

Directors' report and financial statements

for the year ended 31 December 2006

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Financial highlights

Gross Profit

£2,295K +10%

2005 **£2,086K**

EBITDA*

£86K +£378K

2005 **(£292K)**

Operating profit (05 Loss)

7K +£357K

2005 **(£350K)**

Loss after tax

£44K -88%

2005 **(£372K)**

*Earnings before interest taxation depreciation and amortisation

totally
plc



Company information

Registered Office	Unit 611 Highgate Studios 53-79 Highgate Road London NW5 1TL
Registration Number	3870101
Auditors	Royce Peeling Green Limited The Copper Room Deva Centre Trinity Way Manchester M3 7BG
Nominated Adviser	John East & Partners Limited Crystal Gate 28-30 Worship Street London EC2A 2AH
Broker	Hoodless Brennan plc 40 Marsh Wall Docklands London E14 9TP
Bankers	National Westminster Bank plc 9th Floor 3 Shortlands Hammersmith London W6 8DA Bank Hapoalim B.M. 25 Savile Row London W1S 2ES
Lawyers	Finers Stephens Innocent 179 Great Portland Street London W1W 5LS
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

Chairman's statement

Overview

2006 was a transforming year for the Group in which it recorded the best financial and operational performance in Totally's history. The Group reported a maiden profit at an operational level. This was as a direct result of the efficiencies and cost savings that were introduced at the end of 2005 and in 2006 and the new business opportunities and partnerships that were signed during 2006. Furthermore, I believe the results also reflect the decision by the Board and members of the senior management team to focus on consolidation and driving organic growth within the Group.

Our publishing division, which delivers print and online media and services for the UK and North American Jewish communities, is now profitable at an operational level and since the year end has continued the good work started in 2006 to focus on the development of its product portfolio.

During the year under review and since the year end Totally Communications Limited, our Internet services division, has gone from strength to strength expanding its operations outside of the Jewish charitable arena and into the corporate domain. The division now has 5 main business units, website build & design, application development, consultancy, creative services and development of corporate partnerships or joint ventures. The Board is particularly pleased with the progress made in the latter unit where it has entered into a number of joint ventures with third party publishers providing, on a revenue share basis, in house classified and dating platforms.

Financial Review

In 2006 the Group experienced its strongest trading performance since its admission to AIM in 2000 and a year of strong growth across its publishing and communication divisions. Turnover in the year ended 31 December 2006 increased by 3 per cent over the previous year to £2,823,000 (2005 £2,740,000) and operating profit in the year increased by £357,000 to £7,000 (2005 loss £350,000). In the year under review I am pleased to report that gross profit increased by 10 per cent to £2,295,000 (2005 £2,086,000) and following a review of the cost base of the Group, employee related costs were reduced by 15 per cent compared with 2005.

The results for the year ended 31 December 2006 also reflect the impact of the introduction of a new accounting standard for share based payments (FRS 20 including accounting for share options). The introduction of FRS 20 resulted in an additional non-cash charge to the profit and loss account for the year ended 31 December 2006 of £25,000.

Board Changes

On 15 January 2007, the Group announced the appointment of Daniel Assor as the new CEO. He has been with Totally since 2000 and was formerly Group Publishing Director. Daniel has made an immediate impact following his appointment and the Board expect him to be instrumental in delivery of the Group's organic and acquisition growth strategy.

Chairman's statement

(continued)

Post Balance Sheet Events

On 31 January 2007, the Group announced a joint venture agreement with Northern & Shell, publishers of the Daily Express, Daily Star and OK Magazines. Under the terms of the agreement, Totally will implement its private property classified system within each of the websites associated with the above mentioned titles.

On 30 March 2007, the Group raised £500,000 before expenses from the placing by Hoodless Brennan plc, the Group's newly appointed broker, of 22,222,225 new ordinary shares in the capital of Totally at 2.25 pence per share. The funds are to be used for the organic and acquisitive development of the Group's Internet services & publishing divisions.

On 5 June the Group announced a joint venture agreement with Real City Network Limited, publishers of the 'Real' brand of online city guides including Real Brighton and Real Manchester.com. Under the terms of the agreement, Totally will implement its private property classified system across the Real portfolio.

Growth Strategy & Prospects

Having completed a significant turnaround in performance in 2006, I believe the Group is well positioned to build on the foundations that have been put into place and generate shareholder value in the short to medium term.

The Group's strategy is to create value for shareholders by building a portfolio of Internet service and niche digital and print publishing businesses.

The Board would like to thank the Directors and staff for all their contributions in 2006. The Board would also like to extend its appreciation to its former CEO and co-founder Steve Burns for his contribution to Totally.

Dr Michael Sinclair
Non-Executive Chairman

11 June 2007

Directors' report

The directors present their report and the financial statements for the year to 31 December 2006

Principal activities

The Group's principal activities have been publishing and the provision of Internet and communications services

Its portfolio of publications and services have included The Jewish News, a weekly newspaper distributed in London, The Jewish Advocate, a paid for weekly newspaper distributed in Boston Massachusetts and the community website TotallyJewish Com, which supported other TotallyJewish websites operating in the high growth sectors of online dating, travel, directories and general classifieds

Totally Communications Limited is the internet and communications arm of the business which has provided website design and development services as well as more general application development, consultancy and marketing services. More recently through its partnership programme it has signed agreements with online publishers to provide internet services designed to monetize an existing user base. These include Dating, Private Property Classified and SMS content delivery all of which are ready made platforms previously implemented into the Jewish community

The group continues to consolidate its position as a leading publisher and services provider to the world's Jewish communities whilst at the same time has started to exploit the rapid growth in the internet services sector

Business review

The Chairman's statement on pages 3 and 4 gives a review of the business and the likely future developments

The Group incurred an operating profit for the year under review of £7,000 compared to an operating loss in 2005 of £350,000

Results and dividends

The results for the year are set out on page 13

No interim dividend has been paid and the Directors do not recommend a final dividend

Share capital

Details of the changes in the authorised and the issued share capital are set out in note 14 to the financial statements

Directors' report

(continued)

Directors and their interests

The Directors who held office during the year were as follows

	Warrants to subscribe for Ordinary shares of 1p each held 31 December 2006	Ordinary shares of 1p each held 31 December 2006	Warrants to subscribe for Ordinary shares of 1p each held 31 December 2005	Ordinary shares of 1p each held 31 December 2005
The Zvhil-Mezbuz Rebbe, Grand Rabbi Y A Korff of Boston	8,745,509	27,014,000	8,745,509	25,545,000
Steve Burns (resigned 12 January 2007)	2,721,469	9,083,999	2,721,469	9,083,999
Daniel J Assor (Chief Executive)	1,638,633	1,576,436	638,633	1,576,436
Dr Michael J Sinclair (non-executive Chairman)*	5,517,825	13,859,791	5,517,825	13,859,791
Robin Morgan (non executive)	–	–	–	–

*Dr MJ Sinclair's interests are held by him personally and by Sinclair Montrose Trust Limited. Sinclair Montrose Trust Limited is a company in which Dr MJ Sinclair and his immediate family have a controlling interest.

