



Total Systems Interim Report 2009



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Overview

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

Ultima

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 scaleable 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, 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.

bluescape:rating

Total Systems have just released their latest product into the market. The bluescape:rating engine is the first component of Total Systems brand new .NET solution. The functionality in the new rating engine rivals all other rating engines currently available in the insurance market particularly in terms of its agility, integration ability and performance. It also provides customers with a SaaS model that will enable return on investment to be achieved through a transactional model, therefore significantly reducing upfront costs. Other licensing models are available and can be tailored to clients requirements and preferences.

Designed and built as a fully SOA compliant n-tier .NET application bluescape:rating uses established next generation technologies to provide:

- **Flexibility** that enables you to apply your business models and rating rules in exactly the way you want, when you want. A single rating solution that can support all of your product, risk structure, and line of business needs in a rapidly changing business environment.
- **Consistent** results everywhere that you use or publish your rates. A single rating solution that can:
 - Integrate seamlessly with your organisation's business applications.
 - Communicate securely with your business partners' applications.
- **Performance** from true parallel processing. A rating engine that can handle the following with little or no effect on perceived response times:
 - Single requests for multiple quotations based on the same risk information.
 - Multiple requests for quotations from different sources - for example, if you publish your rates for use by aggregator web sites.
- **Scalability** that enables you to upgrade your processing power when your business volumes increase. A rating engine that can automatically use additional hardware processors when you choose to deploy them.
- **Rationalisation** of the skill sets that you need to maintain in order to control rating across your organisation. A single, central, database and tool suite that enables you to manage all of your risk evaluation rules and rates.

Services

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.

Chairman's Statement

Summary

During the first six months of the financial year the Company has faced very difficult trading conditions which have resulted in a loss for the half year: Nevertheless the sales and marketing team has identified new prospects in the market and is pursuing a number of sales opportunities. The development of new products and the skills of our staff remain key investment areas in preparation for the economic recovery.

Results

Revenue for the half year was £1,782,217 (2008: £2,141,054) resulting in a loss before tax of £443,805 (2008 profit: £201,636) equivalent to a loss per share of 3.08p (2008: profit per share 1.39p).

Financial

Zero gearing and net assets of 40.62p per share (2008: 40.23p) of which 32.06p per share (2008: 28.96p) is represented by cash continues to demonstrate our financial strength during this difficult trading period.

Dividend

The Board looks very carefully at the issue of whether or not to propose a dividend but we feel that it is in the interests of our shareholders that we conserve resources while we continue to invest in the business. Consequently the Board does not propose payment of an interim dividend.

Strategy

Total Systems is committed to the financial services market. Our strategy is to provide a growing range of 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. All our efforts are aimed at producing software solutions that deliver impeccable service to our clients.

We continued our program of product development throughout the period, delivering a number of product enhancements. It is intended to continue our investment program, albeit at more conservative levels in the short term, in order to exploit the opportunities that the sales and marketing team has identified.

Our virtualisation skills enable us to build, deploy and manage clients' platforms with a much higher level of complexity, increasing the range of managed services that we provide. While the Company is able to provide SaaS (Software as a Service) solutions through BPO (Business Process Outsourcing) partners, progress to date is disappointing.

Products

Total Systems provides 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. Details of our products and services are given in the overview.

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 clients' specific requirements, for both large and small scale applications, while delivering fast implementation compared to our competitors.

Our bluescape rating product has just been launched and is the first in a line of new components using state of the art technology specifically designed with the needs of today's modern insurers in mind. Initial feedback has

Chairman's Statement continued

been very positive with both new and existing customers expressing a keen interest in adopting this new technology which should enable insurers to exploit new markets and strategies more effectively. We anticipate that a new Quote Engine will be released to market in the first half of 2010 followed by a full claims solution.

Market place

The economic downturn has presented significant challenges across all industries with companies looking to improve efficiencies and reduce costs in an attempt to ride out the global financial storm. As a result IT expenditure and budgets have received significant focus but solely with the view of reducing or deferring investment costs even though improving operational efficiencies would achieve greater savings in the future.

