FORM 10-Q/A

Quarterly report pursuant to sections 13 or 15(d) [amend]

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FILER

INTERNATIONAL TOTAL SERVICES INC

CIK:**1040993**| IRS No.: **341264201** | State of Incorp.:**OH** | Fiscal Year End: **0331**
Type: **10-Q/A** | Act: **34** | File No.: **333-29463** | Film No.: **99709319**
SIC: **4581** Airports, flying fields & airport terminal services

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CROWN CENTRE
5005 ROCKSIDE RD
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2166424522

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-Q/A
AMENDMENT #1

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1998

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission file number 0-23073
INTERNATIONAL TOTAL SERVICES, INC.

(Exact name of registrant as specified in its charter)

Ohio	34-1264201
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
Crown Centre 5005 Rockside Road Independence, Ohio	44131
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (216) 642-4522

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

As of November 13, 1998, the Registrant had 6,662,494 Common Shares issued and outstanding.

INTERNATIONAL TOTAL SERVICES, INC.

10-Q/A

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<TABLE>
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</TABLE>

INTERNATIONAL TOTAL SERVICES, INC.
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands)
(UNAUDITED)

<TABLE>
<CAPTION>

	September 30, 1998 (Restated)	March 31, 1998
<S>	<C>	<C>
ASSETS		
Current Assets		
Cash and cash equivalents	$ 4,680	$ 1,032
Accounts receivable - net of allowance for doubtful accounts of $177 and $100 as of September 30, 1998 and March 31, 1998, respectively	22,157	20,768
Deferred taxes	1,479	1,453
Prepaid Income Taxes	535	--
Uniforms	2,263	2,686
Other current assets	2,287	1,684
TOTAL CURRENT ASSETS	33,401	27,623
Property and Equipment		
Security equipment	4,859	3,682
Service equipment	2,671	2,362
Computer equipment	2,496	2,049
Furniture and fixtures	1,104	994
Leasehold improvements	56	56
Autos	932	1,607
	12,118	10,750
Less accumulated depreciation and amortization	5,696	5,255
Property and equipment - net	6,422	5,495
Intangibles, less accumulated amortization of $2,708 and $1,636 as of September 30, 1998 and March 31, 1998, respectively	32,311	25,295
Security deposits and other	96	154
	32,407	25,449
TOTAL ASSETS	$ 72,230	$ 58,567

LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Trade accounts payable	$ 3,456	$ 4,590
Accrued payroll and payroll taxes	13,919	11,938
Other accrued expenses	1,779	1,860
Income taxes payable	--	98
TOTAL CURRENT LIABILITIES	19,154	18,486
Deferred taxes	434	434
Long-Term Obligations	12,574	544
Shareholders' Equity		
Common shares, without par value, stated at $.01 per share, authorized 20,000 shares, issued and outstanding 6,662 shares at September 30, 1998 and March 31, 1998	67	67
Additional paid-in capital	31,211	31,211
Accumulated other comprehensive loss	(112)	(204)
Retained earnings	8,902	8,029
	40,068	39,103
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 72,230	$ 58,567

</TABLE>

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF INCOME
Three Months Ended September 30, 1998 (Restated) and September 30, 1997
(Amounts in thousands, except per share data)
(Unaudited)

<TABLE>
<CAPTION>

<S>	September 30, 1998 (Restated) <C>	<C>	September 30, 1997 <C>	<C>
Operating revenues	$ 58,875	100.0%	$ 38,604	100.0%
Cost of operating revenues	51,289	87.1%	32,292	83.6%
GROSS PROFIT	7,586	12.9%	6,312	16.4%
Selling, general and administrative expenses	5,441	9.2%	3,743	9.7%
Contract and goodwill amortization	570	1.0%	138	0.4%
OPERATING PROFIT	1,575	2.7%	2,431	6.3%
Other expense	499	0.9%	162	0.4%
Interest expense-net	234	0.4%	344	0.9%
	733	1.3%	506	1.3%
Income before income taxes	842	1.4%	1,925	5.0%
Income taxes	417	0.7%	800	2.1%
NET INCOME	$ 425	0.7%	$ 1,125	2.9%
Net Income per share:				
Basic	$ 0.06		$ 0.29	

Diluted	$ 0.06	$ 0.29
Weighted average number of shares:		
Basic	6,662	3,879
Diluted	6,662	3,883

</TABLE>

The accompanying notes are an integral part of these financial statements.