According to the register of Directors' interests, no rights to subscribe for shares in or debentures of the Company or any other group company were granted to any of the Directors or their immediate families, or exercised by them, during the financial year (except as indicated below)

	Number of options during the year			Exercise price pence	Date from which exercisable
	At start of year	Granted	At end of year		
Steve Burns	150,000	–	150,000	1 5	21/11/2004
	900,000	–	900,000	4 375	18/06/2006
	1,050,000	–	1,050,000		
Daniel J Assor	1,000,000	–	1,000,000	1 5	14/08/2003
	1,250,000	–	1,250,000	3 62	15/10/2006
	700,000	–	700,000	4 375	18/06/2006
	1,000,000	–	1,000,000	2 5	17/11/2008
	3,950,000	–	3,950,000		
Robin Morgan	1,000,000	–	1,000,000	2 375	16/05/2005

Substantial interests

The Company has been notified, as at 1 June 2007, of the following interests in 3% or more of the ordinary shares in issue

	Ordinary shares	%
The Zvhil-Mezbuz Rebbe, Grand Rabbi Y A Korff of Boston	27,014,000	24.02
Dr Michael J Sinclair	14,259,791	12.68
Barclayshare Nominees Limited	10,056,047	8.94
Chase Nominees Limited	7,539,322	6.70
Mr Leopold Noe	6,666,666	5.93
Pershing Keen Nominees Limited	4,502,999	4.00

Directors' report

(continued)

Creditor payment policy

It is the Company's policy to abide by terms of payment agreed with suppliers. In many cases the terms of payment are as stated in the supplier's own literature. In other cases the terms of payment are determined by specific written or oral agreement. The number of supplier days represented by trade creditors at 31 December 2006 was 79 days (2005: 84 days).

Financial instruments

The group's financial instruments principally comprise bank borrowings. It is, and has been throughout the period under review, the group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the group's financial instruments are interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged throughout the year.

Interest rate risk

The group finances its operations through a mixture of shareholders' funds and borrowings. The group borrows principally in Sterling at floating rates of interest. At the year end, none of the group's external borrowings were at fixed rates.

Liquidity risk

The group's policy is to maintain a balanced financing structure. Any necessary short term flexibility is achieved by the use of overdraft facilities.

Political and charitable contributions

The Company made neither political contributions, nor donations to UK charities, during the year.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the appointment of Royce Peeling Green Limited as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Dan Assor
Director



11 June 2007

Board report on Corporate Governance

for the year ended 31 December 2006

As an AIM listed company Totally plc is not required to comply with the provisions of the Combined Code that apply to companies with a full London Stock Exchange Listing. The Board is accountable to the Company's shareholders for good corporate governance. This statement describes how the principles of corporate governance are applied to the Company and the Company's compliance with the Code provisions set out in Section 1 of the Combined Code prepared by the Committee on Corporate Governance.

The workings of the Board and its committees

During the year the Board comprised the non-executive Chairman, the Chief Executive, two other executive Directors and one other non-executive director. The Board is responsible to shareholders for the proper management of the Group. A statement of the Directors' responsibilities in respect of the accounts is set out on page 11.

The Board has a formal schedule of matters specifically reserved to it for decision. It meets at least ten times a year, reviewing trading performance, ensuring adequate funding, setting and monitoring strategy, examining acquisition opportunities and reporting to shareholders. The non-executive Chairman has a particular responsibility to ensure that the strategies proposed by the executive Directors are fully considered and also ensures that the Directors take independent professional advice as required.

The Remuneration Committee and the Audit Committee is comprised exclusively of the non-executive Chairman and Company Secretary. During the period they were as follows:

Dr M J Sinclair
P Stacey

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board, within agreed terms of reference, on the Company's framework of executive remuneration and its cost. The Committee determines the contract terms, remuneration and other benefits for each of the executive Directors, including performance-related bonus schemes, grant of share options, pension rights and compensation payments. The Board itself determines the remuneration of the non-executive Directors and Company Secretary.

Further details of the Company's policies on remuneration and service contracts are set out on page 10.

Audit Committee

The Audit Committee provides a forum for reporting by the Group's external auditors. The Committee is responsible for reviewing a wide range of matters, including half year and annual results before their submission to the Board, and for monitoring the internal controls that are in force to safeguard shareholders' investment and the Company's assets. The Committee advises the Board on the appointment of external auditors and on their remuneration for both audit and non-audit work, and discusses the nature, scope and results of the audit with the external auditors. The Committee keeps under review the cost effectiveness and the independence and objectivity of the external auditors.

Board report on Corporate Governance

(continued)

Internal control and risk management

The Board is responsible for establishing and maintaining the Group's financial and non-financial controls. Internal control systems are designed to meet the particular needs of the Group and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss.

The Board has overall responsibility for the Group and there is a formal schedule of matters specifically reserved for decision by the Board. Each executive Director has responsibility for specific aspects of the group's affairs. The executive Directors constitute the management committee which meets regularly to discuss day-to-day operational matters.

The key procedures which the Directors have established with a view to providing effective internal control are set out below.

Corporate accounting and procedures

Responsibility levels are communicated throughout the Group, setting out the ethos of the Group, delegation of authority and authorisation levels, segregation of duties and other control procedures together with accounting policies and procedures.

Quality and integrity of personnel

The competence and integrity of personnel are ensured through high recruitment standards and subsequent training. High quality of personnel is seen as an essential part of the control environment.

Identification of business risks

The Board is responsible for identifying the major business risks faced by the Group and for determining the appropriate course of action to manage those risks.

