,858	(2,652)
<b>Total recognised gains and losses relating to the year</b>	2,076,264	(1,213,710)

## Consolidated balance sheet at 31 March 2006

	2006	2005
	£	£
<b>Fixed assets</b>		
Intangible assets	617,812	848,407
Tangible assets	659,746	493,286
	<u>1,277,558</u>	<u>1,341,693</u>
<b>Current assets</b>		
Stocks	374,998	353,551
Debtors		
- due within one year	4,300,432	2,963,417
- due after more than one year	40,000	70,000
Cash at bank and in hand	5,697,498	3,413,341
	<u>10,412,928</u>	<u>6,800,309</u>
<b>Creditors:</b> Amounts falling due within one year	(4,434,618)	(3,797,421)
	<u>5,978,310</u>	<u>3,002,888</u>
<b>Net current assets</b>		
	<u>7,255,868</u>	<u>4,344,581</u>
<b>Total assets less current liabilities</b>		
<b>Creditors:</b> Amounts falling due after more than one year	(601,991)	(403,177)
<b>Provisions for liabilities and charges</b>	(54,459)	(195,493)
	<u>6,599,418</u>	<u>3,745,911</u>
<b>Net assets</b>		
	<u>6,599,418</u>	<u>3,745,911</u>
<b>Capital and reserves</b>		
Called-up share capital	5,230,270	5,186,286
Share premium account	38,070,740	37,342,877
Profit and loss account	(36,710,791)	(38,787,055)
	<u>6,590,219</u>	<u>3,742,108</u>
<b>Shareholders' funds</b>		
<b>Minority interests - equity</b>	9,199	3,803
	<u>6,599,418</u>	<u>3,745,911</u>
<b>Total capital employed - equity</b>		
	<u>6,599,418</u>	<u>3,745,911</u>

## Consolidated cash flow statement for the year ended 31 March 2006

	Notes	2006 £	2005 £
<b>Net cash inflow (outflow) from operating activities</b>	2	1,765,284	(1,648,654)
<b>Returns on investments and servicing of finance</b>			
Interest element of finance lease rental payments		(2,123)	(1,414)
Interest received		158,723	176,943
<b>Net cash inflow from returns on investments and servicing of finance</b>		156,600	175,529
<b>Taxation</b>			
Foreign tax paid		(20,300)	(2,579)
Research and development taxation credit		127,124	78,137
<b>Net cash inflow from taxation</b>		106,824	75,558
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(489,566)	(296,847)
Sale of tangible fixed assets		-	9,200
Purchase of intangible fixed assets		-	(816,170)
<b>Net cash outflow from capital expenditure</b>		(489,566)	(1,103,817)
<b>Cash inflow (outflow) before financing</b>		1,539,142	(2,501,384)
<b>Financing</b>			
Proceeds on issue of shares		771,847	-
Capital element of finance lease rental payments		(28,690)	(128,691)
<b>Net cash inflow (outflow) from financing</b>		743,157	(128,691)
<b>Increase (decrease) in cash in the year</b>	3	2,282,299	(2,630,075)

## Reconciliation of movements in group shareholders' funds for the year ended 31 March 2006

	2006	2005
	£	£
Profit (loss) for the financial year	2,074,406	(1,211,058)
Other recognised gains and losses relating to the year	1,858	(2,652)
Proceeds on issue of shares	771,847	-
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<b>Net addition to (reduction in) group shareholders' funds</b>	2,848,111	(1,213,710)
Opening group shareholders' funds	3,742,108	4,955,818
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<b>Closing group shareholders' funds</b>	6,590,219	3,742,108
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### Notes

#### 1. Basis of Preparation

The financial information set out in this preliminary announcement does not constitute the Group's statutory accounts for the years ended 31 March 2005 or 2006, but is derived from those accounts. Statutory accounts for the year ended 31 March 2005 have been delivered to the Registrar of Companies.

The auditors have reported on the accounts for the years ended 31 March 2006 and 2005: their reports were unqualified and did not contain a statement under section 273(2) or (3) of the Companies Act 1985.

The financial information set out in this preliminary announcement has been prepared on the basis of the accounting policies as stated in the accounts for the year ended 31 March 2005.

A copy of the annual report and accounts will be circulated to all shareholders of the company shortly and copies will also be available for members of the public upon application to the registered office at Fifth Floor, Station House, Stamford New Road, Altrincham, WA14 1EP and on the website [www.itisholdings.com](http://www.itisholdings.com).

## 2. Reconciliation of operating profit (loss) to net cash inflow (outflow) from operating activities

	2006	2005
	£	£
Operating profit (loss)	1,829,852	(1,521,509)
Depreciation and amortisation of licenses	552,934	395,419
Increase in stocks	(21,447)	(196,637)
(Increase) decrease in debtors	(1,322,584)	267,399
Increase (decrease) in creditors	867,563	(463,545)
Decrease in provisions	(141,034)	(132,836)
Loss on disposal of fixed assets	-	3,055
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<b>Net cash outflow from operating activities</b>	<b>1,765,284</b>	<b>(1,648,654)</b>
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## 3. Reconciliation of net cash flow to movement in net funds

	2006	2005
	£	£
Increase (decrease) in cash in the year	2,282,299	(2,630,075)
Cash outflow from decrease in lease financing	28,690	128,691
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Change in net funds resulting from cash flows	2,310,989	(2,501,384)
Other non cash changes	-	242,619
Translation differences	1,858	(2,652)
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Change in net funds in the year	2,312,847	(2,261,417)
Net funds brought forward	3,384,651	5,646,068
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<b>Net funds carried forward</b>	<b>5,697,498</b>	<b>3,384,651</b>
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