



Total Systems Annual Report 2007



Your Company

Total Systems provides cost effective flexible software systems together with support and expertise for the financial services industry, primarily in the insurance and warranty sectors. The Company has a full listing on the London Stock Exchange.

We continue to make extensive investment to ensure that Ultima, our flagship product for the insurance and warranty sectors, is the most modern & comprehensive product of its kind available. Ultima is available on a Service Oriented Architecture basis so that the individual functions of Ultima can more readily be integrated into a customers' environment. Web technology is fully utilised in Ultima and it can interface with any other software system and/or hardware platform. Specialist insurance consultancy, business intelligence, management information systems, compliance advice and document retention assistance can be supplied.

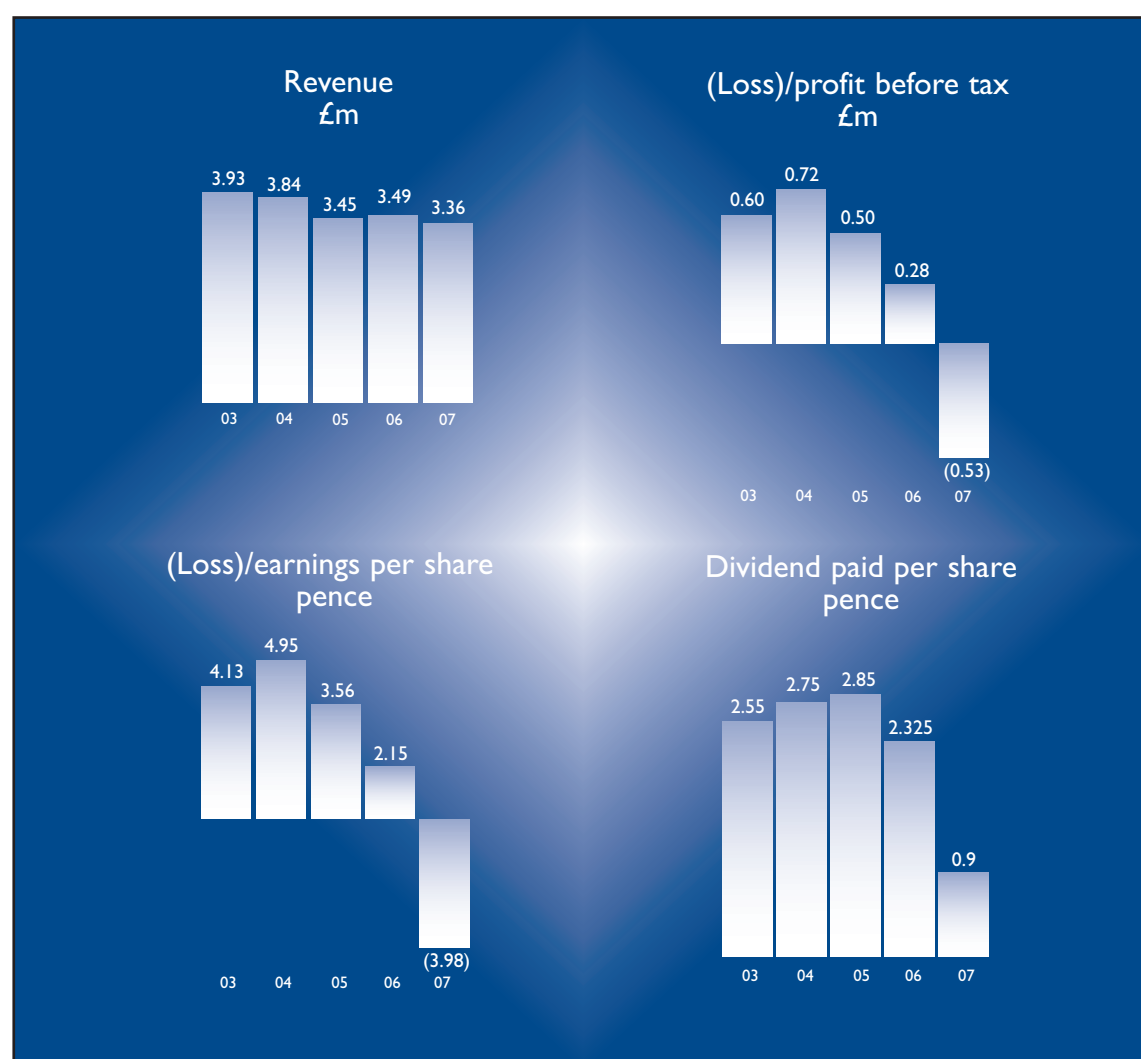
The Company offers a full range of business support, consultancy and system integration services and acts as a value added reseller for related applications to provide the best possible support for our customers. A hosted service is available for those companies who wish to use Ultima's business functionality without investing in IT infrastructure.

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Financial Highlights

	2007	2006
	£	£
Revenue	3,357,988	3,488,309
Operating (loss)/profit; continuing operations	(670,349)	143,558
(Loss)/profit before tax	(530,006)	284,632
Basic (loss) / earnings per ordinary share	(3.98)p	2.15p
Dividends paid per ordinary share	0.90p	2.325p
Return on capital employed	(14.21)%	6.75%
Cash per share	22.62p	30.66p
Net assets per share	35.45p	40.06p

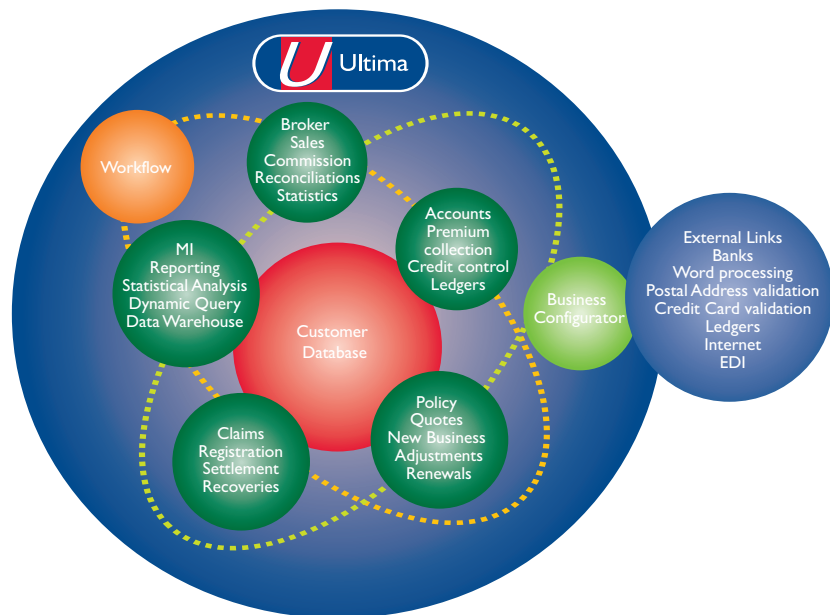


Total Systems at a Glance

Total was initially focused on software services provision to the insurance industry. In the 1990's the company developed the first generation Ultima as a character based policy administration system which covered virtually all lines of general insurance.

The latest version of Ultima was launched in 2006. Total recognised that the product needed to support the web environment for customers, brokers, affinity groups and trading partners. The Company also saw the threat from low cost off-shore software vendors who could provide programming resource at a price well below that of the UK. A key design criteria was that the new Ultima would need minimal, or no, programming effort to deliver and implement. This was achieved and resulted in rapid implementation timescales for new customers and a high degree of self-sufficiency after initial installation. The Company continues to invest approximately 20% of its revenues to ensure that Ultima remains the most up to date and functionally rich product in the marketplace.

Ultima is a customer oriented, flexible and cost-effective policy management solution for the general insurance and warranty sectors. The Ultima solution delivers all aspects of policy administration including quotations, underwriting, claims, accounting, broker maintenance and management information. The system can be delivered as a single packaged solution or as individual components within a customer's own environment.



Designed to support broad lines of business, some of Ultima's key differentiators include:

- **Low cost of ownership** – From initial implementation to ongoing maintenance, Ultima delivers a low cost of ownership. The solution can be implemented quickly and efficiently by a small team and does not require armies of programmers to maintain. These cost saving benefits are continually realised as Ultima's flexibility supports future changes in the business.
- **Integrated solution** – Ultima uses a single platform to deliver benefits across the entire business from premium quotations to claims management. The single platform allows improved customer service and potential reduction in churn.

Total Systems at a Glance

- **Business Configurator** – Ultima provides comprehensive functionality 'out of the box' which is a key contributor to the swift implementation of the solution. However, in recognition of the need of organisations to refine their processes to suit their specific needs, Total has developed a powerful graphical process building and maintenance tool. This tool allows users to make rapid changes to all aspects of their processes from developing capture screens through to the complete introduction of new lines of business. Business Configurator also allows customers to quickly introduce innovative new products without disruption to existing business streams.
- **Supporting components** – In addition to the core Ultima capabilities, a series of supporting components have been developed to further enhance the benefits the solution delivers. These include:
 - **Rating Engine** – An extensive rating solution that can support rating demands from the very complex to the very high volume.
 - **Workflow** – Integrated to work with Ultima, it provides organisations with a further level of process control and management and enhances the benefits Ultima can provide.
 - **Dynamic Query** – Providing configurable access to any data contained within Ultima. It allows users to define exactly what data they would like to view and the format in which is presented and distributed. This offers exceptional value from a management information perspective.