INTERNATIONAL TOTAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF INCOME
Six Months Ended September 30, 1998 (Restated) and September 30, 1997
(Amounts in thousands, except per share data)
(Unaudited)

<TABLE>
<CAPTION>

<S>	September 30, 1998 (Restated) <C>	<C>	September 30, 1997 <C>	<C>
Operating revenues	$ 115,489	100.0%	$ 76,968	100.0%
Cost of operating revenues	100,778	87.3%	64,116	83.3%
GROSS PROFIT	14,711	12.7%	12,852	16.7%
Selling, general and administrative expenses	10,730	9.3%	8,052	10.5%
Contract and goodwill amortization	1,072	0.9%	309	0.4%
OPERATING PROFIT	2,909	2.5%	4,491	5.8%
Other expense	1,023	0.8%	321	0.4%
Interest expense-net	324	0.3%	758	1.0%
	1,347	1.1%	1,079	1.4%
INCOME BEFORE INCOME TAXES	1,562	1.4%	3,412	4.4%
Income taxes	689	0.6%	1,434	1.8%
NET INCOME	$ 873	0.8%	$ 1,978	2.6%
Net Income per share:				
Basic	$ 0.13		$ 0.52	
Diluted	$ 0.13		$ 0.52	
Weighted average number of shares:				
Basic	6,662		3,768	
Diluted	6,662		3,770	

</TABLE>

The accompanying notes are an integral part of these financial statements.

INTERNATIONAL TOTAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS Six Months Ended September 30, 1998 (Restated) and September 30, 1997
(Amounts in thousands)
(Unaudited)

<TABLE>
<CAPTION>

	September 30, 1998 (Restated)	September 30, 1997
<S>	<C>	<C>
OPERATING ACTIVITIES:		
Net Income	$ 873	$ 1,978
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	545	382
Amortization	1,073	309
Other	--	2
Changes in working capital:		
Accounts receivable	(1,389)	(2,982)
Prepaid Income Taxes	(535)	
Other current and noncurrent assets	(146)	(1,275)
Trade accounts payable	(1,134)	3,554
Accrued expenses	1,807	94
Net cash provided by operating activities	1,094	2,062
INVESTING ACTIVITIES:		
Additions to property and equipment	(2,405)	(578)
Deposit on sale of property, plant and equipment	200	--
Proceeds received from sale of equipment	18	11
Property and equipment of acquired businesses	(233)	--
Payments for acquisitions of businesses	(7,053)	(2,307)
Net cash used in investing activities	(9,473)	(2,874)
FINANCING ACTIVITIES:		
Net borrowings (payments) on note payable to bank	12,026	(6,571)
Principal payments on long-term debt	--	(3,000)
Proceeds from sale of stock	--	30,012
Decrease in capital lease obligation	--	(94)
Decrease in note receivable from officer	--	445
Net cash provided by financing activities	12,026	20,792
Effect of exchange rates on cash	1	--
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,648	19,980
Cash and Cash Equivalents, beginning balance	1,032	1,452
Cash and Cash Equivalents, ending balance	$ 4,680	$ 21,432

</TABLE>

The accompanying notes are an integral part of these financial statements.

INTERNATIONAL TOTAL SERVICES, INC.
Notes to Consolidated Financial Statements
Three and Six Months Ended September 30, 1998
(Tabular amounts in thousands, except per share and percentage data)
(Unaudited)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

These financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial position of the Company as of September 30, 1998 and the results of its operations for the three and six month periods ended September 30, 1998 and 1997 and cash flows for the six month periods ended September 30, 1998 and 1997 have been included.