Budgetary process

Each year the Board approves the annual budget and key risk areas identified. Performance is monitored and relevant action taken throughout the year through the monthly reporting to the Board of variances from budget, updated forecasts for the year and information on the key risk areas.

Investment appraisal

Capital expenditure is regulated by the budgetary process and authorisation levels.

Going concern

The Directors have prepared the financial statements on a going concern basis, as explained in note 1.

Board report on Corporate Governance

(continued)

Directors' remuneration

The Board is responsible for an overall remuneration package for executive Directors and other senior executives capable of achieving the Group's objectives and approved by the remuneration committee. The remuneration package is designed to attract, retain and motivate executive Directors of the right calibre.

Fees

The fees for non-executive Directors are determined by the Board within the limits stipulated in the Articles of Association. The non-executive Directors are not involved in any discussions or decisions about their own remuneration.

Details of amounts received by the Directors during the year ended 31 December 2006 are set out in note 4 to the financial statements.

Contracts of service

The current executive Director, DJ Assor, has a service contract with the Company which can be terminated with a notice period of one year by either party. The Company considers that this is appropriate for the executive Directors.

Share options

Details regarding share options are set out in note 14 to the financial statements.

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss for that period. In preparing those financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Independent auditors' report to the members of Totally plc

We have audited the Group and parent company financial statements on pages 13 to 28

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 auditor's 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

The Directors are responsible for preparing the Directors' report and, as described on page 11, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, 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 are properly prepared in accordance with the Companies Act 1985. 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 Group is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Auditing Standards (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. 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 Group's circumstances, 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 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.

Opinion

In our opinion the financial statements

- give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of affairs of the Company and the Group as at 31 December 2006 and of the loss of the Group for the year then ended,
- have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

Emphasis of matter

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the uncertainty as to the adequacy of the future funding of the Company and Group. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Royce Peeling Green Ltd
Chartered Accountants
Registered Auditor
Manchester

11 June 2007

Royce Peeling Green Limited

Consolidated profit and loss account

for the year ended 31 December 2006

	Note	Total 2006 £000	Total 2005 as restated £000
Gross Turnover		2,888	2,771
Less: share of joint ventures		(65)	(31)
Group Turnover	2	2,823	2,740
Cost of Sales		(528)	(654)
Gross profit		2,295	2,086
Administrative expenses		(2,288)	(2,436)
Operating profit/(loss)	3	7	(350)
Share of operating loss of joint ventures		(18)	(13)
Interest payable	7	(50)	(40)
Loss on ordinary activities before taxation		(61)	(403)
Taxation	6	17	31
Loss after tax for the year	16	(44)	(372)
Loss per share – basic	14	0.05p	0.42p
Loss per share – diluted	14	0.05p	0.42p

The profit and loss account has been prepared on the basis that all operations are continuing operations

Consolidated statement of total recognised gains and losses

for the year ended 31 December 2006

	Year to 31 December 2006 £000	Year to 31 December 2005 £000
Loss for the financial year	(44)	(372)
Currency translation differences on foreign currency net investments	–	2
Credit on issue of share options and warrants	25	77
Total gains and losses recognised since last annual report	(19)	(293)

Consolidated balance sheet

at 31 December 2006

	Note	2006	2005
		£000	as restated £000
Fixed assets			
Intangible assets	8	941	941
Tangible assets	9	294	297
		1,235	1,238
Investments in Joint Ventures			
Share of gross assets	10	18	18
Share of gross liabilities	10	(45)	(29)
		(27)	(11)
Total fixed assets		1,208	1,227
Current assets			
Stock		5	4
Debtors	11	422	408
Cash at bank and in hand		32	43
		459	455
Creditors:			
amounts falling due within one year	12	(1,282)	(1,282)
Net current liabilities		(823)	(827)
Total assets less current liabilities		385	400
Net assets		385	400
Capital and reserves			
Called up share capital	14, 16	901	898
Share premium account	16	3,107	3,106
Revaluation reserve	16	2	2
Profit and loss account	16	(3,625)	(3,606)
Shareholders' funds			
- equity interests	16	385	400

These financial statements were approved by the Board of Directors on 11 June 2007 and were signed on its behalf by

Dan Assor
Director



Company balance sheet

at 31 December 2006

	Note	2006	2005 as restated
		£000	£000
Fixed assets			
Investments	10	929	929
Tangible assets	9	<u>1</u>	<u>8</u>
		930	937
Current assets			
Debtors	11	32	41
Cash at bank and in hand		<u>-</u>	<u>-</u>
		32	41
Creditors:			
amounts falling due within one year	12	<u>(1,240)</u>	<u>(883)</u>
Net current liabilities		<u>(1,208)</u>	<u>(842)</u>
Net (liabilities)/assets		<u>(278)</u>	<u>95</u>
Capital and reserves			
Called up share capital	14, 16	901	898
Share premium account	16	3,107	3,106
Profit and loss account	16	<u>(4,286)</u>	<u>(3,909)</u>
Shareholders' (deficit)/funds			
- equity interests	16	<u>(278)</u>	<u>95</u>

These financial statements were approved by the Board of Directors on 11 June 2007 and were signed on its behalf by


Dan Assor
 Director

Consolidated cash flow statement

for the year ended 31 December 2006

	Note	2006 £000	2005 £000
Net cash inflow/(outflow) from operating activities	18	113	(238)
Returns on investments and servicing of finance			
Bank interest paid		(50)	(40)
		63	(278)
Taxation			
R&D tax credit		21	33
Foreign tax on subsidiary profit		(5)	(2)
Capital expenditure			
Payments to acquire tangible fixed assets		(95)	(184)
Cash outflow before financing		(16)	(431)
Financing			
Issue of ordinary share capital for cash		4	269
Decrease in cash in the period	19	(12)	(162)

Notes to the financial statements

for the year ended 31 December 2006

1. Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with accounting standards applicable in the United Kingdom. Accounting policies have been consistently applied.

A prior year adjustment has been made as a result of a change in accounting policy due to the introduction of FRS20 Share-based payment regarding share options and warrants. A full description of the new accounting policy is given below. The previous policy was only to recognise a profit and loss charge when share options and warrants were issued at a discount to the share price at date of grant. The impact of the adjustment is that the loss of £338,000 reported originally for the year ended to 31 December 2005 increases to a loss of £415,000. Overall there is no impact on net assets originally reported at 31 December 2005.

