

**Directors' report and financial statements**

for the period 28 October 1999 to 31 December 2000

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# Chairman's statement

I am pleased to present the first annual results for Totally Plc.

This first year under review has been an eventful one for Totally, encompassing the flotation on AIM, the launch of **www.totallyjewish.com** and the acquisition of London Jewish News and **www.sojewish.com**. These events marked the transformation of Totally into a public company focussed on developing its media, services and products within a niche, affluent, global community – the Jewish community.

The Company's performance for the period ended 31 December 2000 has met Board expectations. Turnover for the period was £507,000 with an operating loss before exceptional items of £1,311,000. In addition, exceptional costs of £1,155,000 were incurred in relation to the write-off of goodwill arising on the acquisitions of Sojewish and Kosheronline, both of which were dormant at the point of acquisition.

The physical integration of London Jewish News, which started in earnest in December 2000, has now been completed and as a result costs have dramatically reduced. At the same time the Company is seeing significant revenue growth. If these trends continue your directors are optimistic that monthly revenues could exceed overheads in the UK by the end of this financial year.

In January 2001 the Company announced its investment in Virtual Jerusalem Holdings, a joint venture company, in partnership with Bank Hapoalim B.M., the leading Israeli financial institution, and E-Shop Enterprises, a US based Jewish e-commerce and Internet service provider. Virtual Jerusalem Holdings owns the leading North American Jewish portal, **www.virtualjerusalem.com**. Bank Hapoalim B.M. has provided ongoing funding for the joint venture of \$1,150,000 on a non-recourse basis to Totally beyond a charge on its shares in Virtual Jerusalem Holdings. Since January the website has been migrated onto Totally's generic technology platform and a team has been retained in Israel to manage the day-to-day operations.

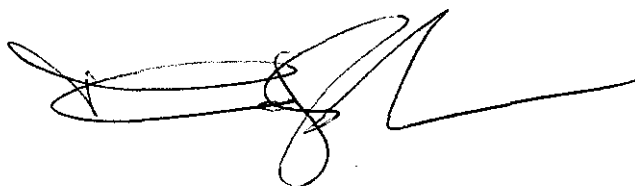
This investment in Virtual Jerusalem Holdings represents Totally's first step in developing its products and services in North America. Totally is currently in detailed discussions with other potential partners in Israel and North America. It is hoped that these discussions will lead to further announcements regarding the Company's international development.

I would like to thank my co-directors, all our staff and our advisers for their commitment and efforts during Totally's first year as a public company. Finally, I extend my thanks to Non-executive Directors Anthony Caplin and Martin Gill who are stepping down after helping to establish Totally and also to Executive Director Gary Stern who is stepping down after aiding in the integration of London Jewish News. A new independent non-executive director will be appointed as soon as practicable.

**Dr Michael Sinclair**

Chairman

15 May 2001



# Directors' report

The directors present their first report and the financial statements for the period from incorporation on 28 October 1999 to 31 December 2000.

## Principal activities

The Group's principal activities have been the creation of a comprehensive on-line Jewish "virtual community" site, totallyjewish.com, and in conjunction therewith the publication of a free newspaper, London Jewish News. The Company has acted as the parent undertaking for the Group.

The Group's objective is to create a global Jewish focussed multi-media group.

## Business review

The Chairman's Statement on page 2 gives a review of the business and the likely future developments.

## Results and dividends

The results for the period are set out on page 10.

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 15 to the financial statements.