Operating results for the three and six month periods ended September 30, 1998, are not necessarily indicative of the results that may be expected for the year ending March 31, 1999. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended March 31, 1998.

The Company's fiscal year ends on March 31. All references to fiscal years in this Quarterly Report on Form 10-Q represent the year in which the fiscal period ends (i.e. fiscal 1999 is the year ending March 31, 1999) unless otherwise noted.

NET INCOME PER SHARE

Net income per share - basic is based on the weighted average number of shares outstanding during each period.

Net income per share - diluted gives effect to the net additional shares that would have been issued had all dilutive stock options been exercised. The Company had no other potential common stock outstanding.

RECENTLY ISSUED BUT NOT YET ADOPTED ACCOUNTING STANDARDS

During the first quarter of fiscal 1999, the AICPA's Accounting Standards Executive Committee issued Statement of Position (SOP) 98-5, "Reporting on the Costs of Start-Up Activities". This SOP requires that the costs of start-up activities be expensed as incurred. SOP 98-5 is required to be adopted for financial statements with fiscal years beginning after December 15, 1998 and requires the cumulative effect of the accounting change to be reported in net income in the year of adoption. The Company will adopt SOP 98-5 effective the first quarter of fiscal 2000. The Company believes adoption of this standard will not have a material impact on the Company's financial position or results of operations.

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures About Segments of an Enterprise and Related Information." This standard is effective for fiscal years beginning after December 15, 1997. The Company will adopt SFAS No. 131 in its fiscal 1999 year-end financial statements. The Company believes adoption of this standard will not have a material impact on the Company's financial disclosures.

NOTE B - RESTATEMENT

While preparing financial statements for the fiscal year ended March 31, 1999, the Company determined that its previously issued quarterly financial statements for the fiscal year should be restated. Company management has concluded that certain expense adjustments, primarily related to vacations, workers' compensation, uniforms and bad debts, are more properly allocated throughout the year rather than as strictly fourth quarter charges. The adjustments require the restatement of each of the previously issued quarterly financial statements. The year-end financial statements reflect the cummulative effect of these quarterly adjustments. The effects of these changes are contained entirely within fiscal year 1999.

A comparison of the original and restated (unaudited) financial statements is as follows:

INTERNATIONAL TOTAL SERVICES, INC.
CONSOLIDATED BALANCE SHEETS
RESTATED AND AS PER ORIGINAL 10Q FILING
(Amounts in thousands)

<TABLE>
<CAPTION>

	As Restated September 30, 1998	Original 10-Q Filing September 30, 1998

	(UNAUDITED)	
<S>	<C>	<C>
ASSETS		

Current Assets		
Cash and cash equivalents	$ 4,680	$ 4,732
Accounts receivable - net of allowance for doubtful accounts	22,157	22,285
Deferred taxes	1,479	1,479
Prepaid Income Taxes	535	--
Uniforms	2,263	2,477
Other current assets	2,287	2,335
TOTAL CURRENT ASSETS	33,401	33,308
Property and Equipment		
Security equipment	4,859	4,859
Service equipment	2,671	2,671
Computer equipment	2,496	2,496
Furniture and fixtures	1,104	1,104
Leasehold improvements	56	56
Autos	932	932
	12,118	12,118
Less accumulated depreciation and amortization	5,696	(5,660)
Property and equipment - net	6,422	6,458
Intangibles, less accumulated amortization of $2,708 and $1,636 as of September 30, 1998 and March 31, 1998, respectively	32,311	32,131
Security deposits and other	96	96
	32,407	32,227
TOTAL ASSETS	$ 72,230	$ 71,993
LIABILITIES AND SHAREHOLDERS' EQUITY		