The directors have departed from FRS 10 "Goodwill and intangible assets" by the non-amortisation of Goodwill in the financial statements in order to give a true and fair view of the Group's financial position and performance. The directors believe that the purchased goodwill relating to the acquisition of The Jewish Advocate Publishing Corporation largely relates to the brand name of the The Jewish Advocate newspaper, which they regard as a trophy asset likely to retain its value for a useful economic life greater than 20 years. To comply with FRS 10 the Group would have to amortise the purchased goodwill over a useful economic life of 20 years, leading to an amortisation charge in the year to 31 December 2006 of £43,000 (2005 £43,000) increasing the Group's loss for the year to £87,000 (2005 as restated £415,000). This the directors believe would not illustrate a true and fair view of the Group's financial performance and position for the year.

Basis of preparation

The financial statements are prepared on a going concern basis which the Directors believe to be appropriate for the following reasons. The Group currently meets its day to day working capital requirements through two overdraft facilities which are repayable on demand.

The Group has confirmed the availability of a facility of £550,000 with Bank Hapoalim which was renewed on 29 April 2007. As security for the facility, the bank has obtained the unlimited Joint and Several Guarantees of Dr Michael J Sinclair (non-executive Chairman), Mr Leo Noe and Grand Rabbi YA Korff of Boston (non-executive Director).

In addition, a working capital facility of £50,000 has been agreed with Natwest which is secured on the Group's debtor book. This facility is due for renewal on 31 October 2007.

The Directors have prepared projected cash flow information for the period ending twelve months from the date of their approval of these financial statements.

On the basis of cash flow forecasts and discussions with the group's bankers, the Directors consider that the group will be able to operate within the facilities currently agreed.

Inherently, there can be no certainty in relation to these matters, but the directors believe that the going concern basis of preparation continues to be appropriate.

Basis of consolidation

The Group accounts comprise a consolidation of the accounts of the parent company and its subsidiaries and joint ventures all of which are prepared up to the same date as the parent company. Uniform accounting policies are adopted by all companies in the Group.

As permitted by Section 230 of the Companies Act 1985 a separate profit and loss account is not presented in respect of the Company. The Company's loss for the year to 31 December 2006 was £402,000 (2005 as restated £492,000).

Turnover

Turnover represents the amounts (excluding valued added tax) derived from advertising, marketing and technical services. Revenue is recognised in the profit and loss account on the accruals basis.

Notes to the financial statements

(continued)

1. Accounting policies (continued)

Fixed assets and depreciation

Depreciation has been provided to write off the cost less estimated residual value of tangible fixed assets by equal instalments over the estimated useful economic lives as follows

Computer equipment	–	2 and 5 years
Fixtures and fittings	–	2 and 3 years
Short leasehold property	–	lease term

The Group capitalises website development costs, where application and infrastructure development costs, design costs and content costs, have created an asset, which the directors anticipate, will give rise to future economic benefits for the group. The policy is applied in accordance with UITF Abstract 29

Goodwill

Goodwill, arising from the purchase of subsidiary undertakings and joint ventures, represents the excess of the fair value of the purchase consideration over the fair value of the net assets acquired

All goodwill arising is capitalised as an intangible asset. The Group does not amortise goodwill over its useful economic life, but performs an annual impairment review in accordance with FRS 10. Details of the impairment procedure are described below

Fixed asset impairment

Goodwill and other intangible assets are reviewed for impairment (1) at the end of the first financial year following acquisition, and together with tangible fixed assets, (2) in other periods if events or changes in circumstances indicate that the carrying values may not be recoverable. Such events may include continuing operating losses, technological obsolescence or significant adverse changes in the business or the market in which the fixed asset is used

The impairment review is performed by comparing the carrying value of the asset, or group of assets, with their recoverable amount. The recoverable amount is the assets' value in use which is determined by estimating discounted future cash flows. Discount rates used are based on the current cost of borrowing. Any charge arising is included within the depreciation charge for the year

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Development expenditure

The Group does not capitalise development expenditure. All development expenditure is written off to the profit and loss account as it is incurred

Foreign currency

Transactions in foreign currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. The results of overseas operations are translated at the average rates of exchange during the period, and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations, where significant, are reported in a statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account

Leases

The Company has a short lease on its premises. This is accounted for as an 'operating lease' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease. Other operating leases are treated in the same manner

Notes to the financial statements

(continued)

1. Accounting policies (continued)

Joint Ventures

In accordance with FRS 9 joint ventures are included under the gross equity method. As a result the Group's balance sheet recognises the Group's share of the gross assets and gross liabilities of the joint ventures. The Group's share of the joint ventures turnover and operating profit are included at the relevant point in the Group profit and loss account.

Share based payment

The Group has applied the requirements of FRS 20 Share-based payment.

The Group issues equity-settlement share-based payments to certain employees. Equity settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of the Black Scholes Method. The expected life used in the model has been adjusted based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations.

2. Segmental analysis

The table below sets out information for the group's business segments. In the directors' opinion disclosure of profit before tax and net assets by business segment would be seriously prejudicial to the group. All turnover disclosed below relates to customers external to the group.

	Print and digital media		Technical and marketing consulting		Total	
	2006	2005	2006	2005	2006	2005
	£000	£000	£000	£000	£000	£000
Turnover	2,084	2,029	742	711	2,826	2,740

The table below sets out a geographical analysis of the group's operations in terms of country of origin and destination. In the directors' opinion disclosure of profit before tax and net assets by geographical segment would be seriously prejudicial to the group. All turnover disclosed below relates to customers external to the group.

	UK operations		US operations		Total	
	2006	2005	2006	2005	2006	2005
	£000	£000	£000	£000	£000	£000
Turnover	1,923	1,894	903	846	2,826	2,740

3. Loss on operating activities before taxation

	Year to 31 December 2006 £000	Year to 31 December 2005 £000
Loss on ordinary activities before and after taxation is stated after charging:		
Auditors' remuneration for audit services	20	20
Auditors' remuneration for non-audit services- tax services	3	3
Operating lease charges- land and buildings	89	56
Operating lease charges- other assets	1	-
Depreciation and other amounts written off fixed assets – tangible (note 9)	95	71

Auditors' remuneration includes £6,000 (2005: £6,000) for the company.