## Directors and directors' interests

The directors who held office during the year were as follows:

		Ordinary shares of 1p each held 31 December 2000	Ordinary shares of 1p each held 28 October 1999 or on appointment if later
Richard C Brenner	(appointed 25 November 1999)	375,000	250,000
Steve Burns	(appointed 10 November 1999)	3,084,000	100
Anthony L Caplin (non-executive)	(appointed 10 November 1999; resigned 8 May 2001)	825,000	550,000
Adam H Crow	(appointed 10 November 1999; resigned 31 July 2000)	750,000	750,000
Martin J Gill (non-executive)	(appointed 10 January 2000; resigned 8 May 2001)	300,000	300,000
Daniel M Levitt	(appointed 28 October 1999)	1,284,000	—
Andrew Margolis	(appointed 28 October 1999)	1,284,000	—
Dr Michael J Sinclair (non-executive)†	(appointed 28 November 2000)	8,568,125	8,568,125
Gary Stern	(appointed 28 November 2000; resigned 4 May 2001)	—*	—*
Daniel Whiteman	(appointed 28 October 1999; resigned 10 November 1999)	—	—

†Dr M J Sinclair's interests are held by him personally and by Sinclair Montrose Trust Limited and its controlling interest in New Moon Publications PLC.

\*Gary Stern has been granted options to purchase 2,000,000 ordinary shares from Sinclair Montrose Trust Limited, a beneficial interest of Dr M J Sinclair, at a price of 0.01p per share. This option is exercisable at any time during the period of 10 years after 28 November 2000.

Since 31 December 2000 and up to and including 9 May 2001 there have been no changes in the directors' interests in the share capital of the Company, except that Dr M J Sinclair's interests have increased by 625,000 ordinary shares as a result of the issue of shares on 21 February 2001 pursuant to the terms of a call option deed dated 20 October 2000.

# Directors' report

(continued)

## Substantial interests

In addition to the above holdings of the directors, the Company has been notified, as at 9 May 2001, of the following interests in 3% or more of the ordinary shares in issue:

	Ordinary shares	%
Sinclair Montrose Trust Limited	7,119,849	25.0
Pershing Keen Nominees Limited	1,571,735	5.5
iDesk plc	1,540,625	5.4
Epoch Software Holdings plc	1,488,125	5.2
Mr Benjamin Cohen	903,125	3.2

## 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 2000 was 57 days.

## Political and charitable contributions

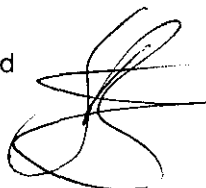
The Company made no political contributions and no donations to UK charities during the period.

## Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

**Steven Burns**  
Director



Unit 610/611  
Highgate Studios  
53-79 Highgate Road  
Kentish Town  
London  
NW5 1TL

15 May 2001

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# Board report on Corporate Governance

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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 period the Board comprised the non-executive Chairman, the Chief Executive, four other executive directors and two other non-executive directors. 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 8.

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

The Remuneration Committee and the Audit Committee are comprised exclusively of the non-executive directors. During the period they were as follows:

Dr M J Sinclair (since 28 November 2000, date of appointment as director)

A L Caplin

M J Gill

As Messrs A L Caplin and M J Gill resigned as directors on 8 May 2001, the Board intends to appoint a further non-executive director as soon as practicable.

## **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.

Further details of the Company's policies on remuneration and service contracts are given below.

## **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.

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# Board report on Corporate Governance

(continued)

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## **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 is 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. Due diligence work is carried out if a business is to be acquired.

## **Going concern**

The directors, having made enquiries, consider that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the accounts.

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# Board report on Corporate Governance

(continued)

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## **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. 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 period to 31 December 2000 are set out in note 4 to the financial statements

## **Contracts of service**

The current executive directors, S Burns, R C Brenner, D M Levitt and A Margolis each have 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**

Pursuant to a resolution of the Company passed on 20 January 2000 the Company approved a Share Option Scheme under which, at the discretion of the Remuneration Committee of the directors designated to operate the Scheme, options may be granted to employees (including full-time directors of the Company or any subsidiary) to acquire (by subscription or purchase) ordinary shares of the Company.

The Scheme provides for the grant of options under an Inland Revenue approved share option scheme and under an unapproved share option scheme.