Current Liabilities		
Trade accounts payable	$ 3,456	$ 3,456
Accrued payroll and payroll taxes	13,919	13,080
Other accrued expenses	1,779	1,488
Income taxes payable	--	19
TOTAL CURRENT LIABILITIES	19,154	18,043
Deferred taxes	434	434
Long-Term Obligations	12,574	12,574
Shareholders' Equity		
Common shares, without par value, stated at $.01 per share, authorized 20,000 shares, issued and outstanding 6,662 shares at September 30, 1998 and March 31, 1998	67	67
Additional paid-in capital	31,211	31,211
Accumulated other comprehensive loss	(112)	(112)
Retained earnings	8,902	9,776
	40,068	40,942
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 72,230	$ 71,993

</TABLE>

NOTE B - RESTATEMENT (CONTINUED)

CONSOLIDATED STATEMENTS OF INCOME
Three Months Ended September 30, 1998
Restated And As Per Original 10Q Filing

(Amounts in thousands, except per share data)
(Unaudited)

	As Restated September 30, 1998		Original 10-Q Filing September 30, 1998	
Operating revenues	$ 58,875	100.0%	$ 58,906	100.0%
Cost of operating revenues	51,289	87.1%	50,823	86.3%
GROSS PROFIT	7,586	12.9%	8,083	13.7%
Selling, general and administrative expenses	5,441	9.2%	5,241	8.9%
Contract and goodwill amortization	570	1.0%	567	1.0%
OPERATING PROFIT	1,575	2.7%	2,275	3.9%
Other expense	499	0.9%	499	0.8%
Interest expense-net	234	0.4%	234	0.4%
	733	1.3%	733	1.2%
Income before income taxes	842	1.4%	1,542	2.6%
Income taxes	417	0.7%	640	1.1%
NET INCOME	$ 425	0.7%	$ 902	1.5%
Net Income per share:				
Basic	$ 0.06		$ 0.14	
Diluted	$ 0.06		$ 0.14	
Weighted average number of shares:				
Basic	6,662		6,662	
Diluted	6,662		6,662	

NOTE - B RESTATEMENT (CONTINUED)

INTERNATIONAL TOTAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF INCOME
Six Months Ended September 30, 1998
Restated And As Per Original 10Q Filing
(Amounts in thousands, except per share data)
(Unaudited)

	As Restated September 30, 1998		Original 10-Q Filing September 30, 1998	
Operating revenues	$ 115,489	100.0%	$ 115,546	100.0%
Cost of operating revenues	100,778	87.3%	99,832	86.4%

GROSS PROFIT	14,711	12.7%	15,714	13.6%
Selling, general and administrative expenses	10,730	9.3%	10,313	8.9%
Contract and goodwill amortization	1,072	0.9%	1,065	0.9%
OPERATING PROFIT	2,909	2.5%	4,336	3.8%
Other expense	1,023	0.8%	1,023	0.9%
Interest expense-net	324	0.3%	323	0.3%
	1,347	1.1%	1,346	1.2%
INCOME BEFORE INCOME TAXES	1,562	1.4%	2,990	2.6%
Income taxes	689	0.6%	1,243	1.1%
NET INCOME	$ 873	0.8%	$ 1,747	1.5%
Net Income per share:				
Basic	$ 0.13		$ 0.26	
Diluted	$ 0.13		$ 0.26	
Weighted average number of shares:				
Basic	6,662		6,662	
Diluted	6,662		6,662	

</TABLE>

NOTE - B RESTATEMENT (CONTINUED)

INTERNATIONAL TOTAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS Six Months Ended
September 30, 1998 Restated And As Per Original 10Q Filing
(Amounts in thousands)
(Unaudited)