Notes to the financial statements

(continued)

4. Remuneration of Directors

	Year to 31 December 2006 £000	Year to 31 December 2005 £000
Directors' emoluments	179	262
	<u>179</u>	<u>262</u>

Not included in directors emoluments above is a service contract with The Jewish Advocate Publishing Corporation which entitles The Zvhil-Mezbuz Rebbe, Grand Rabbi Y A Korff of Boston to consultancy fees of 250,000 US dollars (2005 250,000 US dollars)

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid Director was £94,000 (2005 £90,000)

	Number of directors 2006	2005
Retirement benefits are accruing to the following number of Directors under		
Money purchase schemes	-	-
The number of directors who exercised share options was	-	-
The number of directors in respect of whose services were received or receivable under long term incentive schemes was	-	-
	<u>-</u>	<u>-</u>

5. Staff numbers and costs

The average number of persons employed by the Company (including Directors) during the year, analysed by category, was as follows

	Number of employees Year to 31 December 2006	Year to 31 December 2005
Management	4	4
Technical and production	10	10
Editorial	17	23
Sales and marketing	12	12
Administrative	2	2
	<u>45</u>	<u>51</u>

The aggregate payroll costs of these persons were as follows

	Year to 31 December 2006 £000	Year to 31 December 2005 £000
Wages and salaries	1,264	1,498
Social security costs	143	161
	<u>1,407</u>	<u>1,659</u>

Notes to the financial statements

(continued)

6. Taxation

	Year to 31 December 2006 £000	Year to 31 December 2005 £000
UK corporation tax	-	-
Foreign tax on subsidiary profits	4	2
Research and development tax credit	(21)	(33)
Total current tax credit	(17)	(31)

The current tax credit for the year is explained below

	Year to 31 December 2006 £000	Year to 31 December 2005 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(42)	(403)
Current tax at 30% (2005 30%)	(13)	(121)
<i>Effects of</i>		
Depreciation	30	21
Tax losses not recognised as deferred tax assets	(17)	100
Research and development tax credit	(21)	(33)
Foreign tax adjustment	4	2
Total current tax credits (see above)	(17)	(31)

Tax losses of £3,651,000 (2005 £3,583,000) are available to relieve future profits of the Group. A deferred tax asset has not been recognised in respect of these losses on the grounds of uncertainty in respect of when and the rate the losses will be recovered at.

7. Interest payable and similar charges

	Year to 31 December 2006 £000	Year to 31 December 2005 £000
On bank loans and overdrafts	50	40

8. Intangible fixed assets

Group	Goodwill £000
<i>Cost and net book value</i>	
At 1 January 2006	941
Additions	-
At end of year	941

On 29 January 2004 the Group acquired 100% of the issued share capital of The Jewish Advocate Publishing Corporation for a share consideration of £929,000. The amount of goodwill arising as a result of the acquisition was £941,000. This has been capitalised on the group balance sheet and is not to be amortised. As a result the Group performs an annual impairment review as described in note 1 "Accounting policies - Fixed Asset Impairment".

The directors believe that the purchased goodwill relating to the acquisition of The Jewish Advocate Publishing Corporation largely relates to the brand name of The Jewish Advocate newspaper, which they regard as a trophy asset likely to retain its value for a useful economic life greater than 20 years.

Notes to the financial statements

(continued)

9. Tangible fixed assets

Group	Short leasehold property £000	Computer equipment £000	Fixtures and fittings £000	Total £000
Cost				
At beginning of year	54	438	79	571
Additions	–	83	11	94
Disposals	–	–	–	–
At end of year	54	521	90	665
Depreciation				
At beginning of year	49	153	72	274
Charge for year	5	90	2	97
Disposals	–	–	–	–
At end of year	54	243	74	371
Net book value				
At 31 December 2006	–	278	16	294
At 31 December 2005	5	285	7	297

Company	Short leasehold property £000	Computer equipment £000	Fixtures and fittings £000	Total £000
Cost				
At beginning of year	54	12	11	77
Additions	–	–	–	–
At end of year	54	12	11	77
Depreciation				
At beginning of year	49	9	11	69
Charge for period	5	2	–	7
At end of year	54	11	11	76
Net book value				
At 31 December 2006	–	1	–	1
At 31 December 2005	5	3	–	8

Notes to the financial statements

(continued)

10. Investments

Group	Total £000
Investments in share capital of joint ventures	
Cost – share of net assets	
At beginning of year	(11)
Loss for the year	(18)
Exchange gain taken to reserves	2
At end of year	(27)

The Group's share of the results and net assets of its joint ventures is as follows

Year ended 31 December 2006	Total £000
Turnover	65
Operating loss	(18)
Loss before tax	(18)
Tax	–
Loss after tax	(18)

Year ended 31 December 2006	Total £000
Fixed assets	7
Current assets	11
Corporation tax	–
Other liabilities due within 1 year	(45)
Net liabilities	(27)

The joint ventures companies, all of which have been accounted for on the gross equity basis at 31 December 2006 are as follows

	Country of incorporation	Proportion of equity capital held	Nature of business
Joint ventures held through a subsidiary company			
Totally Jewish Travel Inc	USA	50%	Online media

Company	Total £000
Investments in share capital of wholly owned subsidiaries	
Cost	
At beginning of year	929
Additions	–
At end of year	929

The subsidiary companies, all of which have been consolidated at 31 December 2006 are as follows

	Country of incorporation	Proportion of equity capital held	Nature of business
Subsidiary undertakings held directly			
Totally Jewish com Limited	England	100%	Online media
The Jewish News Limited	England	100%	Print media
Totally Communications Limited	England	100%	Technical and marketing services
London Jewish News Limited	England	100%	Dormant
The Jewish Advocate Publishing Corporation	USA	100%	Print media
Subsidiary undertakings held through a subsidiary company			
The Jewish Advocate Inc	USA	100%	Print media

Notes to the financial statements

(continued)

11. Debtors

	Group 31 December 2006 £000	Group 31 December 2005 £000	Company 31 December 2006 £000	Company 31 December 2005 £000
Trade debtors	336	305	–	–
Amount due from group undertakings	–	–	–	–
Other debtors	20	27	16	26
Other taxation and social security	–	–	–	–
Prepayments and accrued income	66	76	16	15
	<u>422</u>	<u>408</u>	<u>32</u>	<u>41</u>

