



Total Systems Interim Report 2007



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Overview

Total Systems deliver extremely efficient software solutions to general insurance and warranty clients. Our portfolio includes market leading software components for policy administration, rating, web based self service, claims administration, dynamic price optimisation and electronic document management.

All our components have been developed to meet the insurance and warranty market's need to deploy new products quickly and cost effectively. The components can be used individually within a client's existing architecture or, for those insurers looking for complete business transformation, can be used together as a suite of components branded as 'Ultima'. The Ultima system is a robust, scalable, flexible and cost-effective platform. Delivering all aspects of policy management including quotations, underwriting, claims, accounting, broker maintenance and management information, Ultima supports over 30 lines of business, and is fully multi-currency and multi-company.

One of the key factors that differentiates Ultima from its competitors is the Business Configurator tool. This provides an unrivalled capability to deliver new products to market without the need for IT development. Not only does Business Configurator dramatically reduce the time it takes to introduce new products, or change existing ones, but it also significantly reduces cost of ownership. The level of cost savings that can be made from the introduction of Ultima can be considerable and it is one of the few products available in the market place that allows users to comfortably live with a constantly changing business environment in a cost effective manner while still providing a robust and scalable platform for future growth.

Historically the insurance and warranty markets have relied on risk based pricing for products such as motor and household which are highly competitive and where prices can change quickly. Total Systems provides a highly innovative product that enables insurers to dynamically adjust pricing to meet market competition and to maximise profitability. The product has an enviable track record in Europe where leading insurers have achieved increases in revenue ranging from 2% to 6%. A UK customer is already reaping the benefits of dynamic pricing, achieving revenue growth of between 3% and 4%, the majority of which has an immediate impact on bottom line profit.

Total Systems also markets the Invu Electronic Document Management (EDM) solution. Invu are the fastest growing EDM company in Europe. The quality of their EDM solution is reflected in the speed at which it can be implemented and used across an organisation to improve customer service and reduce administrative overheads.

Our "blue chip" client base tells its own story, particularly since they have all selected Total in preference to far bigger or internal competition. Our "best of breed" credentials, coupled to our reputation for always delivering, has enabled all of our clients to free up resources to provide for future growth and innovation.



Chairman's Statement

During the first six months of the financial year the Company has continued to work with existing clients while keeping discretionary costs under control. This has resulted in a 3% fall in revenue and a near halving of the loss compared to the corresponding period of last year. The sales and marketing team continues to identify new prospects in the market and is pursuing a number of sales opportunities. Ultima and the development of the skills of our staff remain our key investment areas.

Results

Revenue for the half year was £ 1,634,635 (2006: £1,688,588) and I am pleased to report a reduced loss before tax of £163,356 (2006 loss: £302,055) resulting in a loss per share of 1.18p (2006: 2.12p). The reduction in loss achieved against the previous half year is £138,699.

Financial

Zero gearing and net assets of 34.37p per share (2006: 37.16p) of which 22.07p per share (2006: 29.53p) is represented by cash continues to demonstrate our financial strength during this difficult trading period.

Dividend

Your Board does not propose a payment of an interim dividend.

Strategy

Total Systems is committed to the financial services market. Our strategy is to provide innovative software products together with support and consulting services to enable financial services companies to rapidly launch new products, take advantage of new channels to market, reduce costs and improve efficiency.

Products

Ultima is a customer oriented policy management system for insurance and warranty administration encompassing quotations, underwriting, claims, accounting, broker management, management information and reporting.

Targeted at insurers and warranty providers Ultima seeks to facilitate maximum efficiency while ensuring regulatory compliance and enabling clients to quickly adapt to changing business conditions. Ultima can run in excess of 30 lines of business concurrently and is noted for its flexibility and reliability. It is available on a Service Oriented Architecture basis, so that individual business components can be deployed even more cost effectively. The Business Configurator facility enables clients to make their own enhancements and launch new and original products without the need for programming. All these features combine to make Ultima easily configurable to meet client's specific requirements, for both large and small scale applications, while delivering fast implementation compared to our competitors.

Enhancements recently released include the latest credit card encryption, improved Business Configurator controls and workflow advances. In addition innovative new features are in development. These include vehicle tracking & charging and customer service environments where system flexibility is paramount. Plans are also underway for full internationalisation of the product making it multi-language to enable swift worldwide roll out for local usage.

Chairman's Statement continued

The Company is also marketing Invu, an electronic document management solution and a dynamic pricing optimiser.

Operations

Excellent support has been given to our blue chip clients and we continue to see real benefits from our account management strategy. Our long term objective of increasing our recurring revenues is starting to bear fruit with transaction and time based licence fees likely to increase in future years.