<TABLE>
<CAPTION>

	As Restated September 30, 1998	Original 10-Q Filing September 30, 1998
<S>	<C>	<C>
OPERATING ACTIVITIES:		
Net Income	$ 873	$ 1,747
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	545	509
Amortization	1,073	1,065
Other	--	--
Changes in working capital:		
Accounts receivable	(1,389)	(1,517)
Prepaid Income Taxes	(535)	--
Other current and noncurrent assets	(146)	(408)
Trade accounts payable	(1,134)	(1,134)
Accrued expenses	1,807	696
Net cash provided by operating activities	1,094	958
INVESTING ACTIVITIES:		
Additions to property and equipment	(2,405)	(2,405)
Deposit on sale of property, plant and equipment	200	200
Proceeds received from sale of equipment	18	18
Property and equipment of acquired businesses	(233)	(45)
Payments for acquisitions of businesses	(7,053)	(7,053)

Net cash used in investing activities	(9,473)	(9,285)
FINANCING ACTIVITIES:		
Net borrowings (payments) on note payable to bank	12,026	12,026
Net cash provided by financing activities	12,026	12,026
Effect of exchange rates on cash	1	1
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,648	3,700
Cash and Cash Equivalents, beginning balance	1,032	1,032
Cash and Cash Equivalents, ending balance	$ 4,680	$ 4,732

</TABLE>

INTERNATIONAL TOTAL SERVICES, INC.
Notes to Consolidated Financial Statements
Three and Six Months Ended September 30, 1998
(Tabular amounts in thousands, except per share and percentage data)
(Unaudited)

NOTE C - OTHER COMPREHENSIVE INCOME

The Company adopted SFAS No. 130, "Reporting Comprehensive Income", in the first quarter of fiscal year 1999. SFAS No. 130 requires presentation of comprehensive income and its components in the financial statements.

Total comprehensive income for the three-month periods ended September 30, 1998 and September 30, 1997 was as follows:
<TABLE>
<CAPTION>

<S>	Sept. 30, 1998 (Restated) <C>	Sept. 30, 1997 <C>
Net income	$ 425	$ 1,125
Other comprehensive income:		
Foreign currency translation adjustments, net of related tax effects	46	0
Comprehensive income	$ 471	$ 1,125

</TABLE>

Total comprehensive income for the six-month periods ended September 30, 1998 and September 30, 1997 was as follows:
<TABLE>
<CAPTION>

<S>	Sept. 30, 1998 (Restated) <C>	Sept. 30, 1997 <C>
Net income	$ 873	$ 1,978
Other comprehensive income:		
Foreign currency translation adjustments, net of related tax effects	92	0
Comprehensive income	$ 965	$ 1,978

</TABLE>

NOTE D - ACQUISITIONS OF OPERATING CONTRACTS

During the six months ended September 30, 1998, the Company acquired staffing service contracts from five entities for an aggregate purchase price of approximately $7.7 million. The Company believes that the purchase of these contracts is substantially equivalent to the purchase of a business. Accordingly, the acquisitions have been accounted for under the purchase method of accounting. The purchase prices have been allocated to the contracts and, when applicable, covenants not to compete, based upon their estimated fair market values; the excess of the purchase prices over those values have been allocated to goodwill, which is being charged to operations on a straight-line basis over 20 years. The operating results related to the acquired contracts have been included in the Company's results of operations from the respective dates of acquisitions.

The following unaudited pro forma results of operations give effect to the five acquisitions made in fiscal 1999 as if they had been made at April 1, 1997.

<TABLE>
<CAPTION>

	Three Months Ended Sept. 30	
	1998 (Restated)	1997
<S>	<C>	<C>
Operating revenues	$ 60,481	$ 43,311
Net income	$ 619	$ 1,431
Net income per share:		
Basic	$ .09	$ 37
Diluted	$ .09	$ .37

<CAPTION>

	Six Months Ended Sept. 30	
	1998 (Restated)	1997
<S>	<C>	<C>
Operating revenues	$ 120,313	$ 86,013
Net income	$ 1,349	$ 2,601
Net income per share:		
Basic	$ .20	$ .69
Diluted	$ .20	$ .69

</TABLE>

The pro forma results of operations have been prepared for comparative purposes only and do not purport to present actual operating results had the acquisitions been made at the beginning of each year, or of results which may occur in the future.

