Directors' report and financial statements

for the year ended 31 December 2003

Contents

Chairman's statement

I am pleased to report the results for the year ended 31 December 2003. The Company's financial performance was much improved compared to that for the previous year, with turnover growth of 16 per cent. to £1.95 million (2002: £1.69 million) and a 46 per cent. reduction in pre tax losses to £223,000 (2002: £415,000).

Publishing Activities

As reported in the Interim Statement, London Jewish News won the Free Newspaper Of The Year at the 2003 Press Gazette Regional Awards. At the time, I commented that this top industry accolade added important credibility and visibility to the paper. I am now pleased to report that the 7 per cent. advertising growth reported in the first half of the year, had increased to 9 per cent. at the year end (to £1.11 million from £1.02 million).

During the second half of the year, the publishing team focussed its energies on further product development, to help ensure that the positive momentum of the paper continued. This culminated in the re-launch of the newly named "The Jewish News" in February of this year. The new design incorporates a number of new sections, all of which are designed to help drive reader retention and advertising revenues. The name change, whilst relatively subtle, enables the management to concentrate on potential opportunities for further growth outside London.

The website TotallyJewish.Com continued to suffer from a poor online advertising climate. With this in mind, the management have recently initiated a project to re-launch the site, with a greater focus placed on subscription based revenues and classified advertising. This re-launch is expected towards the end of the third quarter of 2004.

The website TotallyJewishTravel.Com has fast become the leading portal for the global Jewish travel market. Its turnover in its first full year of trading was approximately £100,000. Given its size and potential, this is a market that the Company is looking to further develop.

Communications Services

Totally Communications Ltd experienced significant growth during 2003, with turnover up from £157,000 in 2002 to £550,000 in 2003, an increase of 250 per cent.

This increase is attributable to two key achievements: the first relates to the partial implementation of the previously reported £650,000 contract with one of the UK's largest Jewish communal organisations; the second relates to the exponential growth experienced by the marketing services arm of Totally Communications.

At the beginning of 2003, the marketing services arm had one retained client, three further project-based clients and future bookings of approximately £30,000. Over the course of the year the number of retained clients grew to eight, the number of other project-based clients grew to 18 and future bookings grew to approximately £220,000.

Totally Communications has fast become one of the largest suppliers of technical and marketing services to the UK's Jewish communal marketplace. It is intended that this level of success be replicated in Boston and, ultimately, wherever the Company owns a Jewish publication. Additionally, the Company has now recruited a sales person in the UK to start selling Totally Communications products and services into the general charitable sector.

Chairman's statement
(continued)

Strengthening The Board

Towards the end of 2003, the company announced the appointment of Shimon Cohen as a non-executive director. Shimon, who recently resigned as a long standing non-executive director of Jewish Chronicle Newspapers Ltd, one of Totally's primary competitors in the UK, is an expert in the field of communications and media relations and has extensive knowledge of, and contacts within, the world's major Jewish communities. Shimon has already added significant value to the Company and his appointment represents a significant endorsement of the current strategy and focus of the business.

Post Year End

In January of 2004, Totally Plc acquired Jewish Advocate Publishing Corporation, which, through a subsidiary owns The Jewish Advocate, New England's leading weekly Jewish newspaper. The Jewish Advocate, which serves a 250,000-strong Jewish community, has been in circulation for more than 100 years. By acquiring one of the oldest East Coast, American weekly Jewish newspapers, the Company now has a springboard from which to expedite its US based and international development.

The prior owner, The Zvhil-Mezbuz Rebbe, Grand Rabbi Y.A Korff of Boston once served as a Director and Executive Vice-President of media-entertainment company Viacom, Inc. and Viacom International. He has now been appointed a non-executive director of the Company.

The integration of the two businesses is going extremely well and the Company is already benefiting from cost-based economies of scale and an enhanced advertising proposition.

Prospects

The Directors are encouraged by the level of trading for the current year to date. They anticipate that the performance improvement achieved in 2003 will continue into the current year.