12. Creditors: amounts falling due within one year

	Group 31 December 2006 £000	Group 31 December 2005 £000	Company 31 December 2006 £000	Company 31 December 2005 £000
Bank loans and overdrafts	755	754	733	654
Trade creditors	295	312	42	44
Amounts owed to group undertakings	–	–	449	142
Other taxes and social security	106	74	–	33
Accruals and deferred income	126	142	16	10
	<u>1,282</u>	<u>1,282</u>	<u>1,240</u>	<u>883</u>

13. Financial instruments

An outline of the group's policies and objectives relating to financial instruments is set out in the directors' report on page 7

Interest rate profile of financial liabilities

	Floating rate financial liabilities at 31 December 2006 £000	Floating rate financial liabilities at 31 December 2005 £000
Sterling	<u>755</u>	<u>754</u>

The Group's financial liabilities during the year ended 31 December 2006 were represented by two overdraft facilities, repayable in less than one year

One overdraft is secured by a debenture over the Group's trade debtors aged under 90 days, with a limit of £50,000 charging interest at 2.75% above bank base rate per annum. As security for the second facility, the bank has obtained the unlimited Joint and Several Guarantees of Dr Michael J Sinclair (non-executive Chairman), Mr Leo Noe and Grand Rabbi Y.A. Korff of Boston (non-executive Director). The second facility has a limit of £550,000 charging interest at 2% above bank base rate per annum. At 31 December 2006 there was no difference between the book and fair value of the group's financial liabilities.

There were no fixed rate liabilities during the year.

All monetary assets and liabilities at the balance sheet date are held in Sterling, the Group's functional currency apart from £32,000 in US dollars which is the working capital balance of the US subsidiary.

Notes to the financial statements

(continued)

14. Share capital

	31 December 2006 £000	31 December 2005 £000
Authorised		
150,000,000 ordinary shares of 1p each (2005 150,000,000)	1,500	1,500
Allotted, called up and fully paid		
90,075,709 ordinary shares of 1p each (2005 89,864,709)	901	898

Allotted share capital

On 27 February 2006 the Company issued 210,000 shares to an employee under the Enterprise Management Incentive (EMI) Share Option Scheme at the exercise price of 1 5p per share. The consideration received by the Company was £3,150. On 1 September 2006 the Company issued 1,000 shares to an employee under the Enterprise Management Incentive (EMI) Share Option Scheme at the exercise price of 3 62p per share. The consideration received by the Company was £36.

Loss per share

The calculation of the basic loss per share is based on the loss of £44,000 (2005 £372,000) and on 90,042,249 (2005 87,841,901) ordinary shares being the weighted average number of shares in issue during the period. The diluted loss per share is the same as the basic loss per share, in accordance with FRS 14 which prescribes that potential ordinary shares should only be used as dilutive when, and only when, their conversion to ordinary shares would decrease net profit or increase net loss per share from continuing operations.

Share options

During the year 600,000 share options to subscribe for new shares were granted to the Directors and employees of the Company, 211,000 share options were exercised and 1,560,000 share options were surrendered by employees leaving. At 31 December 2006 the number of share options granted to the Directors and eligible employees of the Company amounted to 11,434,000. These are exercisable at a price between 1 50p and 4 88p each, with varying vesting periods of between one week and three years from the date of the grant. All options expire on the tenth anniversary of the date of grant.

Warrants

On 21 May 2002, in conjunction with a share placing, subscribers to the placing shares were issued 4,583,329 warrants (one warrant for every four shares subscribed). The warrants are exercisable at 5 pence per ordinary share. The warrants are exercisable in the 45 day periods following either publication of the Company's half year results or adoption of the Company's annual accounts. The last exercise period is the earliest of either the 45 day period following the adoption of the Company's accounts for the year ended 31 December 2008 or, subject to certain exceptions, on a winding up of the Company where there is a surplus payable to the ordinary share holders.

On 18 June 2004 10,000,000 warrants were issued at an exercise price of 5 pence per ordinary share and 4,394,350 warrants were issued at an exercise price of 4 375 pence per ordinary share. The warrants are exercisable from the date of issue up to 18 June 2011.

On 4 November 2005 7,000,000 warrants were issued at an exercise price of 2 pence per ordinary share. The warrants are exercisable from the date of issue up to 4 November 2012.

On 15 February 2006 2,000,000 warrants were issued at an exercise price of 2 25 pence per ordinary share. The warrants are exercisable from the date of issue up to 15 February 2013.

Notes to the financial statements

(continued)

15. Share-based payment

During the year ended ending 31 December 2006 the Group and Company had two share based payment arrangements as described below

(a) Employee Share Options

Totally plc Enterprise Management Incentive Plan

The estimated fair value of each option has been calculated using the Black Scholes option pricing model for different options granted between 17 December 2002 and 12 June 2006. The estimated fair value of options varies between £0.0121 and £0.001. The model inputs are share price at grant date, exercise price, expected volatility of 29%, no expected dividends, contractual life of 3 years, and a risk free interest rate of 4%. It has been estimated that 21% of options granted will be forfeited due to employees leaving during the three year vesting period. A 3 year contractual life has been used as a discount to reflect the non-transferability of the options compared to the actual contractual life of 10 years.

(b) Warrants

The estimated fair value of each warrant has been calculated using the Black Scholes option pricing model for different warrants granted on 4 November 2005 and 15 February 2006. The estimated fair value of options are £0.009 and £0.006 respectively. The model inputs are share price at grant date, exercise price, expected volatility of 29%, no expected dividends, contractual life of 3 years, and a risk free interest rate of 4%. A 3 year contractual life has been used to reflect the non-tradability of the warrants compared to the actual contractual life of 7 years. The full cost of the warrants is recognised at the date of grant.