Options can be exercised within ten years from the date of grant. The option price per share is the greater of (a) its market value at the date of grant, and (b) its nominal amount, plus for options granted under the unapproved option scheme, an amount "A" equal to the amount of employer's national insurance contributions at the rate prevailing at the date the gain arises in relation to the option, on the amount of gain per share which would arise if the exercise price did not include "A".

No options have as yet been granted to any director.

# 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.

**Steven Burns**

Director

15 May 2001



# Report of the auditors

to the members of Totally Plc



## KPMG Audit Plc

PO Box 695  
8 Salisbury Square  
London EC4Y 8BB  
United Kingdom

We have audited the financial statements on pages 10 to 23.

### Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 8, 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, the Auditing Practices Board and by our profession's ethical guidance.

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. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company 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 opinion

We conducted our audit in accordance with Auditing Standards 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 of the state of affairs of the Company and the Group as at 31 December 2000 and of the loss of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

  
**KPMG Audit Plc**

Chartered Accountants  
Registered Auditors

15 May 2001



## for the period 28 October 1999 to 31 December 2000

The Group has no recognised gains or losses during the period other than those included in the profit and loss account above. Accordingly, no statement of total recognised gains and losses has been prepared.

# Consolidated balance sheet

at 31 December 2000

	Note	£	2000 £
<b>Fixed assets</b>			
Intangible assets – goodwill	9		2,150,627
Tangible assets	10		<u>111,613</u>
			2,262,240
<b>Current assets</b>			
Debtors	12	415,793	
Cash at bank and in hand		<u>445,712</u>	
		861,505	
<b>Creditors:</b>			
amounts falling due within one year	13	<u>(670,790)</u>	
<b>Net current assets</b>			<u>190,715</u>
<b>Total assets less current liabilities</b>			2,452,955
<b>Creditors:</b>			
amounts falling due after more than one year	14		<u>(8,132)</u>
<b>Net assets</b>			<u>2,444,823</u>
<b>Capital and reserves</b>			
Called up share capital	15,16		278,813
Share premium account	16		1,545,827
Merger reserve	16		3,015,530
Profit and loss account	16		(2,416,447)
Shares to be issued	16		<u>21,100</u>
<b>Shareholders' funds – equity interests</b>	16		<u>2,444,823</u>

These financial statements were approved by the board of directors and were signed on its behalf by:

**Richard Brenner**  
Director

15 May 2001

**Steven Burns**  
Director

# Company balance sheet

at 31 December 2000

	Note	£	2000 £
<b>Fixed assets</b>			
Tangible assets	10		46,684
Investments in subsidiary undertakings	11		2,056,614
			<u>2,103,298</u>
<b>Current assets</b>			
Debtors	12	1,191,601	
Cash at bank and in hand		<u>421,018</u>	
		1,612,619	
<b>Creditors:</b>			
amounts falling due within one year	13	<u>(251,716)</u>	
<b>Net current assets</b>			<u>1,360,903</u>
<b>Net assets</b>			<u>3,464,201</u>
<b>Capital and reserves</b>			
Called up share capital	15,16		278,813
Share premium account	16		1,545,827
Merger reserve	16		3,015,530
Profit and loss account	16		(1,397,069)
Shares to be issued	16		<u>21,100</u>
<b>Shareholders' funds – equity interests</b>	16		<u>3,464,201</u>

These financial statements were approved by the board of directors and were signed on its behalf by:

**Richard Brenner**  
Director

15 May 2001



**Steven Burns**  
Director



# Consolidated cash flow statement

for the period 28 October 1999 to 31 December 2000

	Note	£	2000 £
<b>Net cash outflow from operating activities</b>	17		(1,053,572)
<b>Returns on investments and servicing of finance</b>			
Interest received	7	53,615	
Bank interest paid	8	(4,049)	
Interest paid under finance leases	8	(236)	
			<u>49,330</u>
<b>Net cash inflow/(outflow) from returns on investment and servicing of finance</b>			(1,004,242)
<b>Capital expenditure</b>			
Payments to acquire tangible fixed assets	10		(93,602)
<b>Acquisitions</b>			
Purchase of subsidiary undertakings			<u>(172,523)</u>
<b>Cash outflow before financing</b>			(1,270,367)
<b>Financing</b>			
Capital repayments under finance leases			(3,296)
Issue of ordinary share capital			2,254,500
Expenses paid in connection with share issues			<u>(563,830)</u>
<b>Increase in cash in the period</b>	19		<u>417,007</u>

# Notes to the financial statements

for the period 28 October 1999 to 31 December 2000

## 1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

### Basis of preparation

The financial information has been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

### Basis of consolidation

The Group accounts comprise a consolidation of the accounts of the parent company and its subsidiaries 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. Results of subsidiaries acquired or disposed of during the year are consolidated from or until the date on which control passes.

As permitted by Section 230 of the Companies Act 1985 a separate profit and loss account is not presented in respect of the Company.

### Turnover

Turnover represents the amounts (excluding valued added tax) derived from advertising and web design. Advertising revenue is earned in the form of upfront and variable payments, dependent on delivery of a required number of page views. Upfront or periodic payments are deferred and recognised as revenue over the period and level of page view to which the contract relates. Revenue from web design activities is earned based on a fixed fee basis. Revenue is recognised in the profit and loss account on fixed fee contracts based on the percentage completion method.

### 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 years
Fixtures and fittings	–	2 years
Short leasehold improvements	–	lease term

### Taxation

No provision has been made in the accounts for current corporation tax because the Group is in a tax loss position in this period. No provision has been made in the accounts for deferred corporation tax because the directors have concluded, on the basis of reasonable assumptions, that no tax liability will crystallise.

### 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.

### Leases

The Company has a short term 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.

Where the Company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

## 2. Segmental analysis

The directors are of the opinion that the Group's turnover and results before tax are derived from its core activity, that of media services, substantially all of which takes place in the UK. Accordingly, no segmental analysis is presented.

# Notes to the financial statements

(continued)

## 3. Loss on operating activities before taxation

		Period to 31 December 2000
	£	£
<b>Loss on ordinary activities before and after taxation is stated after charging:</b>		
Auditors' remuneration		
Audit		22,500
Other services		127,400
Operating lease charges		18,736
– exceptional		1,154,420
Depreciation and other amounts written off tangible and intangible fixed assets		
– ordinary		
– intangible (note 9)	27,450	
– tangible (note 10)	27,655	
		<u>55,105</u>

## 4. Remuneration of directors

			Period to 31 December 2000
	Salary £	Fees £	Total £
<i>Executive directors</i>			
S Burns	50,000	–	50,000
R C Brenner	36,000	–	36,000
D M Levitt	46,667	–	46,667
A Margolis	50,000	–	50,000
G Stern	6,301	–	6,301
A H Crow	26,250	–	26,250
D Whiteman	839	–	839
<i>Non-executive directors</i>			
Dr M J Sinclair	–	–	–
A L Caplin	–	12,000	12,000
M Gill	–	12,000	12,000
			<u>240,057</u>

There are no contracts with notice periods or compensation for termination in excess of one year.

The directors are not entitled to any performance-related bonuses.

No directors received any pension entitlements or any other benefits from the Group in respect of the period ended 31 December 2000.

No director waived emoluments in respect of the period ended 31 December 2000.

## 5. Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees Period to 31 December 2000
Management	4
Technical	4
Editorial	7
Marketing	7
Administrative	1
	<u>23</u>

At 31 December 2000, the Group had 42 employees.

The aggregate payroll costs of these persons were as follows:

	Period to 31 December 2000 £
Wages and salaries	756,848
Social security costs	65,525
	<u>822,373</u>

# Notes to the financial statements

(continued)

## 6. Taxation

Period to  
31 December 2000

UK corporation tax

£

—

Tax losses of approximately £1,900,000 are available to relieve future profits of the Group.