Additionally, as a direct result of the acquisition of The Jewish Advocate, a number of discussions have started with other Jewish newspapers in the United States. The directors believe that the Company is extremely well placed to continue its international development and ultimately become an international market leader within its field.

Finally, I would once again like to thank all our staff and advisers for all their hard work over the year.

Dr Michael Sinclair
Non Executive Chairman

17 May 2004

Directors' report

The directors present their report and the financial statements for the year to 31 December 2003.

Principal activities

The Group's principal activities have been publishing of Jewish oriented media and the provision of communications services.

The primary publications within its portfolio have included The Jewish News, a free newspaper distributed in London, and the community website, TotallyJewish.Com.

The communications services part of the Group has provided marketing services, contract publishing services, technical consultancy, application development and website development.

The Group's primary objective remains the development of the market leading, international publisher and communications services provider, focussed on and around the world's distinct Jewish communities.

Business review

The Chairman's statement on pages 2 and 3 gives a review of the business and the likely future developments.

The Group incurred an operating loss for the year under review of £208,000 compared to an operating loss in 2002 of £401,000.

Results and dividends

The results for the year are set out on page 12.

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 12 to the financial statements.

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 2003	Ordinary shares of 1p each held 31 December 2003	Warrants to subscribe for Ordinary shares of 1p each held 31 December 2002	Ordinary shares of 1p each held 31 December 2002 or date of appointment
Steve Burns (Chief Executive)	1,083,332	9,083,999	1,083,332	9,083,999
Daniel J Assor	166,667	1,576,436	166,667	896,436
Daniel M Levitt	416,666	3,080,436	416,666	3,080,436
Andrew Margolis	333,332	2,747,102	333,332	2,747,102
Dr Michael J Sinclair (non-executive Chairman)*	1,166,666	13,859,791	1,166,666	13,859,791
Shimon Cohen (non executive – appointed 15 December 2003)	–	–	–	–

*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.

On 29 January 2004, The Zvhil–Mezbuz Rebbe, Grand Rabbi Y.A. Korff of Boston was appointed to the board of Totally plc.

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	Date
	At start of year	Granted	At end of year	price pence	from which exercisable
Steve Burns	150,000	–	150,000	1.5	21/11/2004
Daniel J Assor	1,000,000	–	1,000,000	1.5	14/08/2003
	–	1,250,000	1,250,000	3.6	15/10/2006
	1,000,000	1,250,000	2,250,000		
Daniel M Levitt	325,000	–	325,000	1.5	21/11/2003
Andrew Margolis	325,000	–	325,000	1.5	21/11/2003
	–	1,250,000	1,250,000	3.6	15/10/2006
	325,000	1,250,000	1,575,000		
Shimon Cohen	–	300,000	300,000	4.88	15/12/2006

There have been no changes in the Directors' interests in the share capital of the Company between 31 December 2003 and 17 May 2004.

Substantial interests

In addition to the above holdings of the Directors, the Company has been notified, as at 4 May 2004, 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	23,400,000*	29.74
Pershing Keen Nominees Limited TYCLT ACCT	9,224,932	11.72
Sinclair Montrose Trust Limited	6,914,322	8.79
Schweco Nominees Ltd	6,666,666	8.47
Daniel R Whiteman	2,569,811	3.27
Pershing Keen Nominees Limited TUT ACCT	2,423,333	3.08

*this includes 2,900,000 ordinary shares which are currently held as custodian for his children who are minors.

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 2003 was 78 days (2002: 66 days).

Directors' report
(continued)

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 re-appointment of KPMG Audit Plc as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Steven Burns
Director

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

17 May 2004

Board report on Corporate Governance

for the year ended 31 December 2003

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, and four other 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 10.

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 Chairman and Company Secretary.

Further details of the Company's policies on remuneration and service contracts are set out on page 9.

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.

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 2003 are set out in note 4 to the financial statements.

Contracts of service

The current Directors, S Burns, DJ Assor, DM 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

Details regarding share options are set out in note 12 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 financial statements on pages 12 to 25.

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 10, 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 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 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.

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.

