



Total Systems Interim Report 2008



Contents

Overview	1
Chairman's Statement	2
Consolidated Income Statement	4
Consolidated Balance Sheet	5
Consolidated Cash Flow Statement	6
Notes to the Interim Report	7





Overview

Total Systems provide customer-centric systems for the General Insurance market.

Total's flagship product Ultima is a complete insurance back-office solution accommodating all lines of business and products. Ultima is a truly multi-product, multi-company, multi-currency solution, proven over many years of successful implementations with Insurers and Warranty providers.

One of the key factors differentiating 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. 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.

Our primary focus is to deliver exactly what the market needs when the market wants it, and we are constantly adapting and developing our products to meet demand. In addition to listening to our customers and expanding our product roadmap, we continue to seek business partners that add additional value through new technology and innovation.

insureTrac[®] is the latest addition to the portfolio and is, in our opinion, the most innovative solution for motor insurance on the market today. In association with one of the world's leading mobile communication providers and using the latest telematics technology, insureTrac provides insurers with a comprehensive view of their customers' driving habits and driving styles as well as instant notification of incidents. Fully integrated to the back office system, insureTrac facilitates automatic underwriting and claims handling. Typically, insurers should expect a minimum 10% reduction in claims costs.

Chairman's Statement

Summary

During the first six months of the financial year the Company has continued to improve operating performance with a 31% increase in revenue and a profit for the half year, mainly due to the Capita project. 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 £ 2,141,054 (2007: £1,634,635) and I am pleased to report a profit before tax of £201,636 (2007 loss: £163,356) resulting in a profit per share of 1.39p (2007: loss per share 1.18p). The improvement in operating profit against the previous half year is £358,197.

Financial

Zero gearing and net assets of 40.23p per share (2007: 34.37p) of which 28.96p per share (2007: 22.07p) 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

Total Systems provide customer-centric systems for the General Insurance market. 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. 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.

insureTrac® is the latest addition to the portfolio and is, in our opinion, the most innovative solution for motor insurance on the market today. In association with one of the world's leading mobile communication providers and using the latest telematics technology, insureTrac provides insurers with a comprehensive view of their customers' driving habits and driving styles as well as instant notification of incidents. Fully integrated to the back office system, insureTrac facilitates automatic underwriting and claims handling. Typically, insurers should expect a minimum 10% reduction in claims costs.

A comprehensive, flexible and leading edge new rating engine product will be launched in the first quarter of 2009. The Company continues to market Invu, an electronic document management solution.

Chairman's Statement continued

Market place

The general insurance market place remains extremely competitive. The relationship with Capita continues and has been formalised with the signature of contracts during the half year. We remain confident that the significant investment made in that relationship will bring further success in the wider marketplace though this may now be delayed due to current macro economic factors. During the period we 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 further improve the number and quality of our sales prospects. 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.

Environmental and social

The Company operates from a single site in premises it owns 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

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 beginning to bear fruit with transaction and time based licence fees likely to increase in future years.

Our technical team have supplied specific developments and general upgrades to all our customers in a timely and professional manner as required. This team now contains high level Microsoft expertise to enable Ultima and its constituent components and modules to be offered to the market on more than one operating system.

Your Company is now benefiting from its previous staff retention policy and recruitment is now being undertaken on a highly selective basis in line with future known demand. Most importantly, with regard to our clients, we continue to provide cost effective solutions in a timely manner.

Personnel

I would like to thank all our staff for their enthusiasm, dedication and professionalism. It is their versatility and in depth experience of the insurance and warranty industries together with their proactive team spirit that provides a key Company differentiator.

Current trading and outlook

The trading outlook for the second half of the financial year suggests an improvement over the first half. We continue to see a reasonable level of business from our existing clients and although there is the risk that in the current business climate they may temporarily freeze expenditure, the probability of new business wins outweighing the effect of any such actions is reasonable. We remain optimistic about future orders.

The Company's finances remain robust with no debt and strong cash balances but the Board will continue to initiate all measures necessary to ensure the long-term prospects of the Company.