Expenses charged to the profit and loss in the year in respect of share based payments are as follows for the Group and Company

	31 December 2006 £000	31 December 2005 £000
Expense arising from share option plans	14	14
Expense arising from issue of share option warrants	11	63

16. Reserves

Group	Share capital £000	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Equity shareholders' funds £000
Year to 31 December 2006					
At beginning of year	898	3,106	2	(3,606)	400
Loss for the year	-	-	-	(44)	(44)
Share capital issued	3	1	-	-	4
Credit on issue of share options	-	-	-	14	14
Credit on issue of warrants	-	-	-	11	11
Currency translation differences on foreign currency net investments	-	-	-	-	-
	<u>901</u>	<u>3,107</u>	<u>2</u>	<u>(3,625)</u>	<u>385</u>
Company	Share capital £000	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Equity shareholders' funds £000
Year to 31 December 2006					
At beginning of year	898	3,106	-	(3,909)	95
Loss for the year	-	-	-	(402)	(402)
Credit on issue of share options	-	-	-	14	14
Credit on issue of warrants	-	-	-	11	11
Share capital issued	3	1	-	-	4
	<u>901</u>	<u>3,107</u>	<u>-</u>	<u>(4,286)</u>	<u>(278)</u>

The loss for the year dealt with in the accounts of the Company amounted to £402,000 (2005 £492,000)

Notes to the financial statements

(continued)

17. Reconciliation of movements in shareholders' funds

	Group 31 December 2006 £000	Group 31 December 2005 £000	Company 31 December 2006 £000	Company 31 December 2005 £000
Loss for the financial year	(44)	(372)	(402)	(492)
Credit on issue of share options	14	14	14	14
Credit on issue of warrants	11	63	11	63
Other recognised gains and losses relating to the year (net)	–	2	–	–
New share capital subscribed (net of issue costs)	4	268	4	269
Net (decrease) in shareholders' funds	(15)	(25)	(367)	(146)
Opening shareholders' funds	400	425	95	241
Closing shareholders' funds/(deficit)	385	400	(278)	95

18. Reconciliation of operating loss to net cash outflow from operating activities

	Year to 31 December 2006 £000	Year to 31 December 2005 £000
Operating profit/(loss)	7	(350)
Depreciation	97	71
(Increase) in stock	(1)	(1)
(Increase) in debtors	(14)	(17)
Credit on share options and warrants	25	77
(Decrease) in creditors	(1)	(18)
	113	(238)

19. Reconciliation of net cash flow to movements in net debt

	Year to 31 December 2006 £000	Period to 31 December 2005 £000
Decrease in cash in the year	(12)	(162)
Changes in net funds resulting from cash flows	(12)	(162)
Net debt at beginning of the year	(711)	(549)
Net debt at end of the year	(723)	(711)

20. Analysis of changes in net debt

	At 31 December 2005 £000	Cash flows £000	At 31 December 2006 £000
Cash at bank and in hand	43	(11)	32
Overdrafts	(754)	(1)	(755)
	(711)	(12)	(723)

21. Commitments

At 31 December 2006 the Group had no capital commitments

Notes to the financial statements

(continued)

22. Obligations under operating leases

At 31 December 2006 the Group had the following annual commitments under non-cancellable operating leases

	Land and buildings Year to 31 December 2006 £000	Other Assets Year to 31 December 2006 £000	Total Year to 31 December 2006 £000	Total Year to 31 December 2005 £000
Commitments which expire:				
Within 1 year	29	—	29	
Between 1 and 2 years	—	—	—	48
Between 2 and 5 years	—	5	5	50
Greater than 5 years	48	—	48	—
	<u>77</u>	<u>5</u>	<u>82</u>	<u>98</u>

23. Related party transactions

The following related party transactions have been carried out at arms length and are required to be disclosed in accordance with FRS8

As set out in note 1, Dr Michael Sinclair, Mr Leo Noe and Grand Rabbi Y A Korff of Boston have provided Guarantees in respect of the Group's current overdraft facility

In 2006, sales of £nil (2005 £1,500), on an arm's length basis were made to Six13 Restaurant, owned by Dr M Sinclair who is a board member of this company

In 2006, purchases of £7,547 (2005 £nil), on an arm's length basis were made from N Assor, wife of D Assor who is a board member of this company A balance of £1,105 (2005 £nil) is included in trade creditors at year end

In 2006, purchases of £3,580 (2005 £nil), on an arm's length basis were made from J Margolis, mother of A Margolis who is a director of TotallyJewish com Limited A balance of £300 (2005 £nil) is included in trade creditors at year end

Included in trade debtors is amounts due from Totally Jewish Travel Inc , a company in which the group has a joint venture interest, of £65,000 (2005 £43,000) Sales of £98,000 relating to the recharge of services (2005 £56,000) have been made in the year to Totally Jewish Travel Inc

24. Contingent liabilities

The company is party to a group banking arrangement which includes a debenture, unlimited corporate guarantee and letters of offset between Totally plc, Totally Communications Limited, The Jewish News Limited and TotallyJewish com Limited Totally plc has a contingent liability in respect of these borrowings which at 31 December 2006 amounted to £21,000 (2005 £106,000)

25. Post balance sheet events

On 12 January 2007 the Company signed a compromise agreement with S Burns, director of the company This resulted in S Burns resigning as a director of the Company, and the Company terminating the director service contract A payment of £30,000 in lieu of notice will be made by the Company in the year to 31 December 2007 in final settlement No provision has been made in the financial statements at 31 December 2006 in accordance with FRS 21 as the Company had no legal or constructive obligation at the balance sheet date

S Burns will also retain rights to share options and warrants as disclosed in the directors' report All share options will, however, only be valid until 12 January 2009 The Company had also signed a consultancy agreement, where S Burns will serve as a consultant to the Company from February 2007 to December 2007

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Totally plc will be held at the offices of Totally plc, Unit 611 Highgate Studios, 53-79 Highgate Road, Kentish Town, London NW5 1TL on 17 September 2007 at 4 30 p m for the transaction of the following business

As Ordinary Business to consider and, if thought fit, pass the following resolutions which will be proposed as Ordinary Resolutions

- 1 To receive and adopt the report of the directors of the Company and the audited accounts for the Company for the year ended 31 December 2006,
- 2 To re-appoint Dr Michael Sinclair as a Director of the Company, who retires in accordance with Article 14 of the Company's Articles of Association,
- 3 To re-appoint Royce Peeling Green Limited as auditors of the Company and to authorise the Directors to fix their remuneration
- 4 That the authorised share capital of the Company be and is hereby increased from £1,500,000 to £2,500,000 by the creation of an additional 100,000,000 Ordinary Shares of 1p each having the same rights in all respects as the existing ordinary shares in the capital of the Company

As Special Business to consider and, if thought fit, pass the following resolutions of which Resolution 5 will be proposed as an Ordinary Resolution and Resolution 6 will be proposed as a Special Resolution