In the present economic climate gaining new clients is proving particularly tough and we are concentrating on maintaining our financial stability so that we are well placed when the inevitable upturn arrives. It is comforting for customers to know that we have a more stable financial platform than the vast majority of our competitors. Existing clients as well as sales prospects can have confidence that we are financially strong and will be there to support them in the future.

While we are experiencing a drop in revenues, the number of prospects we are working with give us cause for optimism.

Environmental and social

The Company operates from a single site in premises it owns in central London. Every care is taken to ensure that we operate 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

The continuing global recession has resulted in a drop off in demand for software and services. Consequently our operational costs have been reviewed and a cost reduction programme has recently been implemented. The savings achieved will be reflected in the second half of the financial year.

Excellent support has been given to all our clients. Our technical team has supplied specific enhancements and upgrades to all our customers in a timely and professional manner. This team now contains high level Microsoft expertise and is preparing to bring new products to the market.

Personnel

I am continually impressed by the outstanding dedication of our people and the high levels of service that the Company provides to its clients. Our impressive portfolio of blue chip clients is a reflection of the quality of our commitment and talent. On behalf of the Board I would like to thank all staff for their efforts and hard work over the last very difficult and demanding six months.

Current trading and outlook

The trading outlook for the second half of the financial year is very unpredictable but the effects of our cost reduction programme will crystallise during this period. In this challenging market place we remain focussed on cash conservation, ensuring that costs are kept under tight control, seeking new clients and positioning the business to compete effectively.

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

Terence Bourne

Chairman

27 November 2009

Consolidated Income Statement

for the half year ended 30 September 2009

	Note	Unaudited 6 Months ended 30 September 2009 £	Unaudited 6 Months ended 30 September 2008 £	Audited 12 Months ended 31 March 2009 £
Continuing operations				
Revenue	2	1,782,217	2,141,054	4,878,427
External charges		(187,009)	(83,594)	(155,709)
Staff costs		(1,697,652)	(1,562,894)	(3,357,922)
Depreciation		(70,264)	(67,336)	(136,703)
Share based payments		(13,992)	(16,489)	(32,978)
Exceptional operating costs		-	-	(145,027)
Other operating charges		(263,224)	(279,881)	(556,785)
Operating (loss)/profit		(449,924)	130,860	493,303
Interest receivable and similar income		6,119	70,776	116,742
(Loss)/profit before taxation		(443,805)	201,636	610,045
Tax credit/(charge)		119,562	(55,541)	(163,767)
(Loss)/profit after taxation		(324,243)	146,095	446,278
Basic (loss)/profit per ordinary share	5	(3.08)p	1.39p	4.24p
Diluted (loss)/profit per ordinary share	5	(3.08)p	1.39p	4.24p

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 2009

	Note	Unaudited as at 30 September 2009 £	Unaudited as at 30 September 2008 £	Audited as at 31 March 2009 £
ASSETS				
Non-current assets				
Property, plant and equipment		853,022	871,261	913,829
Deferred tax assets		124,492	-	4,930
Total non-current assets		977,514	871,261	918,759
Current assets				
Trade and other receivables		1,151,074	1,388,699	1,447,326
Cash and cash equivalents		3,345,063	3,046,492	3,354,694
Total current assets		4,496,137	4,435,191	4,802,020
TOTAL ASSETS		5,473,651	5,306,452	5,720,779
LIABILITIES				
Current liabilities				
Trade and other payables		(1,079,520)	(956,376)	(994,997)
Current tax liabilities		(177,346)	(114,966)	(177,346)
Total current liabilities		(1,256,866)	(1,071,342)	(1,172,343)
Non-current liabilities				
Deferred tax liabilities		-	(3,346)	-
TOTAL LIABILITIES		(1,256,866)	(1,074,688)	(1,172,343)
NET ASSETS		4,216,785	4,231,764	4,548,436
SHAREHOLDERS' EQUITY				
Issued share capital	8	525,978	525,978	525,978
Share premium	8	83,047	83,047	83,047
Own shares in treasury	8	(21,400)	-	-
Retained earnings	8	3,541,122	3,564,357	3,864,609
Stock option reserve	8	88,038	58,382	74,802
TOTAL EQUITY	8	4,216,785	4,231,764	4,548,436

