



financial statements
for the year ended 31 december 2007

Directors' report and financial statements

for the year ended 31 December 2007

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Company information

Registered Office	Unit 611 Highgate Studios 53-79 Highgate Road London NW5 1TL
Registration Number	3780101 (England and Wales)
Auditors	Royce Peeling Green Limited The Copper Room Deva Centre Trinity Way Manchester M3 7BG
Nominated Adviser	John East & Partners Limited 10 Finsbury Square London EC2A 1AD
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
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

Chairman's statement

Group Overview

The Group comprises a digital marketing agency, Totally Communications, which derives its revenues from website design & development, IT consultancy and online marketing and a publishing division with offices in the UK and the US which are focused on delivering products and services for the world's Jewish communities.

Financial Summary

During the period under review the Group's turnover for the year to 31 December 2007 was £2.65 million (2006: £2.82 million). This reduction was in part due to year on year average exchange rate differences. The average exchange rate £/USD in 2007 was £2.00 (2006: £1.86).

Administrative expenses before non cash charges for group share options and amortisation and depreciation were £2.18 million (2006: £2.16 million).

Group EBITDA for the period before head office costs was £0.49 million (2006: £0.52 million) with an operating profit before head office charges of £0.22 million (2006: £0.43 million).

Publishing division EBITDA improved by 8 per cent. to £0.32 million (2006: £0.30 million) and digital marketing division EBITDA was £0.16 million (2006: £0.21 million).

Strategy

During 2007 Dan Assor, Chief Executive Officer, conducted a review of the Group's operations which resulted in the introduction of a long term strategic plan at the beginning of the current financial year designed to deliver shareholder value and increase profitability through a combination of organic growth and targeted acquisitions specifically within the digital marketing sector.

Totally's digital marketing agency, Totally Communications, now generates approximately 25 per cent. of the Group's revenue. A recent report conducted by the Internet Advertising Bureau, in partnership with PricewaterhouseCooper (Source: entitled "IAB/PwC Adspend Study H2 2007", dated March 2008) stated that online advertising spend in the UK for 2007 surpassed £2.8 billion which is equivalent to 38 per cent. year on year growth on a like for like basis. The report also forecast that internet advertising revenues would grow to £4.5 billion and account for nearly 30 per cent. of all UK advertising by 2011, up from 15 per cent. in 2007. The Board is confident that the strategy of providing a range of consultative and technical services to advertisers represents a high growth opportunity for the Company as marketing budgets continue to migrate to online channels.

Board, Staff and Clients

I would like to thank Totally's Board and staff for their hard work and efforts over the past 12 months and also to thank Dan Assor for assuming the role of Chief Executive Officer. In particular, I would like to thank the clients of Totally for their loyalty and support.

Prospects

Trading since the beginning of the current financial year has remained stable and as outlined above the Group is committed to growing the business particularly within the digital marketing sector and is exploring organic and acquisition opportunities. Furthermore, the Board believes that the Group is now in a position to build from a stable platform to increase shareholder value.

Dr Michael Sinclair

Non-Executive Chairman

24 June 2008

Directors' report

The Directors present their report and the financial statements for the year to 31 December 2007.

Principal activities

The Group's principal activities have been the provision of digital marketing services and publishing.

Totally Communications Limited is a digital marketing agency which has provided website design and development services as well as more general application development, consultancy, internet marketing and creative services.

The Group's publishing division comprises a portfolio of publications which have included the Jewish News, a weekly newspaper distributed in London, the Jewish Advocate, a paid for weekly newspaper distributed in the USA in Boston, Massachusetts and the community website www.TotallyJewish.com and its various online derivatives.

The Group continues to consolidate its position as a leading publisher and services provider to the world's Jewish communities whilst at the same has started to explore and exploit aggressive organic growth opportunities in the digital marketing sector.

Business review

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

The Group incurred an operating loss for the year under review of £318,000. In the previous year the Group made an operating profit of £7,000.