Ultima offers organisations complete control of the technology that supports their business. It has been designed and developed to provide efficient deployment and ownership and, above all, as a platform which will support the way businesses work, not just today, but, as markets change and innovate, for the challenges of tomorrow.

In addition to the core Ultima solution, Total has engaged in partnerships with two organisations whose products are highly complementary to our proposition and whose cultures and ambitions closely match those of Total.

The logo for Invu, featuring the word "Invu" in a bold, dark blue, sans-serif font. The letter "v" is stylized with a red dot above it.

Invu

Recognising the constant battle the insurance industry has with the paper mountain, Total found a partner who could provide a market leading Electronic Document Management solution which, when coupled with our industry expertise, realises tangible efficiencies in respect of time, cost and storage. Using Invu, insurers and brokers can retrieve files instantaneously using highly sophisticated search tools. In an industry where maintaining an infallible audit trail is essential to meet regulatory requirements the Invu solution is a sound purchase that can demonstrate a fast return on investment.

The logo for PriceBuilder, featuring the word "PriceBuilder" in a bold, dark blue, sans-serif font. The word "Price" is in a lighter blue color, and "Builder" is in a darker blue color.

Contemi

Price optimisation is gaining momentum as a method of retaining renewal business, attracting new customers and increasing profits. Contemi's PriceBuilder offering has typically delivered an increase to the bottom line of 2-5%.

Other information

Our offices are based in City Road, London and house our 55 members of staff, each of whom are highly experienced and the majority of whom have a practical and in-depth knowledge of the insurance industry.

Total is listed on the main LSE market and trades under the symbol TTS. The Company is a member of the British Standards Institute.



DSG International plc (“DSGi”) took the decision to replace its in-house warranty and service products system, Coverplan. They undertook a lengthy procurement process with the result that Total Systems plc software package ‘Ultima’ was selected.

DSGi now has over 1,400 stores in thirteen countries, and is Europe’s leading specialist retailer of consumer electronics, PCs, domestic appliances, photographic equipment and communications products. Their AS/400-based legacy system had been enhanced and maintained over a period of twenty years by the Group’s IT department but the system no longer reflected business processes. However, previous attempts to replace it had been unsuccessful. Although a vital part of a growing business, the system was struggling to meet the increasing demands being made of it.

Total Systems’ brief was to replace the customised AS/400 system that had been integrated with many other internal systems, with Ultima. Furthermore, this was to be achieved without loss of functionality or service. The new system had to be capable of supporting a multi-country, multi-currency operation on a 24x7 basis, and also had to provide the flexibility to meet future business challenges.

A joint DSGi and Total Systems Program team was assembled, comprising both business and IT personnel. This was a three year programme lead by the business and consisted of projects teams covering:- Testing, Interfaces, Conversion & Migration, Implementation, Training, Business Analysis (this included teams from Finance, Operations, Sales & Marketing), and Development. In order to tailor and implement the system, Total Systems had a project manager and a team of 6 staff on site, supported by a further 6 at Total Systems offices in London.

Coverplan products contain a number of key features that shape the business operation, and the data model that was implemented has Ultima available in Head Office, Customer Call Centres and Service Repair Centres among others. The system is interfaced with Stores System, External Repairers, BACS, Streamline Credit Card Services, Third Party Printers and more. Each Coverplan product includes a range of optional benefits each of which can be in force for a different period during the agreement lifecycle. Because the whole system is customer

centric, any authorised user can support the full range of services to which a customer is entitled as well as access a complete history of all activity for a customer across all countries.

Although the high data volumes and extensive interface requirements did require a significant amount of tailor-made processes, the complex on-line requirements were largely satisfied by the use of Ultima’s Business Configurator. This middleware solution also ensured that future changes could be developed on site without the need for extensive hard-coded and complex programming.

In addition, the solution provided a means by which over 25 million agreements, plus their full lifecycle history including claims, accounts, etc, were converted. The actual conversion of the data took 6 months to complete and was subject to much testing and integrity checking. As a result, it was highly successful. Similarly, all staff that used the existing system were going to need training in how to use the new system. This required careful planning and a large amount of new training material had to be developed. Whilst conversion was taking place, the training programme was running in parallel. Such was the success of these activities, the switch-over from the old system to the new was completed overnight. Ultima is the largest single customer centric system within DSGi and is regarded as a key strategic business system. Currently the application is being used to manage the expansion of the European operation. A key business operation within the Group now runs on a robust and scalable software platform, enabling strategic developments to be supported in a very competitive business environment.

Ultima is hosted on servers supported by DSG’s internal IT department, but the solution requires no dedicated IT/database support personnel, and is managed by a group of three business personnel.

Because the whole system is customer centric it has brought significant benefits to the customer service that DSGi is able to give. Speedier access, faster response times, user access from anywhere in the UK and the Republic of Ireland. It gives access to a complete history of all transactional activity for a customer across all countries. All this enables any authorised user to support the full range of services, and the benefits to which DSGi customers are entitled.



Case Study - Denplan



Denplan, part of the AXA PPP Group, is the UK's leading independent dental health plan provider, serving 1.3 million patients, 6,000 dentists, and over 900 corporations offering dental care benefits to their staff. The three stand-alone database, invoicing and claims applications systems, which handled Denplan's corporate business, were being put under increasing strain as the division's corporate customer base continued to grow. To address this issue, one single system had to be found to run all three applications, as part of a project that would involve the redesign of business rules and processes, as well as the conversion and merging of data relating to over 85,000 patients and 70,000 policies.

Chris Davies, Denplan's Corporate Customer Services Manager, explains, "We needed a single, flexible and cost-effective solution not only capable of replacing our three existing stand-alone systems, but also of supporting future business requirements in the Corporate Group's sector. Total Systems' Ultima was selected for the task, with the full backing of the AXA PPP Group, and the company appointed to help run the project.

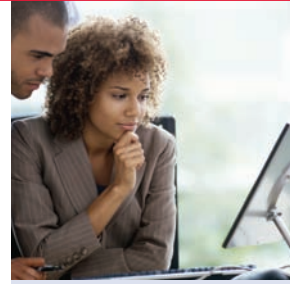
Detailed business analysis and a series of workshops were held to highlight the strengths and weaknesses of the existing systems and agree the requirements for the new solution. Processes and procedures were reviewed with the help of Total Systems, and the new processes and screen designs were documented and these were presented to the business users for comment and approval. Additionally, testing was completed throughout the development phase,

thereby providing the business users with a sense of ownership and allowing them the flexibility to introduce changes and process revisions if required.

Ultima was implemented and the efficiencies it has delivered have exceeded our expectations. Within 4 months of the system going live, productivity had increased by around 30% with further efficiencies to follow. Prior to the implementation of the Ultima system, 12-13 people in the claims team could handle 20-25 claims a day. Using Ultima, each of our staff can now process 60 claims a day. It is a flexible, intuitive and easy-to-use system, with a large number of business rules and validations incorporated within the processing. Key decisions are automated and user error is minimised.

Overnight and month-end processing is fully automated, requiring no intervention or interaction. The system is extremely stable and reliable and requires minimal IT support. It has greatly reduced the work effort for key processes such as claims processing and renewals, and has allowed us the freedom to focus on our overall service offering. The responses to customer satisfaction surveys speak for themselves."

Concludes Davies, "FSA regulations have hit the insurance market recently, and everything we do is touched by it in some way. The Ultima system enabled us to meet the requirements with minimal effort, and also fully supports multi-currency operation. We also feel confident that our system is ready to cater for the growth that is a key part of our future plans."



Board of Directors

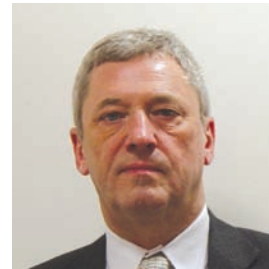
Terence Bourne - Chairman and Managing Director

Co-founder of the Company he has spent virtually his entire career in the computer industry. Following appointments with ICL and Ford Motor Company he was employed as a Computer Consultant with Rank Organisation, Scicon and subsequently with CAP.



Granville Harris - Finance Director

After qualifying as a chartered accountant with Binder Hamlyn he held a number of finance positions with a US healthcare multi national. He then moved to a UK computer group involved in distribution, service and manufacturing where initially he held the position of Group Chief Accountant and was subsequently appointed Finance Director of a subsidiary. He joined Total in 1993 as Financial Controller; was appointed Company Secretary in 1994 and Finance Director in 1998.



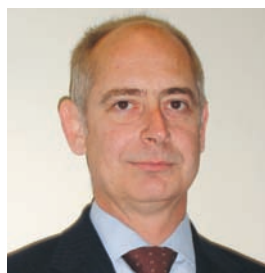
Clive Dutton - Operations Director

Having obtained a Degree in Metallurgy, he has spent his entire working life in the computer industry. His first 2 years were spent working for Triad Computing Systems, subsequently joining Total Systems as a Systems Designer in 1979. Promoted to Consultant and Project Manager, he has most recently held the position of Senior Project Manager. He was appointed Operations Director in 2003.