Consolidated Cash Flow Statement

for the half year ended 30 September 2009

	Note	Unaudited 6 Months ended 30 September 2009 £	Unaudited 6 Months ended 30 September 2008 £	Audited 12 Months ended 31 March 2009 £
Operating activities				
Cash received from customers		2,404,805	2,801,921	6,007,065
Cash payments to suppliers		(473,551)	(454,227)	(1,094,688)
Cash payments to employees		(1,040,941)	(924,097)	(1,976,131)
Cash paid for PAYE and National Insurance		(632,598)	(586,438)	(1,223,597)
Cash paid for VAT		(228,817)	(238,759)	(646,964)
Other business payments		(13,791)	(14,741)	(50,400)
Cash inflow from operating activities	7	15,107	583,659	1,015,285
Income taxes paid		-	-	(54,122)
Net cash inflow from operating activities		15,107	583,659	961,163
Cash flows from investing activities				
Interest received		6,119	70,776	116,742
Receipts on sale of assets		-	-	20
Purchase of plant and equipment		(9,457)	(17,416)	(132,704)
Net cash (outflow)/inflow from investing activities		(3,338)	53,360	(15,942)
Cash flows from financing activities				
Purchase of own shares into treasury		(21,400)	-	-
Consideration for grant of share options		-	37	37
Net cash (outflow)/inflow from financing activities		(21,400)	37	37
Net change in cash and cash equivalents		(9,631)	637,056	945,258
Opening cash and cash equivalents		3,354,694	2,409,436	2,409,436
Closing cash and cash equivalents		3,345,063	3,046,492	3,354,694

Notes to the Interim Report

for the half year ended 30 September 2009

1. Basis of preparation

These condensed half year financial statements do not constitute statutory accounts as defined in section 434 of the Companies Act 2006 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 2009 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 2009. 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 26 November 2009.

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 2009 £	Unaudited 6 Months ended 30 September 2008 £	Audited 12 Months ended 31 March 2009 £
Time & materials	1,163,793	1,668,354	4,043,313
Own software licences and maintenance	324,866	302,233	535,844
Third party software licences and maintenance	293,558	170,467	299,270
Total revenue	1,782,217	2,141,054	4,878,427

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 (KPIs) 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 26.9% for the half year (2008: 41.3%). 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 41.0% for the half year (2008: 28.9%). Taking both KPIs together a productivity percentage of 67.9% was achieved (2008: 70.2%).

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 KPIs are sufficient to ensure that appropriate action can be taken as necessary.

Notes to the Interim Report

for the half year ended 30 September 2009

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. Loss/earnings per ordinary share

The calculation of basic and diluted loss/profit per share is based on a loss after taxation of £324,243 (2008: profit £146,095) and a weighted average of 10,518,033 shares (2008: 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 2009. 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 (loss)/profit to cash inflow from operating activities

	Unaudited 6 Months ended 30 September 2009 £	Unaudited 6 Months ended 30 September 2008 £	Audited 12 Months ended 31 March 2009 £
Operating (loss)/profit	(449,924)	130,860	493,303
Depreciation charges	70,264	67,336	136,703
Loss on sale of assets	-	-	3,333
Decrease in receivables	296,252	238,967	180,340
Increase in payables	84,523	130,007	168,628
Charge for share based payments	13,992	16,489	32,978
Cash inflow from operating activities	15,107	583,659	1,015,285

Notes to the Interim Report

for the half year ended 30 September 2009

8. Changes in company and consolidated equity shareholders' funds

	Issued share capital	Share premium	Own shares in treasury	Retained earnings	Stock option reserve	Total equity
	£	£	£	£	£	£
As at 1 April 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
Profit after tax for the half year	-	-	-	300,183	-	300,183
Share options lapsed	-	-	-	69	(69)	-
Share based payments	-	-	-	-	16,489	16,489
As at 31 March 2009	525,978	83,047	-	3,864,609	74,802	4,548,436
Loss after tax for the half year	-	-	-	(324,243)	-	(324,243)
Share options lapsed	-	-	-	756	(756)	-
Share based payments	-	-	-	-	13,992	13,992
Purchase of own shares into treasury	-	-	(21,400)	-	-	(21,400)
As at 30 September 2009	525,978	83,047	(21,400)	3,541,122	88,038	4,216,785

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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