We have supported one of our customers as they have rolled out their offering across Western Europe. It is anticipated that some Eastern European countries will soon be using Ultima and we will continue to supply our expertise to assist that process. Our technical team have supplied specific developments and general upgrades to all our customers in a timely and professional manner as required.

Technical staff have been retained during the difficult conditions that the Company has experienced in anticipation of new orders and this is the major reason for the loss for the half year.

Market place

The general insurance market place remains extremely competitive. Our relationship with a large systems integrator is developing and it is anticipated that, over time, the significant investment made in that relationship will bring further success in the wider marketplace. During the period we have participated in a number of events and held seminars to promote our portfolio. These actions have brought our products to the attention of a wider audience. The sales pipeline looks healthy at this point in time and we are running a new integrated marketing campaign in the second half of the financial year to enhance our suspect and prospect base. As part of this process we have sponsored and presented at a major conference in November with the result that Total's market profile has been considerably improved to the point where we are now recognised as a key player.

Personnel

I would like to thank all our staff for their enthusiastic support. It is their versatility and in depth experience of the insurance and warranty industries together with their proactive team spirit that drives the success of the Company. Our sales director's resignation in July has had no significant impact on the business and the sales and marketing team continue to be positive and motivated.

Current trading and outlook

The trading outlook for the second half of the financial year is showing an improvement over the first half as the relationship announced in January starts to progress. We continue to see a reasonable level of business from our existing clients. Indications are that we should approach breakeven on a monthly basis during the second half of the year. We are engaging with a number of opportunities and remain optimistic of future orders.

The Company's finances remain on a strong footing with discretionary costs being controlled. The Board will initiate all measures necessary to ensure the long-term prospects of the Company.

Terence Bourne
Chairman

26 November 2007

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Consolidated Income Statement

for the half year ended 30 September 2007

	Note	Unaudited 6 Months ended 30 September 2007 £	Unaudited 6 Months ended 30 September 2006 £	Audited 12 Months ended 31 March 2007 £
Continuing operations				
Revenue	2	1,634,635	1,688,588	3,357,988
Operating loss		(227,337)	(373,255)	(670,349)
Interest receivable and similar income		63,981	71,243	140,626
Interest payable and similar charges		-	(43)	(283)
Loss on ordinary activities before taxation		(163,356)	(302,055)	(530,006)
Taxation		39,517	78,530	111,133
Loss after taxation		(123,839)	(223,525)	(418,873)
Basic loss per ordinary share	5	(1.18)p	(2.12)p	(3.98)p
Diluted loss per ordinary share		(1.18)p	(2.12)p	(3.98)p

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

Consolidated Balance Sheet

as at 30 September 2007

Note	Unaudited as at 30 September 2007 £	Unaudited as at 30 September 2006 £	Audited as at 31 March 2007 £
ASSETS			
Non-current assets			
	974,770	790,841	1,040,102
	92,539	-	53,022
	1,067,309	790,841	1,093,124
Current assets			
	873,268	623,414	845,810
	2,321,588	3,106,166	2,380,016
	3,194,856	3,729,580	3,225,826
	4,262,165	4,520,421	4,318,950
LIABILITIES			
Current liabilities			
	(646,836)	(549,404)	(590,027)
	-	(52,567)	-
	(646,836)	(601,971)	(590,027)
Non-current liabilities			
	-	(9,239)	-
	(646,836)	(611,210)	(590,027)
	3,615,329	3,909,211	3,728,923
SHAREHOLDERS EQUITY			
	525,978	525,978	525,978
	83,010	83,010	83,010
	2,954,036	3,273,223	3,077,875
	52,305	27,000	42,060
	3,615,329	3,909,211	3,728,923

Consolidated Cash Flow Statement

for the half year ended 30 September 2007

	Note	Unaudited 6 Months ended 30 September 2007 £	Unaudited 6 Months ended 30 September 2006 £	Audited 12 Months ended 31 March 2007 £
Operating activities				
Cash received from customers		1,943,066	2,345,057	4,101,042
Cash payments to suppliers		(367,863)	(554,777)	(987,877)
Cash payments to employees		(865,119)	(900,347)	(1,787,743)
Cash paid for PAYE and National Insurance		(569,768)	(549,343)	(1,118,556)
Cash paid for VAT		(292,172)	(389,421)	(663,419)
Other business payments		(16,248)	(23,330)	(45,869)
Cash outflow from operating activities	7	(168,104)	(72,161)	(502,422)
Income taxes received		52,567	-	-
Income taxes paid		-	-	(52,567)
Net cash outflow from operating activities		(115,537)	(72,161)	(554,989)
Cash flows from investing activities				
Interest received		63,981	71,243	140,626
Receipts on sale of assets		-	100	327
Purchase of plant and equipment		(6,872)	(23,242)	(335,934)
Net cash inflow/(outflow) from investing activities		57,109	48,101	(194,981)
Cash flows from financing activities				
Interest paid		-	(43)	(283)
Equity dividends paid		-	(94,676)	(94,676)
Net cash outflow from financing activities		-	(94,719)	(94,959)
Net change in cash and cash equivalents		(58,428)	(118,779)	(844,929)
Opening cash and cash equivalents		2,380,016	3,224,945	3,224,945
Closing cash and cash equivalents		2,321,588	3,106,166	2,380,016