Colin Fox - Sales Director

Colin has a wealth of experience from major companies such as IBM and Logica. He spent time as Managing Director of Strategic Asset Management Solutions, until that company's sale, and also managed the rapid growth of Intuitive Systems in the UK and internationally. He was appointed Sales Director in 2005.



Arthur Weber - Technical Director

Originally joined Total Systems in 1977 as a programmer, progressing to analyst, systems designer and Project Manager. Joined Synon, a CASE tools supplier; in 1988 to manage and reorganise the CASE R&D division, followed by the applications R&D and contract divisions. Helped to set up Thenon Europe, a leading change management systems supplier; in the period 1991 to 1993. He returned to Total Systems in 1993 since when he has managed various projects and the development of Ultima as a Senior Project Manager. He was appointed Technical Director in 2003.



Directors and Advisers

Directors	T. P. Bourne (Chairman) C. N. Dutton BSc (Hons) G. W. Harris BA (Hons) A.C.A. A. P. Weber BSc (Hons) C. S. R. Fox MA (Hons) (Oxon)
Secretary	G. W. Harris BA (Hons) A.C.A.
Registered office	394 City Road London EC1V 2QA
Registered number	1024277
Auditors	Kingston Smith LLP Devonshire House 60 Goswell Road London EC1M 7AD
Solicitors	Taylor Wessing LLP Carmelite 50 Victoria Embankment Blackfriars London EC4Y 0DX
Bankers	Lloyds TSB Bank plc 19 Upper Street Islington London N1 0PJ
Registrars and transfer office	Lloyds TSB Registrars The Causeway Worthing West Sussex BN99 6DA
Stockbrokers	Brewin Dolphin Securities Ltd PO Box 512 National House 36 St Ann Street Manchester M60 2EP

Chairman's Statement

SUMMARY

This has been an interesting year in the development of Total Systems. I am delighted to state that we gained the rights to market the Invu document management system in the general insurance sector and also to represent PriceBuilder from Contemi in the UK. These products have fulfilled their promise in gaining attention from insurers but their effect on the year's revenue has not been significant.

At the beginning of the period Shell moved their pension fund management back to Holland and Bluesure, the multi-product policy insurer, ceased operations for reasons outside of our control. These two events resulted in a material loss of revenue. Despite this our other customers have continued to develop and enhance their applications, add new services and maintain their service level agreements. Additionally we gained a commitment from Capita for Ultima in respect of their plans for a general insurance platform but this did not have a major impact on the year being reported on. This relationship should provide an excellent base to grow our revenues in the future.

The Company also completed the internal refurbishment of our offices which has provided further capacity and all our staff now have an improved working environment.

RESULTS

Revenue for the financial year 2007 was down 3.7% while we made a loss for the first time since 2000. For the year under review revenue was £ 3,357,988 (2006: £3,488,309) and the loss before tax was £ 530,006 (2006: Profit £284,632) resulting in a loss per share of 3.98p (2006: earnings per share 2.15p).

FINANCIAL

Zero gearing and net assets of 35.45p per share (2006: 40.06p), of which 22.62p per share is represented by cash (2006: 30.66p), demonstrates our financial strength. Our return on capital employed is (14.21)% (2006: 6.75%).

DIVIDEND

No dividend is proposed or payable.

STRATEGY

Your Company is committed to the financial services market. Our strategy is to provide software, support and expertise to help management in financial services companies achieve their objectives.

We continue to invest heavily on Research and Development spending £ 794,327 (2006: £634,796) to maintain our position. The Ultima product has been enhanced over the period and the Company has plans for further development over the coming year which is supported by market intelligence.

The Company is monitoring the market for complementary products to sell in order to give the sales and marketing team more touch points with potential customers. In the longer term this will enhance sales and earnings and potentially lead the Company into new areas for development.

MARKET PLACE

The market place for insurance systems is large but extremely competitive. There are a number of companies using outdated systems and running inefficient databases across disparate systems that would benefit from consolidation onto an integrated system. The benefits of Ultima far outweigh any advantages offered from developing alternatives overseas or moving processing offshore. The general insurance market is consolidating and that may limit the potential for independent systems sales within larger users in the long term. The Capita relationship with its integration skills and leverage gives an opportunity for a key market presence.

The insurance industry is changing due to the influence of aggregators, new entrants and consolidation in the broking sector. Customer service is more important than ever as is the ability to bring new and innovative products to market quickly. Ultima can reduce IT costs and its integrated approach can enhance customer service operations. The Business Configurator tool also offers a fast route to market for new offerings. In addition the emergence of large scale affinity relationships demands a system that can be flexible while coping with enormous amounts of interdependent data. Ultima, with Business Configurator, can meet these demands. The influence of these changes will create further opportunities.

Chairman's Statement

Document management systems of the type offered by Invu have great potential in the insurance sector due to the amount of paperwork that is involved. However, although we have had some success with existing customers, sales are proving to have a longer lead time than originally anticipated.

Given the competitive nature of insurance the potential for maximising premium income demonstrated by PriceBuilder from Contemi is compelling. There are few competitors but underwriters seem to be taking some time to embrace this technology to assist their processes.

ENVIRONMENTAL AND SOCIAL

The Company operates from an office in central London. Every care is taken to ensure that the Company operates in an environmentally friendly way within the limitations imposed by our location and the nature of our operations. In regard to its employees and the local community the Company allows employees time to take part in their own social responsibilities as necessary.

OPERATIONS

Operations have been satisfactory over the period. Our customers have continued to enhance and develop their systems during the year and your Company has provided full support to all aspects of their requirements. This focus has enabled the Company to limit the fall in revenue despite the loss of two clients during the year. Compared to the previous year the movement into loss is broadly due to increased spend in sales and marketing, research and development and investment in talented technical staff in anticipation of further orders including work from Capita.

PERSONNEL

I would like to express my gratitude to staff who have shown their professionalism and dedication to the Company. Our average length of service is over eight years demonstrating the effectiveness of the retention policies in place.

The wealth of experience such service brings ensures we have a pool of versatile employees capable of handling a wide range of challenges within our market.

CURRENT TRADING AND OUTLOOK

Current trading is difficult for a number of reasons. The level of work from Capita has not been as extensive as anticipated and our existing customers, although supportive, have not made decisions on starting significant projects. Invu and Contemi continue to generate interest with our clients and sales prospects but there have been no sizeable orders at the time of writing.

The sales and marketing team are proactively seeking new opportunities in our market place. We are seeing interest in all our products but the signature on contracts is proving frustratingly elusive. Nevertheless, the Company is stable and the Board is confident that the Company's strategy will bear fruit.

Terence Bourne
Chairman

2 July 2007

Directors' Report

The Directors present their Annual Report and the audited financial statements for the year ended 31 March 2007.

Results and dividend

The Group loss on ordinary activities for the year before taxation amounted to £530,006 compared with a profit of £284,632 the previous year. Taxation of £111,133 is credited against the loss (2006: charge £58,110) leaving a loss for the year after tax of £418,873 (2006: profit £226,522).

In the period a final dividend in respect of the year ended 2006 of 0.90p per share costing £94,676 was paid (2006: £244,580). The Directors do not propose to pay a dividend in respect of the year ended 2007.

Business review

The Group's principal activities during the year were the writing and supply of its computer software and supply of third party software, both with related support services. Further analysis of the development and performance of the business is contained in the Chairman's Statement under the heading "Summary" and "Operations". A review of the principal risks and uncertainties facing the group is contained in the Chairman's Statement under the headings "Market Place" and "Strategy". The section of the Chairman's statement headed "Environment and Social" should also be read in regard to the business review.

Key performance indicators (KPI's)

The Company uses a variety of KPI's in order to monitor business performance. The level of chargeable hours as a percentage of total available chargeable hours for all potential chargeable staff gives an indication of the level of efficiency being achieved. Efficiency was 30.3% for the year (2006: 39.8%). Further the level of product development effort is monitored as a percentage of total available chargeable hours for all potential available staff giving an indication of the effort placed on product development. The Company achieved 48.6% in the year (2006: 48.3%). Taking both KPI's together a productivity percentage of 78.9% was achieved (2006: 88.1%).

In addition the Company completes a traditional management accounts package every month which includes a profit and loss statement with forecasts for the next reporting period.

Given the nature of the business the Board believes that these KPI's are sufficient to ensure that appropriate action can be taken as necessary.

Future prospects

Comment on the future prospects for the group is contained in the Chairman's Statement under the heading "Current Trading and Outlook".

Directors and Directors' interests

The names of the Directors who served during the year are set out on page 7.

The interests of the Directors in the share capital of the Company were:

	31 March 2007		31 March 2006	
	Ordinary shares	Options	Ordinary shares	Options
T P Bourne	5,200,000	-	5,200,000	-
A P Weber	6,910	286,658	6,910	240,960
C N Dutton	17,210	267,332	24,210	240,960
C S R Fox	-	586,658	-	540,960
G W Harris	11,419	267,332	11,419	240,960
	5,235,539	1,407,980	5,242,539	1,263,840

In accordance with the Articles of Association of the Company Mr Harris retires by rotation at the forthcoming Annual General Meeting and offers himself for re-election. Brief biographical information of all directors can be found on page 6.

There have been no changes in Directors' share interests and options since the year end.

Directors' Report

Contracts of significance

There were no contracts of significance during or at the end of the year under review, in which a Director is, or was, materially interested.