Terence Bourne

Chairman

27 November 2008

Consolidated Income Statement

for the half year ended 30 September 2008

	Note	Unaudited 6 Months ended 30 September 2008 £	Unaudited 6 Months ended 30 September 2007 £	Audited 12 Months ended 31 March 2008 £
Continuing operations				
Revenue	2	2,141,054	1,634,635	4,048,015
External charges		(83,594)	(93,829)	(130,525)
Staff costs		(1,562,894)	(1,490,563)	(3,025,664)
Depreciation		(67,336)	(72,205)	(142,055)
Share based payments		(16,489)	(10,245)	(25,423)
Other operating charges		(279,881)	(195,130)	(422,936)
Operating profit/(loss)		130,860	(227,337)	301,412
Interest receivable and similar income		70,776	63,981	129,178
Profit/ (loss) before taxation		201,636	(163,356)	430,590
Tax (payable)/credit		(55,541)	39,517	(115,793)
Profit/(loss) after taxation		146,095	(123,839)	314,797
Basic profit/(loss) per ordinary share	5	1.39p	(1.18)p	2.99p
Diluted profit/(loss) per ordinary share	5	1.39p	(1.18)p	2.99p

There are no recognised income or expenses 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 2008

	Note	Unaudited as at 30 September 2008 £	Unaudited as at 30 September 2007 £	Audited as at 31 March 2008 £
ASSETS				
Non-current assets				
Property, plant and equipment		871,261	974,770	921,181
Deferred tax assets		-	92,539	-
Total non-current assets		871,261	1,067,309	921,181
Current assets				
Trade and other receivables		1,388,699	873,268	1,627,666
Cash and cash equivalents		3,046,492	2,321,588	2,409,436
Total current assets		4,435,191	3,194,856	4,037,102
TOTAL ASSETS		5,306,452	4,262,165	4,958,283
LIABILITIES				
Current liabilities				
Trade and other payables		(956,376)	(646,836)	(826,369)
Current tax liabilities		(114,966)	-	(54,122)
Total current liabilities		(1,071,342)	(646,836)	(880,491)
Non-current liabilities				
Deferred tax liabilities		(3,346)	-	(8,649)
TOTAL LIABILITIES		(1,074,688)	(646,836)	(889,140)
NET ASSETS		4,231,764	3,615,329	4,069,143
SHAREHOLDERS EQUITY				
Issued share capital	8	525,978	525,978	525,978
Share premium	8	83,047	83,010	83,010
Retained earnings	8	3,564,357	2,954,036	3,407,337
Stock option reserve	8	58,382	52,305	52,818
TOTAL EQUITY	8	4,231,764	3,615,329	4,069,143

Consolidated Cash Flow Statement

for the half year ended 30 September 2008

	Note	Unaudited 6 Months ended 30 September 2008 £	Unaudited 6 Months ended 30 September 2007 £	Audited 12 Months ended 31 March 2008 £
Operating activities				
Cash received from customers		2,801,921	1,943,066	4,149,475
Cash payments to suppliers		(454,227)	(367,863)	(833,114)
Cash payments to employees		(924,097)	(865,119)	(1,705,056)
Cash paid for PAYE and National Insurance		(586,438)	(569,768)	(1,084,266)
Cash paid for VAT		(238,759)	(292,172)	(620,886)
Other business payments		(14,741)	(16,248)	(33,940)
Cash inflow/(outflow) from operating activities	7	583,659	(168,104)	(127,787)
Income taxes received		-	52,567	52,567
Net cash inflow/(outflow) from operating activities		583,659	(115,537)	(75,220)
Cash flows from investing activities				
Interest received		70,776	63,981	129,178
Purchase of plant and equipment		(17,416)	(6,872)	(24,538)
Net cash inflow from investing activities		53,360	57,109	104,640
Cash flows from financing activities				
Consideration for grant of share options		37	-	-
Net cash inflow from financing activities		37	-	-
Net change in cash and cash equivalents		637,056	(58,428)	29,420
Opening cash and cash equivalents		2,409,436	2,380,016	2,380,016
Closing cash and cash equivalents		3,046,492	2,321,588	2,409,436

Notes to the Interim Report

for the half year ended 30 September 2008

1. Basis of preparation

These condensed half year financial statements do not constitute statutory accounts as defined in section 240 of the Companies Act 1985 and have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information. The abridged information for the 12 months ended 31 March 2008 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 condensed financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34) "Interim Financial Reporting". The accounting policies followed are in accordance with IFRS and are consistent with those applied in 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 2008. Copies of the Annual Report are available from the Company's website (www.totalsystems.co.uk) or from the registered office.