## 7. Interest receivable and similar income

Period to  
31 December 2000

On bank deposits

£

53,615

## 8. Interest payable and similar charges

Period to  
31 December 2000

On bank loans and overdrafts

£

4,049

On finance leases

236

4,285

## 9. Intangible fixed assets – Group

Goodwill

£

### Cost

At beginning of period

—

Additions

3,332,497

Disposals

—

At end of period

3,332,497

### Amortisation and amounts written off

At beginning of period

—

Charge for the period

27,450

Write-offs

1,154,420

At end of period

1,181,870

### Net book value

At 31 December 2000

2,150,627

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. Goodwill has arisen on three acquisitions during the period. That arising on Sojewish.co.uk Limited and Kosheronline Plc, amounting to £915,837 and £238,583 respectively, has been written off on acquisition. Goodwill on the acquisition of London Jewish News Limited is being written off over a period of 10 years, being the directors' estimate of its useful life by reference to consideration of its future earnings potential and synergistic benefits brought to the Group.



# Notes to the financial statements

(continued)

## 10. Tangible fixed assets

Group	Short leasehold property £	Computer equipment £	Fixtures and fittings £	Total £
<b>Cost</b>				
At beginning of period	—	—	—	—
Additions	37,379	44,550	11,673	93,602
On acquisitions	—	57,451	12,033	69,484
At end of period	37,379	102,001	23,706	163,086
<b>Depreciation</b>				
At beginning of period	—	—	—	—
Charge for period	3,115	21,933	2,607	27,655
On acquisitions	—	18,356	5,462	23,818
At end of period	3,115	40,289	8,069	51,473
<b>Net book value</b>				
At 31 December 2000	34,264	61,712	15,637	111,613

Included above are assets held under finance lease contracts. The net book value of these assets at 31 December 2000 is £12,923 and the depreciation charged for the period was £561.

Company	Short leasehold property £	Computer equipment £	Fixtures and fittings £	Total £
<b>Cost</b>				
At beginning of period	—	—	—	—
Additions	37,379	4,268	11,674	53,321
At end of period	37,379	4,268	11,674	53,321
<b>Depreciation</b>				
At beginning of period	—	—	—	—
Charge for period	3,115	1,218	2,304	6,637
At end of period	3,115	1,218	2,304	6,637
<b>Net book value</b>				
At 31 December 2000	34,264	3,050	9,370	46,684

## 11. Investment in subsidiary undertakings – Company

	£
<b>Cost</b>	
At beginning of period	—
Additions	3,238,583
Disposals	—
At end of period	3,238,583
<b>Amounts written off</b>	
At beginning of period	—
Charged in period	1,181,969
At end of period	1,181,969
<b>Net book value</b>	
At 31 December 2000	2,056,614

Details of principal subsidiary undertakings are set out in note 25.

# Notes to the financial statements

(continued)

## 12. Debtors

	Group 31 December 2000 £	Company 31 December 2000 £
Trade debtors	252,328	100
Amounts due from subsidiary undertakings	–	1,120,893
Other debtors	64,317	64,317
Prepayments and accrued income	99,148	6,291
	<u>415,793</u>	<u>1,191,601</u>

Included in other debtors of the Group and the Company is £43,000 due after more than one year, representing a deposit paid on 23 March 2000 when a property leasehold was signed. This is repayable at the end of the six year term of the lease.

## 13. Creditors: amounts falling due within one year

	Group 31 December 2000 £	Company 31 December 2000 £
Bank loans and overdrafts	112,145	2,390
Trade creditors	359,344	159,576
Net obligations under finance leases	5,566	–
Other taxation and social security	33,487	–
Accruals and deferred income	160,248	89,750
	<u>670,790</u>	<u>251,716</u>

The Group has an overdraft facility that specifies interest to be charged at a rate of 3% per annum over the bank's base rate for overdrawn positions up to £50,000, 5% per annum over the bank's base rate for positions between £50,001 and £75,000 and 15% for any borrowings in excess of £75,000. This facility is available for utilisation until 16 October 2001.