Substantial holdings

The Directors have been informed of the following substantial holdings, other than the Directors, in the capital of the Company as at 2 July 2007:

19.50%	by P J Delaney (of which 408,333 representing 3.88% are non-beneficial)
3.80%	by C H Bourne
3.80%	by J L Bourne

Options

Full details of the present position in regard to options are given in Note 17 to the accounts.

International financial reporting standards ("IFRS")

The Groups financial statements are prepared using IFRS.

Payment of suppliers

The Group's policy is to agree payment terms with individual suppliers and to abide by such terms. The number of days outstanding between receipt of invoices and date of payment, calculated by reference to the amount owed to suppliers at the year end as a proportion of the amounts invoiced by suppliers during the year, was 20 days for the Group (2006: 20 days). The method for calculating creditor days does not take into account the pattern of purchases during the year.

Indemnities

Throughout the year and as at the date of this report, the Articles of Association contained a provision for the benefit of Directors and officers of the Group indemnifying them out of the assets of the Company to the full extent allowed by law against liabilities incurred by them in the course of carrying out their duties.

Close company

The Company is a close company within the provisions of the Income and Corporation Taxes Act 1988.

Employees

The Company continues to employ people of various races and religions. Within existing legislation, all persons, including those who are disabled, are treated similarly in matters of employment, training, career progression and promotion.

Audit information

The Directors are satisfied that: (a) so far as they are aware, there is no relevant audit information of which the Company's Auditors are unaware; and (b) they have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of such information.

Auditors

Kingston Smith LLP have indicated their willingness to continue in office as Auditors and a resolution to appoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board

G W Harris
Secretary
2 July 2007

Corporate Governance

Corporate governance

This statement describes how the principles set out in section 1 of the Combined Code on Corporate Governance issued in July 2003 are applied by the Company. The Directors support the principles of openness, integrity and accountability advocated by the Combined Code although they are concerned about the possible cost burden on small quoted companies of full compliance. An ongoing process for identifying, evaluating and managing the significant risks faced by the Group has been in place during the financial year up to the approval date of the Annual Report and Accounts. That process is regularly reviewed by the Board and accords with the Internal Control Guidance for Directors on the Combined Code. Except as detailed below, the Board considers that the Company has complied with the provisions set out in section 1 of the Combined Code throughout the year.

The Board of Directors

The Board of Directors currently comprises five executive directors, but does not include any non-executive Directors. The Directors are of the opinion that the present size of Total Systems plc does not justify the appointment of a separate Chairman and Chief Executive, or of non-executive Directors, but they will keep this policy under review. Biographies of the Board members appear on page 6. These indicate the high level and broad range of experience that they possess. The Board leads and controls the Company by taking responsibility for overall strategy, reviewing potential acquisitions and commercial partnership arrangements, approving major capital expenditure projects and giving consideration to significant financing matters. It reviews strategic direction, rolling annual budgets, progress against rolling half year and full year forecasts and long term strategies. The Board exercises tight management control and it has always been the philosophy of the Group that all significant decisions affecting the operations or financing of the business are taken by the whole Board. Evaluation of Directors performance is undertaken by the Board. In view of the size of the Board a more formal evaluation process is not considered necessary.

The Board has a standing agenda and a formal schedule of matters specifically reserved to it for decision.

Monthly management accounts are supplied to the Board, including rolling forecasts, key performance indicators and comparison with the previous year's performance. The Board papers will normally also include other documents which relate to matters included in the agenda in order to ensure that members of the Board are given the fullest opportunity for consideration of matters to be debated at meetings.

Scheduled monthly Board meetings are held throughout the year with others as required. Mr. Dutton did not attend one scheduled meeting and Mr. Harris did not attend two scheduled meetings. One scheduled meeting was not held. Two other meetings were held and Mr. Dutton did not attend one of those meetings.

Candidates for appointment to the Board are interviewed by the whole Board. Any appointments to the Board require unanimous approval of Directors in attendance at a formal Board Meeting. There is no Nominations Committee for appointments to the Board.

Any Director who at the date of the Annual General Meeting will have been in office for three years or more has to offer themselves for re-election.

There is no formal procedure for Directors, in the furtherance of their duties, to take independent professional advice, if necessary, at the Group's expense, but any Director is free to seek such advice as appropriate.

Directors' remuneration

Details of the Company's remuneration policy are contained in the Directors' Remuneration Report.

Relations with shareholders

Since the major interest in the Company is from small private investors a section of the Company's website is devoted to investor relations. A copy of the financial statements is placed on the Company's website www.totalsystems.co.uk. The Directors would welcome the opportunity to make presentations to institutions. The Annual General Meeting is used to provide investors with an update on the Group's strategy and progress. Shareholders are encouraged to attend the Annual General Meeting when members of the Board are always very pleased to answer questions.

Accountability and audit

The Board seeks to ensure that its Annual Report and Accounts and other public financial statements provide a clear assessment of the Group's position.

The need for an internal audit function has been reviewed by the Directors. It was decided that the current size of the Company combined with the tight financial and management control exercised by the Directors on a day to day basis negates such a need. The policy will be kept under review.



Corporate Governance

Audit and Remuneration Committees

It has not been the practice of Total Systems plc to have either an Audit Committee or a Remuneration Committee. The Directors consider remuneration levels to have been maintained at a modest level. The Directors consider that the small size of the Board is appropriate to a Group such as Total Systems plc and the Board as a whole has the appropriate experience and expertise to provide effective corporate governance in these areas.

External auditors

The appointment and re-appointment of external auditors requires unanimous approval of the Directors at a formal Board meeting. The Board assesses annually the effectiveness of the external audit process. The external auditors did not provide any non-audit services in the year.

Compliance with the provisions of the Combined Code

Having reviewed the Group's corporate governance practices, the Directors consider that during the year they have complied throughout the accounting period with the code provisions set out in Section 1 of the Combined Code except for the following matters:

The role of Chairman and Chief Executive is combined.

There are no non-executive Directors.

There is no Audit, Remuneration or Nomination Committee.

There is no formal process for evaluation of Board members.

Going Concern

The Directors confirm that they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they have adopted the going concern basis in preparing the financial statements.

Internal Controls

The Directors are responsible for the Group's system of financial control. Although no system of internal financial control can provide absolute assurance of meeting internal control objectives, the Group's systems are designed to provide the Directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately. Channels of communication are available to enable staff to raise, in confidence, any concerns over financial reporting or other matters.

As might be expected in a Group of this size a key control procedure during the financial year was the day to day supervision of the business by the Directors. Internal control issues are reviewed at monthly Board meetings.

T.P. Bourne
Chairman
2 July 2007

Directors' Remuneration Report

This report provides information on Directors' remuneration in accordance with the Directors' Remuneration Report Regulation's 2002 and to comply with provisions of the Combined Code. The auditors are required to report on some of the information in this report. Sections that are audited are identified within the report.

Directors' service contracts

All such contracts are rolling contracts and stipulate that either party must give not less than six months notice in writing. These contracts do not contain any further provision regarding compensation payable upon early termination of the contract. It is not the Company's policy to enter into fixed term Director's Service Contracts. Although there is no contractual entitlement to termination payments these are determined by the Board depending on the circumstances surrounding the termination and taking into account length of service and current remuneration where appropriate.

Directors' remuneration (Audited)

Year ended	T P Bourne	C S R Fox	G W Harris	A P Weber	C N Dutton	Total
31 March 2007	£	£	£	£	£	£
Salary	110,000	100,000	100,000	100,000	100,000	510,000
Discretionary bonus	275	100	275	275	275	1,200
Private medical insurance	2,139	1,472	2,139	2,139	2,139	10,028
Life assurance	82	388	622	622	388	2,102
Pension contributions	5,199	-	-	-	-	5,199
Total	117,695	101,960	103,036	103,036	102,802	528,529

Year ended

31 March 2006

Total	121,354	42,907	92,660	92,684	92,112	441,717
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Remuneration policy

The Group's policy on executive Directors' remuneration is based on Directors' service contracts and the ability to supplement basic remuneration and benefits from profits earned. The Company seeks to ensure, and believes, that the remuneration packages it offers its executive Directors are fair and reasonable. The remuneration packages offered are competitive and are designed to motivate and retain executive Directors. In determining remuneration packages consideration is given to such packages that are offered by similar sized companies in our industry sector and the performance of the individual. Discretionary bonuses may be awarded dependent on Company performance. The Board believes that this provides a suitable balance between basic and enhanced remuneration. It is the Company's policy not to allow executive Directors' to accept appointments and retain payments from sources outside the Company.

Pension scheme

The pension contribution relates to a money purchase scheme under which the Company does not, and cannot, incur any additional liability. Contributions to this scheme have ceased.

Long term incentives

It is the Company's policy to grant share options from time to time to eligible members of the Board. The grant of the options, when made, is dependent on the performance of the individuals concerned, their length of service and current remuneration, the market value of the Company's shares at that time, and the need to retain their enthusiasm, support and future services. It is the policy of the Company not to grant any options at a price less than the market price of the shares when the grant is made. No change in that policy has been made or is currently anticipated. Option grants made during the year are shown in the following table.