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 17 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 2007	Ordinary shares of 1p each held 31 December 2007	Warrants to subscribe for Ordinary shares of 1p each held 31 December 2006	Ordinary shares of 1p each held 31 December 2006
The Zvhil-Mezbuz Rebbe, Grand Rabbi Y.A. Korff of Boston (non executive)	8,745,509	27,014,000	8,745,509	27,014,000
Steve Burns (resigned 12 January 2007)	2,721,469	9,083,999	2,721,469	9,083,999
Daniel J Assor (Chief Executive)	4,088,633	3,043,103	1,638,633	1,576,436
Dr Michael J Sinclair (non-executive Chairman)*	5,517,825	14,509,791	5,517,825	14,356,841
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	21/11/2003
	1,250,000	–	1,250,000	3.62	15/10/2006
	700,000	–	700,000	4.375	18/06/2007
	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	16/05/2008

Substantial interests

The Company has been notified, as at 2 June 2008, of the following interests in 3 per cent. or more of the ordinary shares in issue:

	Ordinary shares	Percentage
The Zvhil-Mezbuz Rebbe, Grand Rabbi Y.A. Korff of Boston	20,500,000	18.23
Dr Michael J Sinclair	14,509,791	12.90
Barclayshare Nominees Limited	10,039,062	8.93
Chase Nominees Limited	9,872,656	8.78
Hoodless Brennan Plc	8,182,174	7.28
Mr Leopold Noe	6,666,666	5.93
Pershing Keen Nominees Limited	4,042,999	3.60

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 2007 was 74 days (2006: 79 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

24 June 2008

Board report on Corporate Governance

for the year ended 31 December 2007

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 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 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 Directors 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.

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 3.

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 2007 are set out in note 7 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 18 to the financial statements.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and the Company's and the Group's financial statements in accordance with applicable United Kingdom Law and those International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The Directors are required to prepare Company and the Group financial statements for each year which present fairly the financial position of the Company and the Group and the financial performance of the Company and the Group for that period. In Preparing those financial statements, the Directors are required to:

- select suitable accounting policy in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, comparable and understandable information;
- provide additional disclosures when compliance with the specific in IFRS is insufficient to enable users to understand the impact of the particular transactions, other events and conditions on the Company's financial position and financial performance; and
- state that the Company has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 4. Having made enquiries of fellow Directors and of the Company's and the Group's auditors each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's and the Group's auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's and the Group's auditors are aware of that information.

Approved by the Board of Directors
and signed on behalf of the Board

Dan Assor
Director

24 June 2008

Independent auditors' report to the members of Totally plc

We have audited the Company's and the Group's financial statements on pages 13 to 43.

This report is made solely to the Company's and the Group'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 and the Group'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 Group and the Company's and the Group'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 Annual report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards ("IFRS") as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

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 and the Group have 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 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 Company's and 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.

Independent auditors' report to the members of Totally plc

(continued)

Opinion

In our opinion the financial statements:

- give a true and fair view in accordance with IFRS as adopted by the European Union as applied in accordance with provisions of the Companies Act 1985, of the state of affairs of the Company and the Group as at 31 December 2007 and of the loss of the Company and 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 3 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

24 June 2008

Consolidated income statement

for the year ended 31 December 2007

	Note	Total 2007 £000	Total 2006 as restated £000
Revenue	4	2,644	2,823
Cost of Sales		(488)	(528)
Gross profit		2,156	2,295
Administrative expenses		(2,200)	(2,191)
Earnings before interest, tax, depreciation and amortisation		(44)	104
Depreciation and amortisation		(9)	(19)
Amortisation		(89)	(78)
Impairment		(176)	–
Operating (loss)/profit	6	(318)	7
Share of loss of Joint venture accounted for using the equity method		(4)	(18)
Finance costs	9	(38)	(50)
Loss before taxation		(360)	(61)
Income tax	8	17	17
Loss for the year attributable to Equity Shareholders	19	(343)	(44)
Loss per share			
Basic	17	0.3p	0.05p
Diluted	17	0.3p	0.05p

The Group Income Statement has been prepared on the basis that all operations are continuing operations.