- 5 That for the purposes of section 80 of the Companies Act 1985 (the "Act") (and so that expressions used in this resolution shall bear the same meanings as in the said section 80) the Directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities of the Company during the period expiring at the end of the next annual general meeting of the Company to be held after the date of the passing of this resolution or, if earlier, fifteen months from the date of the passing of this resolution provided that such power be limited to
 - (a) the allotment of up to 30,719,679 Ordinary Shares pursuant to or in connection with warrant instruments entered into on or prior to the date of this resolution,
 - (b) the allotment of up to 14,067,333 Ordinary Shares pursuant to or in connection with share options granted on or prior to the date of this resolution, and
 - (c) the allotment of relevant securities (other than pursuant to paragraphs (a) and (b) above) up to an aggregate nominal amount of £750,000 to such person or persons and on such terms as they think fit,

and that the Company be and is hereby authorised to make prior to the expiry of such period referred to in this Resolution 5 any offer or agreement which would or might require relevant securities to be allotted after the expiry of the said period and the Directors may allot relevant securities in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this Resolution, provided that this resolution shall not affect the right of the Directors to allot relevant securities in pursuance of any offer or agreement entered into prior to the date hereof

Notice of Annual General Meeting

(continued)

6 That subject to the passing of Resolution 5 set out above the Directors be and are empowered in accordance with Section 95 of the Act to allot equity securities (as defined in Section 94 of the Act) for cash pursuant to the authority conferred on them to allot relevant securities (as defined in section 80 of the Act) by that Resolution, as if Section 89 (1) of the Act did not apply to such allotment provided that the power conferred by this Resolution shall be limited to

- (a) the allotment of up to 30,719,679 Ordinary Shares pursuant or in connection with warrant instruments entered into on or prior to the date of this resolution,
- (b) the allotment of up to 14,067,333 Ordinary Shares pursuant or in connection with share options granted on or prior to the date of this resolution, and
- (c) the allotment of relevant securities (other than pursuant to paragraphs (a) and (b) above) up to an aggregate nominal amount of £750,000 to such person or persons and on such terms as they think fit,

and that this power, unless renewed, shall expire at the end of the next annual general meeting of the Company to be held after the date of the passing of this resolution or, if earlier, fifteen months from the date of the passing of this resolution but shall extend to the making, before such expiry, of an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired

By order of the Board

Paul Stacey

Company Secretary

Registered Office
Unit 611, Highgate Studios
53-79 Highgate Road
London NW5 1TL

Dated 14 June 2007

Notes:

- (1) A member entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies to attend and vote, on a poll, instead of him. A proxy need not be a member of the Company
- (2) A Form of Proxy is enclosed for your use if desired. The instrument appointing a proxy must reach the Proxy Processing Centre, Telford Road, Bicester OX26 4LD not less than 48 hours before the time of holding of the meeting
- (3) Pursuant to Regulation 41 of The Uncertificated Securities Regulations 2001, the Company specifies that only those Shareholders of the Company on the register 48 hours before the time set of the Meeting shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at the time. Changes to the register of members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting
- (4) A copy of the register of Directors' interests in shares in the Company and copies of the Directors' service contracts of more than one year's duration will be available for inspection at the registered office of the Company during office hours only on any weekday (excluding Saturdays, Sundays and public holidays) from the date of this Notice until the date of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting

Form of Proxy

For use at the Annual General Meeting of the Company convened for 17 September 2007 at 4.30 p.m.

I/We _____

(BLOCK LETTERS PLEASE)

of _____

being a member of Totally plc ("the Company"), hereby appoint the Chairman of the meeting, or

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Unit 611, Highgate Studios, 53-79 Highgate Road, London NW5 1TL on 17 September 2007 at 4.30 p.m. on the following resolutions, to be submitted to the meeting and at any adjournment thereof, and any other business which may properly come before the meeting and any adjournment thereof

Please indicate with an 'X' in the appropriate space how you wish your vote to be cast. Unless otherwise instructed, the proxy will vote as he thinks fit or abstain

Ordinary Resolutions	For	Against	Vote Withheld**
1 To receive and adopt the report of the directors of the Company and the audited accounts for the Company for the year ended 31st December 2006	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 To re-appoint Dr Michael Sinclair as a Director of the Company, who retires in accordance with Article 14 of the Company's Articles of Association	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 To re-appoint Royce Peeling Green Limited as auditors of the Company and to authorise the Directors to fix their remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 To approve the increase in the Company's authorised share capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 To authorise the Directors of Totally plc to make allotments of shares in accordance with section 80 of the Companies Act 1985	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Special Resolution			
6 To authorise the disapplication of the statutory rights of pre-emption in relation to the allotment of ordinary shares, subject to certain limitations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signature _____

Dated _____ day of _____ 2007

*You may, if you wish, in the space provided insert the name(s) of the person(s) of your choice to attend and vote at the meeting on your behalf

**Please note that if the "Vote Withheld" box is marked with a "X", the Shareholder will not be counted in the calculation of votes "For" and "Against" and the Shareholder will not be taken to have given his/her/their discretion to the Proxy, on how to vote

Notes

- 1 A member entitled to attend and vote at the meeting is also entitled to appoint a proxy to attend and vote on a poll instead of him. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company. A Form of Proxy is enclosed for your use if desired.
- 2 Completion and return of the form of proxy will not preclude ordinary shareholders from attending or voting at the meeting, if they so wish.
- 3 To be effective, this proxy form must be lodged with the Proxy Processing Centre, Telford Road, Bicester OX26 4LD not later than 48 hours before the time of the Meeting, or any adjournment thereof, together, if appropriate, with the power of attorney or other authority (if any) under which it is signed or a notanally certified copy of such power or, where the proxy form has been signed by an officer on behalf of a corporation, a notanally certified copy of the authority under which it is signed.
- 4 In the case of a joint holding, a proxy need only be signed by one joint holder. If more than one such joint holder lodges a proxy only that of the holder first on the register of members will be counted. Any alterations made in this proxy should be initialed.
- 5 In the case of a corporation this proxy must be given under its common seal or be signed on its behalf by an attorney or officer duly authorised.
- 6 As provided by Regulation 41 of the Uncertificated Securities Regulations 2001, only those members registered in the register of members of the Company 48 hours before the time set for the Meeting shall be entitled to attend and vote at the Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after that time shall be disregarded in determining the rights of any person to attend or vote at the Meeting.

THIRD FOLD AND TUCK IN

BUSINESS REPLY SERVICE
Licence No RRHB-RSXJ-GKCY



FIRST FOLD

**Proxy Processing Centre
Telford Road
BICESTER
OX26 4LD**

SECOND FOLD