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 2003 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

17 May 2004

Consolidated profit and loss account

for the year ended 31 December 2003

	Note	2003 £000	2003 £000	2002 £000	2002 £000
Turnover					
Continuing operations	1		1,952		1,690
Other external charges			(680)		(505)
Staff costs:					
Wages and salaries	5	(1,031)		(913)	
Social security costs	5	(112)		(89)	
			(1,143)		(1,002)
Depreciation and other amounts written off tangible and intangible fixed assets	3		(24)		(26)
Other operating charges			(313)		(558)
Total expenses			(2,160)		(2,091)
Operating loss	3		(208)		(401)
Interest payable and similar charges	7		(15)		(14)
Loss on ordinary activities before taxation			(223)		(415)
Taxation	6		44		–
Loss after tax for the year	13		(179)		(415)
Loss per share – basic	12		(0.33)p		(0.91)p
Loss per share – diluted	12		(0.33)p		(0.91)p

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 2003

	Note	2003		2002	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	8		46		53
Current assets					
Debtors	9	391		317	
Cash at bank and in hand		–		12	
		391		329	
Creditors:					
amounts falling due within one year	10	(647)		(564)	
Net current liabilities			(256)		(235)
Total assets less current liabilities			(210)		(182)
Net liabilities			(210)		(182)
Capital and reserves					
Called up share capital	12, 13		582		528
Share premium account	13		2,255		2,158
Profit and loss account	13		(3,047)		(2,868)
Shareholders' deficit – equity interests	13		(210)		(182)

These financial statements were approved by the Board of Directors on 17 May 2004 and were signed on its behalf by:

Steven Burns
Director

Company balance sheet

at 31 December 2003

	Note	2003 £000	2003 £000	2002 £000	2002 £000
Fixed assets					
Tangible assets	8		25		35
Current assets					
Debtors	9	62		50	
Cash at bank and in hand		–		21	
		62		71	
Creditors:					
amounts falling due within one year	10	(352)		(166)	
Net current liabilities			(290)		(95)
Net liabilities			(265)		(60)
Capital and reserves					
Called up share capital	12, 13		582		528
Share premium account	13		2,255		2,158
Profit and loss account	13		(3,102)		(2,746)
Shareholders' deficit – equity interests	13		(265)		(60)

These financial statements were approved by the Board of Directors on 17 May 2004 and were signed on its behalf by:

Steven Burns
Director

Consolidated cash flow statement

for the year ended 31 December 2003

	Note	2003 £000	2003 £000	2002 £000	2002 £000
Net cash outflow from operating activities	15		(175)		(171)
Returns on investments and servicing of finance					
Interest received		–		–	
Bank interest paid		(15)		(14)	
			(15)		(14)
			(190)		(185)
Taxation					
R&D tax credit			44		–
Capital expenditure					
Payments to acquire tangible fixed assets			(17)		(26)
Acquisitions			–		–
Cash outflow before financing			(163)		(211)
Financing					
Capital repayments under finance leases			(2)		(6)
Issue of ordinary share capital for cash			155		275
Expenses paid in connection with share issues			(4)		(9)
(Decrease)/increase in cash in the year	16		(14)		49

Notes to the financial statements

for the year ended 31 December 2003

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

Notwithstanding net liabilities of £210,000, 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 £500,000 with Bank Hapoalim which is due for renewal on 29 April 2005. As security for the facility, the bank has obtained the unlimited Joint and Several Guarantees of Dr. Michael J. Sinclair (non-executive Director), Mr Leo Noe and Grand Rabbi Y.A. Korff of Boston (non-executive Director).

In addition, a working capital facility of £150,000 has been agreed with Natwest which is secured on the Group's debtor book. This facility is due for renewal on 31 December 2004.

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 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.

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.

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 and 3 years
Short leasehold property	–	lease term

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.

Notes to the financial statements
(continued)

1. Accounting policies (continued)

Long term contracts
The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover. Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on 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.

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 table below sets out information for the group's business segments. Substantially all activity is carried out in the United Kingdom.