The accompanying notes on page 18 to 43 form part of the financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2007

Group	Share capital £000	Share premium account £000	Translation reserve £000	Profit and loss account £000	Equity shareholders' funds £000
At 1 January 2005 as previously stated	788	2,947	1	(3,311)	425
At 1 January 2005 as restated	788	2,947	1	(3,311)	425
Loss for the year	-	-	-	(372)	(372)
Credit on issue of share options	-	-	-	14	14
Credit on issue of warrants	-	-	-	63	63
Currency translation differences on foreign currency net investments	-	-	1	-	1
Share capital issued	110	159	-	-	269
At 31 December 2005	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
At 31 December 2006	901	3,107	2	(3,625)	385
Loss for the year	-	-	-	(343)	(343)
Share capital issued	223	246	-	-	469
Currency translation differences on foreign currency net investments	-	-	(1)	-	(1)
Credit on issue of share options	-	-	-	15	15
Credit on issue of warrants	-	-	-	6	6
At 31 December 2007	1,124	3,353	1	(3,947)	531

The accompanying notes on page 18 to 43 form part of the financial statements.

Group balance sheet

at 31 December 2007

	Note	2007	2006
		£000	£000
			2006 as restated
		£000	£000
Non current assets			
Goodwill and intangible fixed assets	10	1,014	1,214
Property, plant and equipment	11	27	21
		<u>1,041</u>	<u>1,235</u>
Current assets			
Inventories	3	8	5
Trade and other receivables	13	433	422
Cash and cash equivalents		94	32
		<u>535</u>	<u>459</u>
Total assets		<u>1,576</u>	<u>1,694</u>
Current liabilities			
Trade and other payables	14	(475)	(527)
Borrowings – financial liabilities	15	(542)	(755)
		<u>(1,017)</u>	<u>(1,282)</u>
Non current liabilities			
Investment in joint venture	12	(28)	(27)
Total liabilities		<u>(1,045)</u>	<u>(1,309)</u>
Net assets		<u>531</u>	<u>385</u>
Shareholders' equity			
Called up share capital	17, 19	1,124	901
Share premium account	19	3,353	3,107
Translation reserve	19	1	2
Retained earnings	19	(3,947)	(3,625)
Equity shareholders funds	19	<u>531</u>	<u>385</u>

These financial statements were approved by the Board of Directors on 24 June 2008 and were signed on its behalf by:

Dan Assor
Director

The accompanying notes on page 18 to 43 form part of the financial statements.

Company balance sheet

at 31 December 2007

	Note	2007	2006
		£000	£000
			2006 as restated
		£000	£000
Non current assets			
Goodwill and intangible fixed assets	10	–	1
Property, plant and equipment	11	–	–
Investments in subsidiaries	12	929	929
		<u>929</u>	<u>929</u>
		929	930
Current assets			
Debtors	13	61	32
Cash and cash equivalents		12	–
		<u>73</u>	<u>32</u>
		73	32
Total assets		<u>1,002</u>	<u>962</u>
		1,002	962
Current liabilities			
Trade and other payables	14	(816)	(507)
Borrowings – financial liabilities	15	(511)	(733)
		<u>(1,327)</u>	<u>(1,240)</u>
		(1,327)	(1,240)
Net (liabilities)/assets		<u>(325)</u>	<u>(278)</u>
		(325)	(278)
Shareholders' equity			
Called up share capital	17, 19	1,124	901
Share premium account	19	3,353	3,107
Retained earnings	19	(4,802)	(4,286)
		<u>(325)</u>	<u>(278)</u>
		(325)	(278)

These financial statements were approved by the Board of Directors on 24 June 2008 and were signed on its behalf by:

Dan Assor
Director

The accompanying notes on page 18 to 43 form part of the financial statements.