INTERNATIONAL TOTAL SERVICES, INC.
Management's Discussion and Analysis of Financial Condition and Results of Operations
Three and Six Months Ended September 30, 1998

ITEM 2.

RESULTS OF OPERATIONS

Three Months Ended September 30, 1998 (Restated) and 1997

Revenues. Revenues for the second quarter of fiscal 1999 increased by $20.3 million, or 52.6 percent, to $58.9 million, as compared with the second quarter of fiscal 1998. The increase is primarily attributable to an increase in revenues from the five acquisitions completed during the current fiscal year and the inclusion of revenues from the eleven acquisitions completed in fiscal 1998.

Gross Profit. Gross profit was $7.6 million in the second quarter of fiscal 1999 compared with $6.3 million in the second quarter of fiscal 1998, an increase of $1.3 million, or 20.6 percent. As a percentage of revenues, gross profit declined to 12.9 percent in fiscal 1999, from 16.4 percent in fiscal 1998 due to increased labor costs. The current strength of the United States economy, which has driven unemployment to low levels, has adversely impacted the Company's ability to attract and retain the workforce needed to provide the services required under its service contracts. The difficulty in attracting these workers has resulted in the Company's payment of increased overtime and has forced the Company to raise the wages paid to employees in advance of negotiating increases in the rates paid by the Company's customers. These factors have resulted in downward pressure on the Company's gross margins.

Selling, General and Administrative Expenses. Selling, general and administrative expenses in the second quarter of fiscal 1999 were $5.4 million compared with $3.7 million in the prior year, an increase of $1.7 million, or 45.9 percent. Measured as a percentage of operating revenues, these expenses were 9.2 percent in the second quarter of fiscal 1999 and 9.7 percent in the second quarter of last year. The decrease in selling, general and administrative expenses, as a percent of operating revenues, reflects the synergies realized from the Company's acquisition program.

Contract and Goodwill Amortization. Contract and goodwill amortization expense increased to $0.6 million in the second quarter of fiscal 1999 from $0.1 million in the second quarter of fiscal 1998. The increase is a result of the eleven acquisitions completed in fiscal 1998 and the five acquisitions completed in fiscal 1999.

Interest Expense. Interest expense decreased in the second quarter of fiscal 1999 to $0.2 million from $0.3 million in the prior year. The decrease of $0.1 million is a result of lower average interest rates on outstanding debt and lower average borrowings in fiscal 1999 compared with fiscal 1998.

Income Taxes. The Company's effective income tax rates were 49.5 percent and 41.6 percent for the second quarter of fiscal years 1999 and 1998, respectively.

Net Income. As a result of the foregoing factors, the Company's net income decreased to $0.4 million for the second quarter of fiscal 1999 compared with $1.1 million in the second quarter of fiscal 1998. As a percentage of operating revenues, net income was 0.7 percent compared with 2.9 percent in the prior year.

Six Months Ended September 30, 1998 (Restated) and 1997

Revenues. Revenues for the first six months of fiscal 1999 increased by $38.5 million to $115.5 million, or 50.1 percent as compared with the first six months of fiscal 1998. The increase is primarily attributable to an increase in revenues from the five acquisitions completed during the current fiscal year and the inclusion of revenues from the eleven acquisitions completed in fiscal 1998.

Gross Profit. Gross profit was $14.7 million in fiscal 1999 compared with $12.9 million in fiscal 1998, an increase of $1.8 million, or 14.0 percent. As a percentage of revenues, gross profit was 12.7 percent in fiscal 1999, compared with 16.7 percent in fiscal 1998. The current strength of the United States economy, which has driven unemployment to low levels has adversely impacted the Company's ability to attract and retain the workforce needed to provide the services required under its service contracts. The difficulty in attracting these workers has resulted in the Company's payment of increased overtime and has forced the Company to raise the wages paid to employees in advance of negotiating increases in the rates paid by the Company's customers. These factors have resulted in downward pressure on the Company's gross margins.