## 14. Creditors: amounts falling due after more than one year

	Group 31 December 2000 £
Net obligations under finance leases	<u>8,132</u>

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	Group 31 December 2000 £
Within one year	5,566
In the second to fifth years	8,132
	<u>13,698</u>

# Notes to the financial statements

(continued)

## 15. Share capital

31 December  
2000

### Authorised

50,000,000 ordinary shares of 1p each

500,000

### Allotted, called up and fully paid

27,881,250 ordinary shares of 1p each

278,813

### Authorised share capital

On incorporation, the authorised share capital of the Company was 1,000 ordinary shares of £1 each. On 10 November 1999 each ordinary share of £1 in the capital of the Company was subdivided into 100 ordinary shares of 1p each and the authorised share capital of the Company was increased from £1,000 to £110,000 by the creation of an additional 10,900,000 ordinary shares.

On 20 January 2000 the authorised share capital of the Company was increased from £110,000 to £225,000 by the creation of an additional 11,500,000 ordinary shares.

On 15 November 2000 the authorised share capital of the Company was increased from £225,000 to £500,000 by the creation of an additional 27,500,000 ordinary shares.

### Allotted share capital

Following incorporation on 28 October 1999, one of the Company's ordinary shares of £1 was issued at par. On 10 November 1999 a further 5,774,900 ordinary shares of 1p each were issued for cash at par. On 25 November 1999, 177,000 ordinary shares of 1p each were issued for cash at a premium of 24p per share. On 7 January 2000, 200,000 ordinary shares of 1p each were issued for cash at a premium of 24p per share. On 9 January 2000 the Company capitalised the sum of £30,760 and appropriated this sum to the members of the Company and applied such sum in paying in full at par on behalf of such members 3,076,000 ordinary shares of 1p each in the proportion of one ordinary share for every two ordinary shares held.

On 31 January 2000 the Company issued 897,000 ordinary shares of 1p each, credited as fully paid, at 16.667p per share, as part consideration for the acquisition of Kosheronline Plc.

On 31 January 2000 5,000,000 ordinary shares of 1p each were issued for cash at 40p per share on the Company's admission to the Alternative Investment Market and 256,250 ordinary shares of 1p each were issued, credited as fully paid, at 40p per share in part satisfaction of certain fees.

On 28 November 2000 the Company issued 12,500,000 ordinary shares of 1p each in consideration of the acquisition of London Jewish News Limited and Sojewish.co.uk Limited and in satisfaction of certain loans made to London Jewish News Limited.

Following the year end, on 21 February 2001, 625,000 ordinary shares of 1p each were issued for cash at 40p per share pursuant to the terms of a call option deed dated 20 October 2000.

### Loss per share

The calculation of the basic loss per share is based on the loss of £2,416,447 and on 15,029,494 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. The adjusted loss per share before goodwill amortisation extracts £1,181,870 of goodwill from the loss of £2,416,447.

### Share options

At 31 December 2000 outstanding options granted under share option schemes to subscribe for new shares were as follows:

- 727,000 share options granted at the joining date of an employee. These are exercisable at prices ranging between 15p per share and 50p per share for a period of up to three years from the date of the grant.
- 115,000 share options granted one year after the joining date of the employee. These are exercisable at prices ranging between 20p per share and 45p per share for a period of up to three years from the date of the grant.