Directors' Remuneration Report

Share options (Audited)

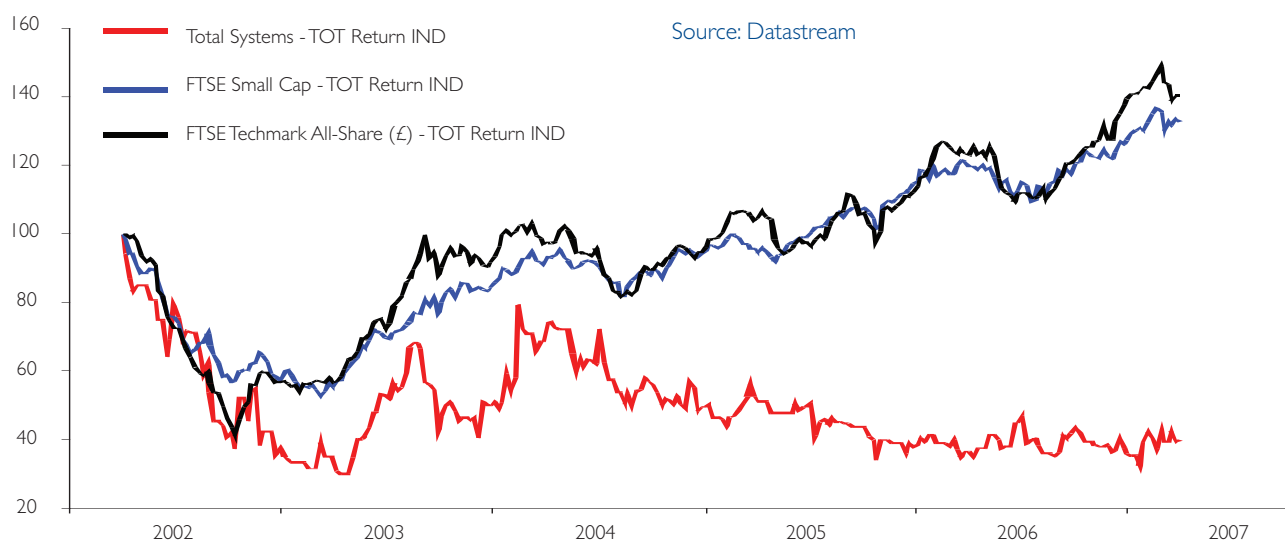
Details of options held by Directors in ordinary shares of Total Systems plc as at 31 March 2007 and movements during the period are shown below.

	Number of options				At 31 March 2007	Exercise price (p)	Date first Exercisable	Expiry Date
	At 1 April 2006	Granted	Exercised	Surrendered/ Lapsed				
G W Harris	240,960	-	-	-	240,960	41.5	11 Oct 08	11 Oct 15
	-	26,372	-	-	26,372	35.833	01 Mar 10	01 Sep 10
Total	240,960	26,372	-	-	267,332			
A P Weber	240,960	-	-	-	240,960	41.5	11 Oct 08	11 Oct 15
	-	45,698	-	-	45,698	35.833	01 Mar 12	01 Sep 12
Total	240,960	45,698	-	-	286,658			
C N Dutton	240,960	-	-	-	240,960	41.5	11 Oct 08	11 Oct 15
	-	26,372	-	-	26,372	35.833	01 Mar 10	01 Sep 10
Total	240,960	26,372	-	-	267,332			
C S R Fox	540,960	-	-	-	540,960	41.5	11 Oct 08	11 Oct 15
	-	45,698	-	-	45,698	35.833	01 Mar 12	01 Sep 12
Total	540,960	45,698	-	-	586,658			
Grand total	1,263,840	144,140	-	-	1,407,980			

The market price of the ordinary shares at 31 March 2007 was 40p (2006: 37.5p), and the range during the year to that date was 31.5p to 48p (2006: 35.5p to 55p).

Total shareholder return

The graph below shows the total shareholder return for the five years to 31 March 2007 for Total Systems plc as compared to the FTSE TechMark Allshare index and the FTSE Small Cap index. These indices were chosen as the most appropriate comparative indices that have been available for the full five year period.



Approved by the Board of Directors and signed on behalf of the Board

G W Harris
Director and Secretary
2 July 2007

Statement of Directors' Responsibilities

The following statement, which should be read in conjunction with the Report of the Auditors, is made with a view to distinguishing for the shareholders the respective responsibilities of the Directors and Auditors in relation to the financial statements.

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors are required to prepare those financial statements in accordance with International Financial Reporting Standards ("IFRS") and have elected to prepare financial statements for the Company in accordance with IFRS. Company law requires the Directors to prepare such financial statements in accordance with IFRS, the Companies Act 1985 and Article 4 of the IAS Regulation.

IAS 1: Presentation of Financial Statements requires that financial statements present fairly, for each financial year, the Group and 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 as 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 IFRS's.

In preparing those financial statements, the 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;
- provide additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, or other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group. They are responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of the Directors Report and Directors Remuneration Report which comply with the Companies Act 1985.

Financial information is published on the Company's website. The maintenance and integrity of the website is the responsibility of the Directors and the work carried out by the Auditors does not include consideration of these matters.

Approved by the Board of Directors on 2 July 2007

Signed on behalf of the Board of Directors

T P Bourne
Director

Independent Auditors' Report

We have audited the Group and Company's financial statements of Total Systems plc for the year ended 31 March 2007 which comprise the Consolidated Income Statement, the Group and Company Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Accounting Policies and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the parts of 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

As described in the Statement of Directors' Responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union. They are also responsible for the preparation of the other information contained in the Annual Report including the Directors' Remuneration Report.

Our responsibility is to audit the financial statements and the parts of the Directors' Remuneration Report described as having been audited 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 financial statements give a true and fair view and whether the financial statements and the parts of the Directors' Remuneration Report described as having been audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the Company and other members of the Group is not disclosed.

We review whether the Corporate Governance statement reflects the Company's compliance with the nine provisions of the 2003 FRC 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 and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Financial Highlights, Chairman's Statement, Directors Report and the unaudited parts of the Directors' Remuneration Report.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view in accordance with IFRS as adopted by the European Union of the state of affairs of the Group and Company as at 31 March 2007 and of the loss of the Group and Company for the year then ended;
- the financial statements and the parts of the Directors' Remuneration Report described as having been audited have been properly prepared in accordance with the Companies Act 1985 and, as regards to the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

Kingston Smith LLP
Chartered Accountants and Registered Auditors
London

2 July 2007

Consolidated Income Statement

For the year ended 31 March 2007

	Note	2007 £	2006 £
Continuing operations			
Revenue	2	3,357,988	3,488,309
External charges		(354,257)	(241,011)
Staff costs	3	(3,022,274)	(2,570,506)
Depreciation		(117,906)	(87,873)
Share based payments		(28,560)	(13,500)
Other operating charges		(505,340)	(431,861)
Operating (loss)/profit	4	(670,349)	143,558
Interest receivable and similar income		140,626	141,080
Interest payable and similar charges		(283)	(6)
(Loss)/profit before taxation		(530,006)	284,632
Tax credit/(payable)	5	111,133	(58,110)
(Loss)/profit after taxation for the year		(418,873)	226,522
Basic (loss)/earnings per ordinary share	7	(3.98)p	2.15p
Diluted (loss)/earnings per ordinary share	7	(3.98)p	2.13p

There are no recognised income or expenses for the current and prior year other than as stated above. As a consequence a statement of recognised income and expenses is not presented.

All the Group's operations are undertaken by the Company. A separate Income Statement for the Company has not been presented as all the Group's income and expenses relate to the Company.

Consolidated Balance Sheet

At 31 March 2007

	Note	2007 £	2006 £
ASSETS			
Non-current assets			
Property, plant and equipment	8	1,040,102	822,074
Deferred tax assets	13	53,022	-
Total non-current assets		1,093,124	822,074
Current assets			
Trade and other receivables	10	845,810	853,752
Cash and cash equivalents	11	2,380,016	3,224,945
Total current assets		3,225,826	4,078,697
TOTAL ASSETS		4,318,950	4,900,771
LIABILITIES			
Current liabilities			
Trade and other payables	12	(590,027)	(628,748)
Current tax liabilities	5	-	(52,567)
Total current liabilities		(590,027)	(681,315)
Non-current liabilities			
Deferred tax liabilities	13	-	(5,544)
TOTAL LIABILITIES		(590,027)	(686,859)
NET ASSETS		3,728,923	4,213,912
SHAREHOLDERS EQUITY			
Issued share capital	16	525,978	525,978
Share premium	18	83,010	83,010
Retained earnings	18	3,077,875	3,591,424
Stock option reserve	18	42,060	13,500
TOTAL EQUITY	18	3,728,923	4,213,912

These financial statements were approved by the Board of Directors on 2 July 2007