Selling, General and Administrative Expenses. Selling, general and administrative expenses in the first six months of fiscal 1999 were $10.7 million compared with $8.1 million in the prior year, an increase of $2.6 million, or 32.1 percent. Measured as a percentage of operating revenues, these expenses were 9.3 percent in fiscal 1999 and 10.5 percent in the second quarter of last year. The decrease in selling, general and administrative expenses, as a percent of operating revenues, reflects the synergies realized from the Company's acquisition program.

Contract and Goodwill Amortization. Contract and goodwill amortization expense increased $0.8 million to $1.1 million in the first six months of fiscal 1999 from $0.3 million in fiscal 1998. The increase is a result of the eleven acquisitions completed in fiscal 1998 and the five acquisitions completed in fiscal 1999.

Interest Expense. Interest expense decreased in the first six months of fiscal 1999 to $0.3 million from $0.8 million in the prior year. The decrease is a result of lower average interest rates and lower average borrowings in fiscal 1999.

INTERNATIONAL TOTAL SERVICES, INC.
Management's Discussion and Analysis of Financial Condition and Results of Operations
Three and Six Months Ended September 30, 1998

Income Taxes. The Company's effective income tax rates were 44.1 percent and 42.0 percent for the first six months of fiscal years 1999 and 1998, respectively.

Net Income. As a result of the above factors, the Company's net income decreased to $0.9 million for the first six months of fiscal 1999 compared with $2.0 million in fiscal 1998. As a percentage of operating revenues, the first six months of fiscal year 1999's net income was 0.8 percent compared with 2.6 percent in the prior year.

LIQUIDITY AND CAPITAL RESOURCES

Operating activities provided $1.1 million in cash in the first six months of fiscal 1999, a net decrease of $1.0 million when compared to the $2.1 million provided last year. The net decrease was primarily attributable to a decrease in accounts payable, partially offset by a smaller year-over-year increase in accounts receivable and an increase in accrued expenses.

The current year decrease in trade accounts payable is attributed to quicker turnover of accounts payable balances and also due to final payments made on previously completed acquisitions.

While accounts receivable increased $1.5 million to $22.3 million, the increase was $1.5 million lower than the increase experienced during the same period last year. The favorable impact from accounts receivable is due to a decrease in the Company's average collection period and to an aviation contract acquired in the first quarter of fiscal year 1998.

The increase in accrued expenses resulted primarily from vacation accruals & other accruals associated with the growth of the Company's revenues.

Investing activities used $9.5 million, an increase of $6.6 million over the same period in fiscal 1998. Of the increase, $4.7 million relates to investments in acquisitions. Capital expenditures increased $1.8 million to $2.4 million in the first six months of fiscal 1999 compared with the first six months of 1998 due to increased investments in systems, security equipment, and service equipment.

The Company made capital expenditures in fiscal 1999 of approximately $3.1 million, primarily related to security equipment and computer software and systems. The Company anticipates that it will continue making significant expenditures, in the future, to fund its ongoing acquisition program.

Financing activities provided $12.0 million, compared with $20.8 million in the same period of fiscal 1998. The completion of the company's initial public offering in September 1997 provided $30.0 million to financing activities in fiscal 1998.

The Company has a two-year revolving credit facility providing maximum availability of $30 million, subject to certain borrowing base limitations. At September 30, 1998, the Company had approximately $6.5 million available under this facility. This facility expires in September 1999 and is secured by substantially all of the Company's assets. The interest rate on this credit facility is based on either LIBOR or the bank's base lending rate, plus a margin depending on the Company's ratio of its debt to tangible net worth. Borrowings under this credit facility currently bear interest at LIBOR plus 2.5 percent. The credit facility contains customary restrictions and covenants which limit the Company's ability to incur additional indebtedness and pay dividends, and requires the Company to maintain prescribed debt-to-equity and fixed charge

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coverage ratios, minimum net worth levels, and to satisfy certain other financial covenants. The Company was in compliance with such covenants at September 30, 1998, however, it was not in compliance with its interest coverage ratio on March 31, 1999. Management of the Company is taking steps to regain compliance with its debt covenants.