This Interim Report was authorised for issue by the Directors on 27 November 2008.

2. Revenue

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 2008 £	Unaudited 6 Months ended 30 September 2007 £	Audited 12 Months ended 31 March 2008 £
Time & materials	1,668,354	1,220,341	3,368,243
Own software licences and maintenance	302,233	286,123	477,511
Third party software licences and maintenance	170,467	128,171	202,261
Total revenue	2,141,054	1,634,635	4,048,015

3. Interim management report/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.

Key performance indicators (KPI's) are used 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 41.3% for the half year (2007: 31.7%). Further the level of product development 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. This percentage was 28.9% for the half year (2007: 30.7%). Taking both KPI's together a productivity percentage of 70.2% was achieved (2007: 62.4%).

Notes to the Interim Report

for the half year ended 30 September 2008

In addition a traditional management accounts package is completed every month and 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.

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", "Strategy" and "Current trading and outlook". The section of the Chairman's statement headed "Environment and social" should also be read in regard to the interim management report/business review.

4. Dividends

No interim dividend has been declared.

5. Earnings per share

The calculation of basic and diluted profit/loss per share is based on a profit after taxation of £146,095 (2007: loss £123,839) and a weighted average of 10,519,553 shares (2007: 10,519,553) in issue during the period.

6. Interim report to shareholders

It is intended to post this Interim Report to shareholders on 28 November 2008. Copies of the Interim Report will also be available from the Registered Office of the Group at 394 City Road, London, EC1V 2QA and the Company website.

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

	Unaudited 6 Months ended 30 September 2008 £	Unaudited 6 Months ended 30 September 2007 £	Audited 12 Months ended 31 March 2008 £
Operating profit/(loss)	130,860	(227,337)	301,412
Depreciation charges	67,336	72,204	142,055
Loss on sale of assets	-	-	1,404
Decrease/(Increase) in receivables	238,967	(80,025)	(834,423)
Increase in payables	130,007	56,809	236,342
Charge for share based payments	16,489	10,245	25,423
Cash inflow/(outflow) from operating activities	583,659	(168,104)	(127,787)

Notes to the Interim Report

for the half year ended 30 September 2008

8. Changes in company and consolidated equity shareholders' funds

	Issued share capital £	Share premium £	Retained earnings £	Stock option reserve £	Total equity £
As at 1 April 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
Profit after tax for the half year	-	-	438,636	-	438,636
Share options lapsed	-	-	14,665	(14,665)	-
Share based payments	-	-	-	15,178	15,178
As at 31 March 2008	525,978	83,010	3,407,337	52,818	4,069,143
Profit after tax for the half year	-	-	146,095	-	146,095
Share options lapsed	-	-	10,925	(10,925)	-
Share based payments	-	-	-	16,489	16,489
Consideration for grant of share options	-	37	-	-	37
As at 30 September 2008	525,978	83,047	3,564,357	58,382	4,231,764

9. Directors' responsibility statement

The Directors confirm that, to the best of their knowledge:

- The condensed set of financial statements have been prepared in accordance with IAS 34 as adopted by the European Union; and
- The interim management report/business review includes a fair review of the information required by the FSA's Disclosure and Transparency Rules (4.2.7 R and 4.2.8 R).

The Directors of Total Systems plc and their functions are: T P Bourne (Chairman and Managing Director), G W Harris (Finance Director and Company Secretary), Clive Dutton (Operations Director), Arthur Weber (Technical Director) and P J Delaney (Non Executive Director).

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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