Signed on behalf of the Board of Directors

T P Bourne

G W Harris
Directors

Company Balance Sheet

At 31 March 2007

	Note	2007 £	2006 £
ASSETS			
Non-current assets			
Property, plant and equipment	8	1,040,102	822,074
Investments	9	1,205	1,205
Deferred tax assets	13	53,022	-
Total non-current assets		1,094,329	823,279
Current assets			
Trade and other receivables	10	845,810	853,752
Cash at bank and in hand	11	2,380,016	3,224,945
Total current assets		3,225,826	4,078,697
TOTAL ASSETS		4,320,155	4,901,976
LIABILITIES			
Current liabilities			
Trade and other payables	12	(591,232)	(629,953)
Current tax liabilities	5	-	(52,567)
Total current liabilities		(591,232)	(682,520)
Non current liabilities			
Deferred tax liabilities	13	-	(5,544)
TOTAL LIABILITIES		(591,232)	(688,064)
NET ASSETS		3,728,923	4,213,912
SHAREHOLDERS EQUITY			
Issued share capital	16	525,978	525,978
Share premium	18	83,010	83,010
Retained earnings	18	3,077,875	3,591,424
Stock option reserve	18	42,060	13,500
TOTAL EQUITY	18	3,728,923	4,213,912

These financial statements were approved by the Board of Directors on 2 July 2007

Signed on behalf of the Board of Directors

T P Bourne

G W Harris
Directors

Consolidated Cash Flow Statement

For the year ended 31 March 2007

	Note	2007		2006	
		£	£	£	£
Operating activities					
Cash received from customers		4,101,042		3,987,797	
Cash payments to suppliers		(987,877)		(667,571)	
Cash payments to employees		(1,787,743)		(1,671,894)	
Cash paid for PAYE and National Insurance		(1,118,556)		(916,832)	
Cash paid for VAT		(663,419)		(561,826)	
Other business payments		(45,869)		(35,694)	
Cash (outflow)/inflow from operating activities	15		(502,422)		133,980
Income taxes paid			(52,567)		(121,472)
Net cash (outflow)/inflow from operating activities			(554,989)		12,508
Cash flows from investing activities					
Interest received		140,626		141,080	
Receipts on sale of assets		327		-	
Purchase of plant and equipment		(335,934)		(249,107)	
Net cash outflow from investing activities			(194,981)		(108,027)
Cash flows from financing activities					
Share option receipts		-		6	
Interest paid		(283)		(6)	
Equity dividends paid		(94,676)		(244,580)	
Net cash outflow from financing activities			(94,959)		(244,580)
Net change in cash and cash equivalents			(844,929)		(340,099)
Opening cash and cash equivalents			3,224,945		3,565,044
Closing cash and cash equivalents			2,380,016		3,224,945

All the Group's operations are undertaken by the Company. A separate cash flow statement for the Company has not been presented as the Consolidated Cash Flow Statement relates entirely to the activities of the Company.

Notes to the Financial Statements

General information

Total Systems plc (the "Company") is incorporated and domiciled in the UK (registered number 1024277) and is listed on the London Stock Exchange. These consolidated financial statements include the Company and its subsidiaries (together the "Group").

I. Accounting policies

The principal accounting policies which have been consistently applied are described below.

Basis of preparation

The Group and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 1985. The financial statements are prepared under the historical cost convention. At the date of signing these financial statements there were a number of International Financial Reporting Standards and interpretations in issue but not yet effective. The Directors anticipate that the adoption of these standards and interpretations will have no material impact on the Group's financial statements or will not be relevant to the activities of the Group.

Revenue and profit recognition

Revenue is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, net of discounts and VAT. Provision is made for all foreseeable future losses.

The Group's main sources of income are recognised as follows:

Time & materials

The revenue and profit of time and materials contracts for the supply of professional services at predetermined rates is recognised as and when the work is performed, irrespective of the duration of the contract. This policy applies to installation, consultancy, support and training which is chargeable on a time and materials basis.

Own software licences & maintenance

The Group recognises revenue and profit from the sale of perpetual software licences when all the following conditions have been satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the licence;
- The Group retains neither continuing managerial involvement to the degree associated with ownership nor effective control over the licences sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The revenue and profit for periodic software licences is recognised on a straight-line basis over the term of the contracted period.

The revenue and profit for transaction based software licences is recognised in the period during which the transaction took place.

With regard to Software Maintenance Agreements relating to Total's own software product revenue is recognised on a straight-line basis over the term of the maintenance agreement. Revenue not recognised in the Income Statement under this policy is classified as deferred income in the balance sheet.

Third party software licences & maintenance

Third party software licence revenue and profit is recognised on the same basis as own software licences. With regard to Maintenance Agreements relating to third party software products revenue and profit are taken to the Income Statement when invoiced, providing that the start date of the contract falls within the financial year; since associated costs are not significant.

Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is calculated to write off the cost of the individual asset, less estimated residual value, evenly over their estimated useful life, as follows:

Freehold land	Nil
Freehold buildings	2% per annum
Plant and equipment	10 to 20% per annum
Computer equipment	33% per annum

Notes to the Financial Statements

Deferred taxation

Deferred tax assets and liabilities are recognised using the liability method, in respect of all temporary timing differences between the tax base cost of the Group's assets and liabilities, and their carrying amounts in the financial statements that have originated but have not been reversed by the balance sheet date. The deferred tax is calculated using tax rates enacted or substantially enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets and liabilities are not discounted. Deferred tax assets and liabilities are offset as they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current taxation

The taxation credit / charge for current tax is based on the results of the year, as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted by the balance sheet date.

Research & development

Research & development expenditure is expensed in the Income Statement as incurred.

Pensions

The Group operated a defined contribution pension scheme. Pension costs are expensed to the Income Statement as incurred.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all subsidiary undertakings ("subsidiaries") for the year ended 31 March 2007.

Trade and other receivables

Trade receivables are stated at original invoice amount less any allowances for uncollectable amounts. Bad debts are written off when identified. Other receivables are stated at cost.

Trade and other payables

Trade and other payables are stated at cost.

Interest income

Interest income is recognised as interest accrues.

Cash and cash equivalents

Cash and short term deposits at the balance sheet date comprise cash at bank and in hand and short term deposits with a maturity of three months or less. The Company does not hold short term deposits with a maturity date of more than one month.

Share based payments

Certain employees and Directors of the Group receive equity settled remuneration in the form of Company Share Options. The cost of equity settled transactions are measured by reference to the fair value at the date of grant of the option. Fair value is measured by the use of an appropriate model. The cost of equity settled transactions is expensed in the Income Statement on a straight line basis over the vesting period and is adjusted at each balance sheet date to take account of actual and expected level of vesting. The expensed amounts are credited to a Stock Option Reserve. Sums received in consideration for the options are credited to Share Premium.

Dividend payment

Dividends distributed to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which an interim dividend is declared and approved by the Board and the final declared dividend is approved by the Company's shareholders.

Key estimates and assumptions

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the year end and the reported amounts of revenue and expenses during the financial year. Actual results could differ from the original estimates and assumptions. The Directors consider that there were no estimates and assumptions that have a significant impact on the carrying value of assets and liabilities of the Group within the next financial year other than the write down of third party software licences for resale as disclosed in note 4.

Notes to the Financial Statements

2. Segmental information

The revenue and profit are attributable to the provisions of the supply of computer software and supply of third party software, both with related support services. The origin and destination of revenue and profit are the same; wholly in the United Kingdom. A segmentation of major revenue streams is shown below but a segmentation of operating profit is not meaningful and is not shown.

	2007	2006
	£	£
Time & materials	2,507,853	2,980,661
Own software licences & maintenance	563,717	163,509
Third party software licences & maintenance	286,418	344,139
Total Revenue	3,357,988	3,488,309

3. Information regarding directors and employees

	2007	2006
	£	£
Directors' emoluments (excluding pension contributions)	523,330	436,045
Remuneration of the Highest Paid Director (excluding pension contributions)	112,496	115,682
	No.	No.
Number of Directors who are members of defined contribution schemes	1	1

The Chairman's pension contributions were £5,199 (2006: £5,672). No further contributions are payable under this scheme. No pension contributions were made on behalf of the other Directors.

The disclosures on directors' remuneration and share option schemes, as required by the Companies Act 1985 are set out in the Directors' Remuneration Report on pages 14 to 15 and form part of these audited financial statements.

Employees' costs during year:	2007	2006
	£	£
Wages and salaries	2,660,489	2,282,089
Social security costs	307,453	258,019
Pensions	5,199	5,672
Other employee benefit costs	49,133	24,726
Total	3,022,274	2,570,506

Average number of persons employed	No.	No.
Administration	4	5
Technical	43	40
Sales	8	6
Total	55	51

Notes to the Financial Statements

4. Operating (loss)/profit

	2007 £	2006 £
Operating (loss)/profit is after charging:		
Auditors' remuneration	11,500	10,550
Research and development	794,327	634,796
Depreciation of property, plant and equipment	117,906	87,873

During the year the Company purchased £150,000 of third party software licences for re-sale. The total cost of licences relating to sales during the year was £ 7,756. Due to lack of sales the balance of £ 142,244 has been fully provided against.

The auditors did not receive any fees in respect of non audit services for the year ended 31 March 2007 (2006: £nil).

5. Taxation

	2007 £	2006 £
Current tax (credit)/charge:		
Current tax (credit)/charge for the year	(52,567)	52,567
Over provision in the previous year	-	(1)
Deferred tax (credit)/charge	(58,566)	5,544
Total taxation (credit)/charge	(111,133)	58,110

Reconciliation of total tax (credit)/charge for the year

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 30%. The current year tax charge for the year is less than 30% for the reasons set out in the following reconciliation.