	Print and digital media		Technical and Marketing consulting		Total	
	2003	**2002**	**2003**	**2002**	**2003**	**2002**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Turnover	1,401	1,533	551	157	1,952	1,690
Profit/(loss) before interest and taxation	(319)	(431)	96	30	(223)	(401)

3. Loss on operating activities before taxation

	Year to 31 December 2003 £000	Year to 31 December 2002 £000
Loss on ordinary activities before and after taxation is stated after charging:		
Auditors' remuneration		
Audit	20	18
Other services	–	6
Operating lease charges	56	70
Depreciation and other amounts written off fixed assets – tangible (note 8)	24	26

Auditors' remuneration includes £10,000 (2002: £7,500) for the company.

Notes to the financial statements

(continued)

4. Remuneration of Directors

	Year to 31 December 2003 £000	Year to 31 December 2002 £000
Directors' emoluments	290	296
	290	296

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid Director was £65,000 (2002: £58,208).

	Number of directors 2003	2002
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	–	–

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 2003	Year to 31 December 2002
Management	3	3
Technical and production	9	7
Editorial	15	13
Sales and marketing	9	8
Administrative	1	2
	37	33

The aggregate payroll costs of these persons were as follows:	Year to 31 December 2003 £000	Year to 31 December 2002 £000
Wages and salaries	1,031	913
Social security costs	112	89
	1,143	1,002

Notes to the financial statements
(continued)

6. Taxation

	Year to 31 December 2003 £000	Year to 31 December 2002 £000
UK corporation tax	–	–
Research and development tax credit	(44)	–
Total current tax credit	(44)	–

The current tax credit for the year is explained below:

	Year to 31 December 2003 £000	Year to 31 December 2002 £000
Current tax reconciliation		
Loss on ordinary activities before tax	(223)	(415)
Current tax at 30% (2002: 30%)	(70)	(125)
Effects of:		
Tax losses not recognised as deferred tax assets	70	125
Research and development tax credit	44	–
Total current tax credits (see above)	44	–

Tax losses of £3,624,172 (2002: £3,588,000) are available to relieve future profits of the Group for which no deferred tax asset has been recognised.

7. Interest payable and similar charges

	Year to 31 December 2003 £000	Year to 31 December 2002 £000
On bank loans and overdrafts	15	14

8. Tangible fixed assets

Group

	Short leasehold property £000	Computer equipment £000	Fixtures and fittings £000	Total £000
Cost				
At beginning of year	54	88	29	171
Additions	–	17	–	17
At end of year	54	105	29	188
Depreciation				
At beginning of year	19	81	18	118
Charge for year	10	9	5	24
At end of year	29	90	23	142
Net book value				
At 31 December 2003	25	15	6	46
At 31 December 2002	35	7	11	53

Company

	Short leasehold property £000	Computer equipment £000	Fixtures and fittings £000	Total £000
Cost				
At beginning of year	53	6	12	71
Additions	–	–	–	–
At end of year	53	6	12	71
Depreciation				
At beginning of year	18	6	12	36
Charge for year	10	–	–	10
At end of year	28	6	12	46
Net book value				
At 31 December 2003	25	–	–	25
At 31 December 2002	35	–	–	35

Notes to the financial statements
(continued)

9. Debtors

	Group 31 December 2003 £000	Group 31 December 2002 £000	Company 31 December 2003 £000	Company 31 December 2002 £000
Trade debtors	254	227	–	–
Other debtors	34	30	26	21
Other taxation and social security	52	8	6	8
Prepayments and accrued income	51	52	30	21
	391	317	62	50

Included in other debtors of the Group and the Company is £25,620 due after more than one year, representing £21,500 deposit paid on 23 March 2000 and £4,120 deposit paid on 18 December 2003 when a property leasehold was signed.