# Notes to the financial statements

(continued)

## 16. Reconciliation of movements in equity shareholders' funds

Group	Share capital £	Share premium account £	Merger reserve £	Profit and loss account £	Shares to be issued £	Equity Shareholders' funds £
At beginning of period	-	-	-	-	-	-
Loss for the period	-	-	-	(2,416,447)	-	(2,416,447)
Share capital issued	278,813	1,545,827	3,015,530	-	-	4,840,170
Shares to be issued	-	-	-	-	21,100	21,100
	<u>278,813</u>	<u>1,545,827</u>	<u>3,015,530</u>	<u>(2,416,447)</u>	<u>21,100</u>	<u>2,444,823</u>
<b>Company</b>						
At beginning of period	-	-	-	-	-	-
Loss for the period	-	-	-	(1,397,069)	-	(1,397,069)
Share capital issued	278,813	1,545,827	3,015,530	-	-	4,840,170
Shares to be issued	-	-	-	-	21,100	21,100
	<u>278,813</u>	<u>1,545,827</u>	<u>3,015,530</u>	<u>(1,397,069)</u>	<u>21,100</u>	<u>3,464,201</u>

On 1 February 2000, the Company agreed to satisfy certain creditors through the issue of shares. These shares were to be issued at the end of these suppliers' annual contracts on 1 February 2001. By 31 December 2000 the nominal value of these shares amounted to £21,100. At 15 May 2001 these shares have still to be issued.

The loss for the year for the financial period dealt with in the accounts of the Company amounted to £1,397,069.

## 17. Reconciliation of operating loss to net cash outflow from operating activities

	Period to 31 December 2000 £
Operating loss	(2,465,777)
Depreciation	27,655
Amortisation and write-off of goodwill	1,181,870
Increase in debtors	(282,950)
Increase in creditors	463,800
Payments for services to be settled by shares	21,100
Other write-offs	730
	<u>(1,053,572)</u>

## 18. Reconciliation of net cash flow to movements in net debt

	Period to 31 December 2000 £
Increase/(decrease) in cash in the year	417,007
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing	3,532
Changes in net funds resulting from cash flows	420,539
Changes in net funds arising on acquisition	(100,670)
Increase/(decrease) in net funds in the year	<u>319,869</u>

# Notes to the financial statements

(continued)

## 19. Analysis of changes in net funds

	At 28 October 1999 £	Acquisitions £	Cash flows £	At 31 December 2000 £
Cash at bank and in hand	—	27,813	417,899	445,712
Overdrafts	—	(111,253)	(892)	(112,145)
	—	(83,440)	417,007	333,567
Finance leases	—	(17,230)	3,532	(13,698)
	—	(100,670)	420,539	319,869

## 20. Purchase of subsidiary undertakings

On 14 January 2000 the Company acquired the business and certain assets of Kosheronline Plc and its fully owned subsidiary, Kosher Limited for a total consideration of £236,221, comprising 897,000 ordinary shares, credited as fully paid at 16.667p per share, and £86,721 in cash. There was £2,362 paid in stamp duty.

On 28 November 2000 the Company acquired the entire issued share capital of London Jewish News Limited. A total of 8,568,125 shares were issued for this purpose. The Company also acquired on 28 November 2000 the 71 per cent of the issued share capital of SoJewish.co.uk Limited not already owned by London Jewish News Limited for a consideration of 3,931,875 shares.

The summarised results of these businesses in the period prior to acquisition are summarised below:

	Kosheronline Plc £	London Jewish News Limited £	SoJewish.co.uk Limited £
Turnover	—	—	—
Operating (loss)/profit	(86,721)	806,374	(127,517)
(Loss)/profit before taxation	(86,721)	791,971	(127,517)
Taxation	—	—	—
(Loss)/profit for the financial period	(86,721)	791,971	(127,517)

The assets and liabilities of these businesses when acquired, together with the components of the consideration paid are shown in the table below:

	Kosheronline Plc £	London Jewish News Limited £	Sojewish.co.uk Limited £	Period to 31 December 2000 £
Net assets acquired:				
Fixed assets	—	45,666	—	45,666
Debtors	—	132,843	—	132,843
Cash	—	(111,253)	27,813	(83,440)
Creditors	—	(188,983)	—	(188,983)
	—	(121,727)	27,813	(93,914)
Goodwill	238,583	2,178,077	915,837	3,332,497
Consideration	238,583	2,056,350	943,650	3,238,583
Satisfied by:				
Shares allotted	149,500	2,056,350	943,650	3,149,500
Cash	89,083	—	—	89,083
	238,583	2,056,350	943,650	3,238,583

# Notes to the financial statements

(continued)

## 21. Commitments

At 31 December 2000 the Company had no capital commitments.

## 22. Obligations under operating leases

At 31 December 2000 the Group had the following annual commitments under non-cancellable operating leases:

### Commitments which expire:

Between 1 and 2 years	5,088
Between 2 and 5 years	4,627
	<u>9,715</u>

The Company has operating lease commitments of £4,627 expiring between 2 and 5 years time.

## 23. Related party transactions

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

Easynet Group plc is the service provider for Totally Plc. Anthony Caplin was a non-executive director of Totally Plc in the period and is a non-executive director of Easynet Group plc.

Joanne Levitt is a provider of content for TotallyJewish.com, the subsidiary of Totally Plc. She is the sister of Daniel Levitt, a director of Totally Plc.

John D Cassell was the contractor in charge of renovating Totally Plc's current premises. He is the father-in-law of Steven Burns, a director and chief executive of Totally Plc.

Quantum Contracts Limited is an IT recruitment agency of which Andrew Margolis is a director. This agency has been responsible for some of the recruitment of the employees within the IT department of Totally Plc.

i-Collector Limited is a customer of Totallyjewish.com Limited. Anthony Caplin was a non-executive director of Totally Plc and is a non-executive director of i-Collector plc, the ultimate holding company of i-Collector Limited.

The following table summarises transactions and outstanding balances with these related parties for the period from 28 October 1999 to 31 December 2000.

	Sales to/ (purchases from)	Amounts due from/(to) as at 31 December 2000
	£	£
Easynet Group Plc	(53,873)	(12,086)
Joanne Levitt	(2,500)	(2,500)
John D Cassell	(40,069)	-
Quantum Contracts Limited	(4,000)	(4,700)
i-Collector Limited	<u>29,360</u>	<u>34,499</u>

As the Company is the parent company of a group, it has taken advantage of the exemption permitted by FRS8 Related Parties, and has not disclosed details of transactions or balances with other entities within the Group.

The directors confirm that there are no further related party transactions to disclose in these financial statements.

# Notes to the financial statements

(continued)

## 24. Post balance sheet events

In January 2001 the Company announced its investment in Virtual Jerusalem Holdings, a joint venture company, in partnership with Bank Hapoalim B.M., the leading Israeli financial institution, and E-Shop Enterprises, a US-based Jewish e-commerce and internet service provider. Virtual Jerusalem Holdings owns the leading North American Jewish portal, [www.virtualjerusalem.com](http://www.virtualjerusalem.com). Bank Hapoalim B.M. has provided ongoing funding for the joint venture of \$1,150,000 on a non-recourse basis to Totally Plc beyond a charge on its shares in Virtual Jerusalem Holdings. Bank Hapoalim B.M. has been issued with warrants to subscribe 2,780,000 ordinary shares of Totally Plc, exercisable at a price of 21p per share by 31 January 2002. Since January 2001 the website has been migrated onto Totally's generic technology platform and a team has been retained in Israel to manage the day-to-day operations.

## 25. Details of principal subsidiary undertakings

### TotallyJewish.com Limited

This company is a direct 100% subsidiary of Totally Plc and is incorporated in the United Kingdom and registered in England and Wales.

### London Jewish News Limited

This company is a direct 100% subsidiary of Totally Plc and is incorporated in the United Kingdom and registered in England and Wales.

Both the above companies are involved in Jewish media activities.