Notes to the Interim Report

for the half year ended 30 September 2007

1. The financial information contained in this statement does not constitute the statutory accounts as defined in section 240 of the Companies Act 1985 and have not been audited. The abridged information for the 12 months ended 31 March 2007 has been extracted from the Group's statutory accounts for that period, which have been filed with the Registrar of Companies. The auditors report on the Group's accounts for that period were unqualified and did not contain a statement under Section 237(2) or Section 237(3) of the Companies Act 1985. Prior half year comparatives remain unaudited. The Interim Report was approved by the directors for release on 26 November 2007.
2. The Group's revenue is derived from the writing and supply of its 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. All activities derive from continuing operations.

	Unaudited 6 Months ended 30 September 2007 £	Unaudited 6 Months ended 30 September 2006 £	Audited 12 Months ended 31 March 2007 £
Time & materials	1,220,341	1,383,739	2,507,853
Own software licences and maintenance	286,123	104,140	563,717
Third party software licences and maintenance	128,171	200,709	286,418
Total revenue	1,634,635	1,688,588	3,357,988

3. The Interim Report has been prepared in accordance with International Accounting Standard 34 (IAS 34) "Interim Financial Reporting". The accounting policies followed in the interim financial report are in accordance with IFRS and are consistent with the prior periods. A full list of the accounting policies under IFRS was disclosed in the Group's statutory accounts for the year ended 31 March 2007. Copies of the Annual Report are available from the Company website (www.totalsystems.co.uk) or from the registered office.
4. No interim dividend has been declared.
5. The calculation of basic and diluted loss per share is based on a loss after taxation of £123,839 (2006: £223,525) and a weighted average of 10,519,553 shares (2006: 10,519,553) in issue during the period.
6. It is intended to post this Interim Report to shareholders on 29 November 2007. Copies of the Interim Report will be available from the Registered Office of the Group at 394 City Road, London, EC1V 2QA and the Company website.

Notes to the Interim Report

for the half year ended 30 September 2007

7. Reconciliation of operating loss to cash outflow from operating activities

	Unaudited 6 Months ended 30 September 2007 £	Unaudited 6 Months ended 30 September 2006 £	Audited 12 Months ended 31 March 2007 £
Operating loss	(227,337)	(373,255)	(670,349)
Depreciation charges	72,204	54,475	117,906
Profit on sale of assets	-	(100)	(327)
(Increase)/decrease in receivables	(80,025)	312,563	60,509
Increase/(decrease) in payables	56,809	(79,344)	(38,721)
Change in share based payments	10,245	13,500	28,560
Cash outflow from operating activities	(168,104)	(72,161)	(502,422)

Notes to the Interim Report

for the half year ended 30 September 2007

8. Changes in Company and consolidated equity shareholders' funds (Unaudited)

	Issued share capital £	Share premium £	Retained earnings £	Stock option reserve £	Total equity £
As at 1 April 2006	525,978	83,010	3,591,424	13,500	4,213,912
Loss after tax for the half year	-	-	(223,525)	-	(223,525)
Final dividend paid	-	-	(94,676)	-	(94,676)
Share based payments	-	-	-	13,500	13,500
As at 30 September 2006	525,978	83,010	3,273,223	27,000	3,909,211
Loss after tax for the half year	-	-	(195,348)	-	(195,348)
Share based payments	-	-	-	15,060	15,060
As at 31 March 2007	525,978	83,010	3,077,875	42,060	3,728,923
Loss after tax for the half year	-	-	(123,839)	-	(123,839)
Share based payments	-	-	-	10,245	10,245
As at 30 September 2007	525,978	83,010	2,954,036	52,305	3,615,329

Forward-looking Statements

Certain statements in this announcement are forward-looking statements. By their nature, forward-looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties or assumptions could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this announcement regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. You should not place undue reliance on forward-looking statements.

The Company is under no obligation to update or keep current the forward-looking statements contained in this announcement or to correct any inaccuracies which may become apparent in such forward-looking statements.



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**Your trusted
partner for a
challenging market**

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