10. Creditors: amounts falling due within one year

	Group 31 December 2003 £000	Group 31 December 2002 £000	Company 31 December 2003 £000	Company 31 December 2002 £000
Bank loans and overdrafts	205	203	9	–
Trade creditors	211	189	43	69
Amounts owed to group undertakings	–	–	282	80
Net obligations under finance leases	–	2	–	–
Other creditors including taxation and social security	78	65	–	–
Accruals and deferred income	153	105	18	17
	647	564	352	166

11. Financial instruments

An outline of the group's policies and objectives relating to financial instruments is set out in the directors' report on page 6.

Interest rate profile of financial liabilities

	Floating rate financial liabilities at 31 December 2003 £000	Floating rate financial liabilities at 31 December 2002 £000
Sterling	223	203

The Group's financial liabilities during the year ended 31 December 2003 were represented by an overdraft facility, repayable in less than one year, that specified interest to be charged at a rate of 2.75% per annum over the bank's base rate for overdrawn positions up to £350,000. The overdraft was secured by a debenture over the Group's trade debtors aged under 90 days. At 31 December 2003 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.

Notes to the financial statements

(continued)

12. Share capital

	31 December 2003 £000	31 December 2002 £000
Authorised		
125,000,000 ordinary shares of 1p each (2002: 125,000,000)	1,250	1,250
Allotted, called up and fully paid		
58,189,709 ordinary shares of 1p each (2002: 52,789,709)	582	528

Allotted share capital

On 15 October 2003 the Company issued 5,400,000 new ordinary shares at 2.875p per share under a private placing to raise £155,250 before expenses.

Loss per share

The calculation of the basic loss per share is based on the loss of £179,000 (2002: £415,000) and on 53,943,682 (2002: 45,656,263) 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

At the Company's AGM held on 14 August 2003 the Enterprise Management Incentive (EMI) Share Option Scheme was amended to allow options to be granted up to 15% of the issued share capital, instead of 10%.

During the year 4,410,000 share options to subscribe for new shares were granted to the Directors and employees of the Company, and 45,000 share options were surrendered by employees leaving. At 31 December 2003 the number of share options granted to the Directors and eligible employees of the Company amounted to 8,020,000. 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.

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.

Notes to the financial statements

(continued)

13. Reserves

Group Year to 31 December 2003	Share capital £000	Share premium account £000	Profit and loss account £000	Equity shareholders' funds/(deficit) £000
At beginning of year	528	2,158	(2,868)	(182)
Loss for the year	–	–	(179)	(179)
Share capital issued	54	97	–	151
	582	2,255	(3,047)	(210)

Company Year to 31 December 2003	Share capital £000	Share premium account £000	Profit and loss account £000	Equity shareholders' funds/(deficit) £000
At beginning of year	528	2,158	(2,746)	(60)
Loss for the year	–	–	(356)	(356)
Share capital issued	54	97	–	151
	582	2,255	(3,102)	(265)

The loss for the year for the financial period dealt with in the accounts of the Company amounted to £356,000 (2002: £274,000).

14. Reconciliation of movements in shareholders' deficit

	Group 31 December 2003 £000	Group 31 December 2002 £000	Company 31 December 2003 £000	Company 31 December 2002 £000
Loss for the financial year	(179)	(415)	(356)	(274)
Other recognised gains and losses relating to the year (net)	–	–	–	–
New share capital subscribed (net of issue costs)	151	281	151	281
Net (decrease)/ increase in shareholders' deficit	(28)	(134)	(205)	7
Opening shareholders' deficit	(182)	(48)	(60)	(67)
Closing shareholders' deficit	(210)	(182)	(265)	(60)

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

	Year to 31 December 2003 £000	Year to 31 December 2002 £000
Operating loss	(208)	(401)
Depreciation	24	26
(Increase)/decrease in debtors	(74)	94
Increase in creditors	83	95
Payments for services to be settled by shares	–	15
	(175)	(171)

Notes to the financial statements

(continued)

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

	Year to 31 December 2003 £000	Period to 31 December 2002 £000
(Decrease)/ increase in cash in the year	(14)	49
Cash outflow from decrease in debt and lease financing	2	6
Changes in net funds resulting from cash flows	(12)	55
Net debt at beginning of the year	(193)	(248)
Net debt at end of the year	(205)	(193)

17. Analysis of changes in net debt

	At 31 December 2002 £000	Cash flows £000	At 31 December 2003 £000
Cash at bank and in hand	12	(12)	–
Overdrafts	(203)	(2)	(205)
	(191)	(14)	(205)
Finance leases	(2)	2	–
	(193)	(12)	(205)

18. Commitments

At 31 December 2003 the Group had no capital commitments.