YEAR 2000 BUSINESS MATTERS

The Company views the Year 2000 issue seriously and is taking steps to ensure that its business will not be adversely impacted by this issue.

The Company has completed its assessment of its two most significant systems and has updated them to be year 2000 compliant. The company's two most significant systems are its main processor and its time and attendance system.

The main processor is used to process payroll, accounts payable, accounts receivable and financial accounting transactions. The organization's main processor was upgraded to a new IBM AS400. The Company then upgraded its J.D. Edwards software to the most current release, which is fully year 2000 compliant.

In addition, the Company has been installing a new time and attendance system. This system is year 2000 compliant and has been implemented in various locations. The Company expects that it will be fully implemented before year 2000 issues have an impact.

The Company has investigated the level of year 2000 compliance of is non-computer systems, such as phones, voice mail and security screening equipment. The Company has also contacted suppliers of its most critical support products and has received statements of their compliance efforts. Although the ultimate impact of this issue on the Company cannot be predicted. Management of the Company believes that the year 2000 issue will not have a material impact on the Companys' operations.

FORWARD LOOKING STATEMENTS

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) contains statements that constitute forward looking statements. Those statements appear in a number of places in this MD&A and include statements regarding the intent, belief or current expectations of International Total Services, Inc., its directors or its officers with respect to (i) the Company's financing plans; and (ii) trends affecting the Company's financial condition or results of operations.

Prospective investors are cautioned that any forward looking statements in this MD&A are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from projected results, including unanticipated losses of service contracts, conditions in the aviation industry, and negative publicity regarding the airline security services and commercial security industries. Readers are cautioned not to place undue reliance on forward looking statements. Factors that could cause actual results to differ materially from projected results include, but are not limited to, those factors discussed in the "Risk Factors" section of the prospectus contained in the Company's Registration Statement on Form S-1 (Registration No. 333-29463), as amended.

ITEM 3.

Quantitative and Qualitative Disclosures
About Market Risk

Not material.

INTERNATIONAL TOTAL SERVICES, INC.

PART II - OTHER INFORMATION

ITEM 4 - Submission of Matters to a Vote of Security Holders

The following matters were submitted to a vote of security holders at the Annual Meeting of Stockholders held September 18, 1998, with the results indicated:

Item 1: Election of Five Directors for the Ensuing Year.

Director Nominee	For	Votes Withheld	Total
Robert A. Weitzel	6,199,272	84,576	6,283,848
James O. Singer	6,202,122	81,726	6,283,848
Lee C. Howley, Jr.	6,201,822	82,026	6,283,848
Ivan J. Winfield	6,202,122	81,726	6,283,848
J. Jeffrey Eakin	6,199,522	84,326	6,283,848

Item 2: Approval of an Amendment to the Company's Long-Term Incentive Plan. To Increase the Number of Shares Available Under the Plan.

6,153,837 Votes FOR the amendment
126,151 Votes AGAINST the amendment

ITEM 5 - Other Information

Shareholders who wish to submit proposals to be included in the Company's proxy materials for the 1999 annual meeting may do so in accordance with Securities and Exchange Commission Rule 14a-8. The Company's management proxies may exercise their discretionary voting authority for any shareholder proposal that is submitted other than in accordance with Rule 14a-8 and is received by the Company after June 14, 1999, without any discussion of the proposal in the Company's proxy materials.

ITEM 6 - Exhibits and Reports on Form 8 - K

(a) Exhibits:

Exhibit Number	Description
27	Financial Data Schedule (For SEC Filing Purposes Only)

(b) Reports on Form 8 - K
No reports on Form 8-K have been filed during the quarter for which this report is filed.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

August 10, 1999

International Total Services, Inc.

By: /s/ Robert A. Weitzel

Robert A. Weitzel
Director, Chairman of the Board of Directors and Chief Executive Officer
(Principal Executive Officer)

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