	2007 £	2006 £
(Loss)/profit before tax	(530,006)	284,632
Tax on (loss)/profit at standard rate	(159,002)	85,390
Factors affecting (credit)/charge:		
Small companies marginal relief	36,941	(31,259)
Disallowable expenses, including non-qualifying depreciation	10,928	5,860
Other timing differences	-	(1,881)
Total taxation (credit)/charge	(111,133)	58,110

Notes to the Financial Statements

6. Dividends

	2007 £	2006 £
Dividends paid	94,676	244,580

No dividend is proposed in respect of the financial year ended 31st March 2007.

7. Loss/earnings per ordinary share (“EPS”)

The calculation of basic earnings per ordinary share is based on a loss after taxation of £418,873 (2006:profit £226,522) and on 10,519,553 ordinary shares being the average weighted number in issue during the year ended 31 March 2007 (2006: 10,519,553). For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume issue of all dilutive potential ordinary shares being those share options granted to employees where the exercise price is less than the average fair value price of the Company's ordinary shares during the year.

	Profit (Numerator)		Shares (Denominator)		Per-share Amount Pence	
	2007 £	2006 £	2007 No.	2006 No.	2007	2006
Basic EPS						
(Loss)/profit attributable to ordinary shareholders	(418,873)	226,522	10,519,553	10,519,553	(3.98)p	2.15p
Effect of dilutive potential ordinary shares						
Options outstanding			1,982,810	1,532,263		
Less: Number of shares under option calculated at fair value			(1,982,810)	(1,418,005)		
Diluted EPS						
(Loss)/profit attributable to ordinary shareholders and assumed conversions	(418,873)	226,522	10,519,553	10,633,811	(3.98)p	2.13p

All potential ordinary shares at 31 March 2007 were anti-dilutive.

Notes to the Financial Statements

8. Property, plant and equipment

Group & Company	Freehold property £	Plant and equipment £	Total £
Cost			
At 1 April 2005	742,271	634,926	1,377,197
Additions	-	249,107	249,107
Disposals	-	(62,177)	(62,177)
At 31 March 2006	742,271	821,856	1,564,127
Additions	-	335,934	335,934
Disposals	-	(201,829)	(201,829)
At 31 March 2007	742,271	955,961	1,698,232

Accumulated depreciation

At 1 April 2005	180,000	536,357	716,357
Charge for the year	10,000	77,873	87,873
Disposals	-	(62,177)	(62,177)
At 31 March 2006	190,000	552,053	742,053
Charge for the year	10,000	107,906	117,906
Disposals	-	(201,829)	(201,829)
At 31 March 2007	200,000	458,130	658,130

Carrying value

At 1 April 2005	562,271	98,569	660,840
At 31 March 2006	552,271	269,803	822,074
At 31 March 2007	542,271	497,831	1,040,102

Freehold land with a cost of £242,000 (2006: £242,000) is included in freehold property of the Group and Company.

Notes to the Financial Statements

9. Investments

The Company has the following investments in subsidiaries:	2007	2006
	£	£
Ordinary shares of £1 each at cost		
Total Systems (Western) Ltd (dormant)	1,000	1,000
Total Computing Ltd (dormant)	100	100
Total Selection Ltd (dormant)	2	2
Total Software Ltd (dormant)	100	100
Exsys Ltd (dormant)	3	3
Total	1,205	1,205

All are wholly owned subsidiaries incorporated in Great Britain and registered in England and Wales. At 31 March 2007, an amount of £ 1,205 was owed by the Company to the subsidiaries. This is included in the creditors of the parent company disclosed in note 12.

10. Trade and other receivables

Group & Company	2007	2006
	£	£
Trade receivables	665,095	757,574
Other receivables	75,906	16,156
Prepayments	104,809	80,022
Total	845,810	853,752

No provision has been considered necessary for uncollectible receivables.

11. Financial instruments

The Company's funding policy is to finance itself solely through cash. The Company policy for the treatment of cash is to hold the majority in monthly money market deposits and a daily business call account with the remainder held in a normal bank current account to facilitate the day to day running of the business. The Company does not use derivatives. The fair value of the cash balance at the year end is equal to the book value in the financial statements. All cash is held in sterling. The Group has taken advantage of the permitted exemptions to exclude all disclosures relating to short term debtors and creditors. At 31 March 2007 £ 2,200,000 of bank balances were held in fixed interest deposits at current monthly money market rates (2006:£ 3,050,000). The remainder of bank balances were held in accounts which were subject to floating rates of interest.

12. Trade and other payables

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Other taxes and social security	149,114	220,128	149,114	220,128
Accruals and other creditors	195,104	232,893	196,309	234,098
Deferred income	245,809	175,727	245,809	175,727
Total	590,027	628,748	591,232	629,953

Notes to the Financial Statements

13. Deferred taxation

Group & Company

Deferred tax assets	Accelerated tax depreciation	Tax losses	Share based payments	Total
As at 1 April 2005 and 31 March 2006	-	-	-	-
Transfer from deferred tax liabilities	(9,189)	-	3,645	(5,544)
(Charged)/credited to income statement	(20,881)	71,736	7,711	58,566
At 31 March 2007	(30,070)	71,736	11,356	53,022

Total deferred tax assets have been recognised at 31 March 2007 on the basis that it is probable that there will be suitable taxable profits against which these assets can be utilised.

Deferred tax liabilities	Accelerated tax depreciation	Share based payments	Total
As at 1st April 2005	-	-	-
Charged to income statement	9,189	(3,645)	5,544
At 31 March 2006	9,189	(3,645)	5,544
Transfer to deferred tax assets	(9,189)	3,645	(5,544)
At 31 March 2007	-	-	-

14. Financial commitments

	2007 £	2006 £
Capital commitments contracted but not provided for	2,216	-

The group does not have any operating lease commitments.

15. Notes to the cash flow statement

Reconciliation of operating (loss)/profit to net cash (outflow)/inflow from operating activities

	2007 £	2006 £
Operating (loss)/profit	(670,349)	143,558
Depreciation charges	117,906	87,873
Decrease/(increase) in receivables	60,509	(129,253)
(Decrease)/increase in payables	(38,721)	18,302
Profit on sale of assets	(327)	-
Change in share based payments	28,560	13,500
Net cash (outflow)/inflow from operating activities	(502,422)	133,980

Notes to the Financial Statements

16. Issued share capital

	2007 £	2006 £
Authorised - 100,000,000 ordinary shares of 5p each	5,000,000	5,000,000
Called up, allotted and fully paid 10,519,553 (2006: 10,519,553) ordinary shares of 5p each	525,978	525,978

17. Share option schemes

The Company operates various equity settled share option schemes for certain employees. No employee share options were exercised during the year. No share options were surrendered, exercised or expired during the year. A SAYE scheme was introduced during the year and 450,547 options at 35.833p were granted to Directors and employees.

Employee share option scheme

The Company has granted the following options under its employee share option scheme, which have not lapsed or been exercised, in respect of its ordinary shares:

Date granted	Number of shares	Exercise price	Exercisable after
18 August 1997	27,463	58.5p	18 August 2000

All options lapse on the tenth anniversary of the date of grant.

Executive management incentive plan: "EMI"

The Company has granted the following options under the HMRC approved Executive Management Incentive Plan in respect of its ordinary shares which have not lapsed or been exercised:

The options under the EMI plan are exercisable not earlier than 3 years from date of grant and in the following proportions; 50% when the share price is greater than 150p, 75% when the share price is greater than 200p and 100% when the share price is greater than 250p except for CSR Fox whose options are 100% exercisable when the share price is greater than 150p. All options lapse on the tenth anniversary of the date of grant.

Date granted	Number of shares	Exercise price	Exercisable after
11th October 2005	1,204,800	41.5p	11 October 2008

Unapproved share option scheme: "Unapproved"

The Company has granted the following options under its Unapproved Share Option Scheme in respect of its ordinary shares which have not lapsed or been exercised.

The options under the Unapproved scheme are exercisable not earlier than 3 years from the date of grant and in the following proportions; 50% when the share price is greater than 200p and 100% when the share price is greater than 250p. All options lapse on the tenth anniversary of the date of grant.

Date granted	Number of shares	Exercise price	Exercisable after
11th October 2005	300,000	41.5p	11 October 2008

The fair values of the options granted in 2005 under the EMI and the Unapproved share schemes was calculated using a trinomial barrier model based on the following assumptions:

Expected life	4 years	6 years	8 years
Volatility	40.6%	36.1%	37.7%
Interest rate	4.0%	4.0%	4.0%
Dividend yield	4.0%	4.0%	4.0%
Barrier	150p	200p	250p
Fair value	8.0p	11.0p	11.0p

The weighted fair value of share options granted under the EMI and Unapproved schemes was estimated at the date of grant as 9.56p per share.

Notes to the Financial Statements

17. Share option schemes - continued

The volatility is calculated on a statistical analysis of the daily share price over the corresponding previous periods.

Savings related share option (SAYE) scheme

New options were granted to Directors and employees under the SAYE Scheme during the year as follows:

Date granted	Number of shares	Exercise price	Exercisable after
29th January 2007	450,547	35.833p	1 March 2010

The options granted under the HMRC approved SAYE scheme are exercisable after 3 or 5 years. Employees enter into a contract to make monthly contributions to a savings plan over the relevant period. At the end of the period the value of the plan is used to fund the exercise of the options. The scheme is open to all employees.