19. Obligations under operating leases

At 31 December 2003 the Group had the following annual commitments under non-cancellable operating leases:

	Land and buildings Year to 31 December 2003 £000	Computer Equipment Year to 31 December 2003 £000	Total Year to 31 December 2003 £000	Total Year to 31 December 2002 £000
Commitments which expire:				
Between 1 and 2 years	–	1	1	44
Between 2 and 5 years	58	1	59	3
	58	2	60	47

Notes to the financial statements

(continued)

20. 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:

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.

During the year ended 31 December 2003, The Sinclair Montrose Trust Limited (a company controlled by Dr Michael Sinclair) provided a guarantee of £325,000 in respect of the overdraft facility in place during that period. In addition, Steven Burns provided a joint and several guarantee for £100,000 to the bank, in respect of this facility, supported by a charge over a £100,000 deposit held by the bank in the name of Steven Burns.

Sinclair Montrose Trust Limited has agreed to cancel the £25,000 management charge to Totally Plc. Totally's Chairman, Dr M Sinclair, and his family have a controlling interest in Sinclair Montrose Trust.

During the year, Totally Plc has made sales, on an arm's length basis, of £7,762 to Yoomedia. Dr M Sinclair is the Executive Chairman.

In 2003, sales of £1,000, on an arm's length basis were made to Six13 Restaurant. Dr M Sinclair is a board member of this company.

21. Details of principal subsidiary undertakings

TotallyJewish.com Limited
This company is a direct 100% subsidiary of Totally Plc and is incorporated in Great Britain and registered in England and Wales.

London Jewish News Limited
This company is a direct 100% subsidiary of Totally Plc and is incorporated in Great Britain and registered in England and Wales.

Both the above companies are involved in UK Jewish media activities.

Totally Communications Limited
This company is a direct 100% subsidiary of Totally Plc and is incorporated in Great Britain and registered in England and Wales.

22. Post Balance Sheet events

On 29 January 2004 Totally plc acquired the entire share capital of The Jewish Advocate Publishing Corporation a company incorporated in the United States, by issuing a further 20,500,000 ordinary shares at 1p each, and for a consideration of £896,875 based on the mid market price on the five days preceding the deal. The Vendor, the Zvhil-Mezbuz Rebbe, Grand Rabbi Y.A. Korff of Boston ("The Rebbe"), will receive consideration of £896,875 to be satisfied by the issue of 20,500,000 new ordinary shares in the Company (the "Consideration Shares"), representing 26.05 per cent. of the enlarged issued share capital of the Company. In addition, The Rebbe will, conditional upon shareholder approval, also be granted a warrant over 4,394,350 new ordinary shares at an exercise price of 4.375p per share which will be exercisable at any time thereafter ("the Rebbe Warrant").

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 18 June 2004 at 10.00 a.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 2003;

2. To re-appoint The Zvhil-Mezbuz Rebbe, Grand Rabbi Y A Korff of Boston as a Director of the Company, who retires in accordance with Article 14.6 of the Company's Articles of Association;

3. To re-appoint Shimon Cohen as a Director of the Company, who retires in accordance with Article 14.6 of the Company's Articles of Association;

4. To re-appoint Dan Assor as a Director of the Company, who retires in accordance with Article 14.1 of the Company's Articles of Association; and

5. To re-appoint KPMG Audit Plc as auditors of the Company and to authorise the Directors to fix their remuneration.

By order of the board

Paul Stacey
Company Secretary

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

Dated: 25 May 2004

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 Company's Registrars, Capita IRG Plc, New Issues Department, PO Box No 166, Bourne House, 34 Beckenham Road, Kent BR3 4TH 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.

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