The fair value of the options was calculated using a trinomial model based on the following assumptions:

Expected life	3 year exercise	5 year exercise
Volatility	24.3%	25.2%
Interest rate	5.5%	5.5%
Dividend yield:	0%	0%
Fair value	8.6p	11.7p

The volatility is calculated on a statistical analysis of the daily share price over the corresponding previous periods.

The weighted fair value of share options granted during the year as estimated at date of grant was 7.65p per share.

18. Changes in Company and consolidated equity shareholders' funds

	Issued share capital £	Share premium £	Retained earnings £	Stock option reserve £	Total equity £
As at 1 April 2005	525,978	83,004	3,609,482	-	4,218,464
Profit after tax for the year	-	-	226,522	-	226,522
Final dividend paid	-	-	(189,352)	-	(189,352)
Interim dividend paid	-	-	(55,228)	-	(55,228)
Funds received on grant of options	-	6	-	-	6
Share based payments	-	-	-	13,500	13,500
As at 31 March 2006	525,978	83,010	3,591,424	13,500	4,213,912
Loss after tax for the year	-	-	(418,873)	-	(418,873)
Final dividend paid	-	-	(94,676)	-	(94,676)
Share based payments	-	-	-	28,560	28,560
As at 31 March 2007	525,978	83,010	3,077,875	42,060	3,728,923

Notice of Annual General Meeting

Notice is hereby given that the 31st Annual General Meeting of TOTAL SYSTEMS plc will be held at 394 City Road, London EC1V 2QA on Monday 13th August 2007 at 10.00a.m. for the following purposes:

1. To receive the Company's financial statements for the year ended 31 March 2007 together with the reports of the Directors and Auditors thereon.
2. To approve the Directors' Remuneration Report.
3. To re-elect Mr. Harris as a Director retiring by rotation.
4. To re-appoint Kingston Smith LLP as Auditors and to authorise the Directors to fix their remuneration.
5. To unconditionally authorise the Board of Directors for the purposes of Section 80, Companies Act 1985, to allot shares up to the amount of 3,506,517 shares at any time or times during the period of five years from the date of this resolution save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board of Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

As special business, to consider and, if thought fit, pass the following special resolutions, which will be proposed:

6. That subject to the passing of resolution 5 the Directors be and they are hereby empowered, during the period expiring on the earlier of 13th November 2008 and the date of the Company's Annual General Meeting to be held in 2008, to allot or make offers or agreements to allot equity securities (as defined in Section 94 of the Companies Act 1985 ("the Act")) pursuant to the authority for the purposes of Section 80 of the Act conferred by the said resolution as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the:
 - 6.1 allotment of equity securities having a nominal value up to £ 175,326 (representing 3,506,517 ordinary shares) in connection with a rights issue in favour of the holders of relevant shares and relevant employee shares, or in connection with any other form of issue of such securities in which such holders are offered the right to participate, in proportion (as nearly as may be) to their respective holdings but subject to such exclusions or other arrangements as the Directors consider necessary or expedient in connection with shares representing fractional entitlements or on account of either legal or practical problems arising in connection with the laws of any territory, or of the requirements of any generally recognised regulatory body or stock exchange in any territory; and
 - 6.2 allotment (otherwise than pursuant to sub-paragraph 6.1 above) of equity securities up to an aggregate nominal value of £ 26,299 representing 525,977 shares, equivalent to 5% of the issued share capital of the Company as at 31 March 2007.
7. That the Company be and is hereby generally and unconditionally authorised in accordance with Section 166 of the Companies Act 1985 to make market purchases (within the meaning of section 163 of the Companies Act 1985) of shares in the capital of the Company ("Shares") provided that:
 - 7.1 the maximum aggregate number of shares hereby authorised to be purchased is 1,051,955 representing 10% of the Company's Issued Ordinary Share Capital at the date of this Notice of Annual General Meeting.



Notice of Annual General Meeting

- 7.2 the maximum price which will be paid for a share is an amount equal to 105% of the average middle market quotation for a share (as derived from the London Stock Exchange Daily Official List) for the ten dealing days immediately preceding the day on which the share is purchased, exclusive of expenses.
- 7.3 the minimum price which may be paid for a share is its nominal value, exclusive of expenses.
- 7.4 the authority hereby conferred shall expire fifteen months after the date on which the resolution is passed, or if earlier, at the conclusion of the next Annual General Meeting of the Company, unless such authority is renewed prior to such time.
- 7.5 the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority, which will or maybe executed wholly or partly after the expiry of such authority and may make a purchase of shares in pursuance of such a contract.

By order of the Board

G W Harris
Secretary

TOTAL SYSTEMS plc,
394 City Road,
London,
EC1V 2QA,

2 July 2007

Notice of Annual General Meeting

NOTE

1. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2002, specifies that only those shareholders registered in the register of members of the Company as at 6pm on Thursday 9th August 2007 shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 6pm on Thursday 9th August 2007 shall be disregarded in determining the rights of any person to attend or vote at the meeting notwithstanding any provisions in any enactment, Articles of Association or other instrument to the contrary.
2. Any member of the Company entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. A form of proxy is enclosed. Completion and return of the form of proxy will not preclude a member from attending and voting in person.
3. Copies of Directors' service contracts will be available for inspection at the registered office of the Company, 394 City Road, London EC1V 2QA, during business hours on any weekday from the date of this notice until the conclusion of the Annual General Meeting.
4. Resolutions 5, 6 and 7 are enabling resolutions. With the exception of shares to be issued in respect of share options exercised and, save in relation to any future acquisitions that the Company may effect, the Directors have no current intention of exercising such authority in relation to any of these resolutions.

Resolution 5 will provide for the Directors to be able to allot ordinary shares up to an aggregate nominal value of £ 175,326 representing 33.33% of the issued share capital as at 31 March 2007. The authority will expire in five years time on 13th August 2012.

Section 89 of the Companies Act 1985 (which confers on shareholders rights of pre-emption in respect of the allotment of equity securities which are or are to be paid up in cash, other than an allotment to employees under an employee share scheme) applies to the authorised but unissued and uncommitted share capital except to the extent disapplied by the Company in General Meeting by a special resolution. Resolution 6 contains such a disapplication and will allow the issue of equity securities having an aggregate nominal value of up to £ 175,326 (representing 3,506,517 ordinary shares), 33.33% of the issued share capital of the Company as at 31 March 2007 on rights issues and other issues pro rata to existing entitlements, and the issue for cash otherwise than pro rata to existing entitlement of equity securities having an aggregate nominal value of up to £ 26,299 (representing 525,977 ordinary shares, 5% of the issued share capital of the Company as at 31 March 2007). The authority given by the resolution expires on the day of the Company's Annual General Meeting in 2008 or, if earlier, 13 November 2008 (although the Directors may allot equity securities after the authority expires pursuant to an agreement or offer made before the expiry date).

Total Systems plc - Form of Proxy

Proxy for use at the Annual General Meeting of Total Systems plc to be held on 13th August 2007 at 10am.

I/We _____

(BLOCK LETTERS PLEASE)

of _____

being (a) member(s) of Total Systems plc, hereby appoint the Chairman of the meeting

OR (see note (e)) _____

of _____

as my/our proxy to act on my/our behalf and to vote for me/us as indicated below at the Annual General Meeting of the Company to be held on 13th August 2007 and at any adjournment thereof.

Please indicate how you wish your vote to be cast by placing an "X" in the appropriate box below. The numbering of the resolution follows that contained in the notice of meeting. If no indication is given, your proxy will vote or abstain at their discretion. On any motion to amend the resolution or to adjourn the meeting, the proxy will act at their discretion.

Resolution	FOR	AGAINST
Ordinary Resolution 1		
Ordinary Resolution 2		
Ordinary Resolution 3		
Ordinary Resolution 4		
Ordinary Resolution 5		
Special Resolution 6		
Special Resolution 7		

Signature _____

Date _____ 2007

Notes:

- (a) In the case of a corporation, this form of proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised.
- (b) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority will be determined by the order in which the names stand in the Register of Members.
- (c) To be valid, this form of proxy and the power of attorney, if any, under which it is signed or a notarially certified or office copy thereof should reach the Company's registrars at the address overleaf no later than 48 hours before the meeting.
- (d) A proxy need not be a member of the Company, but must attend the meeting in person to represent you.
- (e) If you desire to appoint a proxy other than the Chairman of the meeting, please insert the name and address and delete "the Chairman of the meeting".
- (f) Completion of this Form of Proxy does not preclude you from attending the meeting and voting in person.

SECOND FOLD



LLOYDS TSB REGISTRARS
Registrars for Total Systems plc
The Causeway
Worthing
West Sussex
BN99 6ZL

THIRD FOLD

FIRST FOLD



Financial Calendar

Interim management statement – 1st quarter to 30 June 2007	August 2007
Annual general meeting	13th August 2007
Interim report for the six months to 30 September 2007	November 2007
Interim 2007/08 dividend: (if declared)	
Record date	December 2007
Payment date	February 2008
Interim management statement – 3rd quarter to 31 December 2007	February 2008
Final 2007/08 dividend: (if declared)	
Record date	July 2008
Payment date	September 2008
Preliminary announcement for the year ending 31 March 2008	July 2008

**“Your trusted partner
for a challenging
market”**

Total Systems plc

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**Total Systems plc**