Group cash flow statement

for the year ended 31 December 2007

	Note	2007 £000	2006 £000
Cash flows from operating activities			
Operating (loss)/profit		(318)	7
Option charge		21	25
Share of joint venture loss		(4)	–
Amortisation and depreciation	10, 11	274	97
Increase in inventories		(3)	(1)
Increase in trade and other receivables	13	(11)	(14)
Decrease in trade and other payables	14	(52)	(1)
		<u>(93)</u>	<u>113</u>
Cash (utilised)/generated by operations			
R&D tax credit	8	24	21
Foreign tax on subsidiary profit	8	(7)	(5)
		<u>(76)</u>	<u>129</u>
Net cash (utilised)/generated by operating activities			
Cash flows from investing activities			
Purchase of non current asset	10, 11	(80)	(95)
		<u>(80)</u>	<u>(95)</u>
Net cash (utilised)/generated by investing activities			
Cash outflow before financing			
		<u>(156)</u>	<u>34</u>
Cash flows from financing activities			
Interest paid	9	(38)	(50)
Issue of ordinary share capital	19	467	–
Receipt for exercise of share options	19	2	4
		<u>431</u>	<u>(46)</u>
Net cash from financing activities			
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of year		(723)	(711)
		<u>(448)</u>	<u>(723)</u>
Cash and cash equivalents at 31 December			

The accompanying notes on page 18 to 43 form part of the financial statements.

Notes to the financial statements

for the year ended 31 December 2007

1. General information

Totally plc is a public limited company ("Company") incorporated in the United Kingdom under the Companies Act 1985 (registration number 3870101). The Company is domiciled in the United Kingdom and its registered address is Unit 611 Highgate Studios, 53-79 Highgate Road, London, NW5 1TL. The Company's Ordinary Shares are traded on the AIM Market of the London Stock Exchange ("AIM")

The Group's principal activities have been publishing and the provision of internet and communication services.

As an EU listed company, Totally plc is required to prepare its Group accounts using IFRS, as adopted by the European Union, with effect from 1 October 2005. These financial statements are the first full year statements to be prepared in accordance with IFRS. The disclosures required by IFRS 1 "First-time Adoption of International Financial Reporting Standards", are set out below.

2. Authorisation of financial statements and statement of compliance with IFRS

The Company's financial statements for the period ended 31 December 2007 were authorised for issue by the Board of Directors and the balance sheet were signed on the Board's behalf by D Assor on 24 June 2008.

The Company's financial statements have been prepared with IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as endorsed by the European Union, and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The Company's financial statements have been prepared on the same basis and as permitted by Section 230(3) of the Companies Act 1985, no income statement is presented for the Company. The Company incurred a loss of £538,000 for the year ended 31 December 2007 (2006: loss £401,000).

3. Basis of preparation

These are the Group's and Company's first financial statements prepared under IFRS and IFRS 1 "First Time Adoption of International Financial Reporting Standards" has been applied. The last financial statements under UK Generally Accepted Accounting Principles ("UK GAAP") were for the year ended 31 December 2006. The current year figures and comparatives have been restated to comply with IFRS. The transition from UK GAAP to IFRS is explained in note 23 of the report and accounts.

The accounting policies set out in note 4 have been applied consistently to all periods presented in these consolidated financial statements and in preparing an opening balance sheet at 31 December 2005 for the purposes of transition to IFRS.

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 25 June 2007 until 30 June 2008. 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 Y.A. 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 30 September 2008.

The Directors have prepared projected cash flow information for the period ending 12 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.

Notes to the financial statements

(continued)

4. Accounting policies

Basis of consolidation

The Group's financial statements include the results of the Company and all its subsidiaries, together with the Group's share of the post-tax results of its 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.

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The results of subsidiaries are included in the Group income statement from the date of acquisition. Intercompany transactions and balances between Group companies are eliminated upon consolidation.

Joint ventures

Joint ventures are jointly controlled entities in which the Group has an interest. The Group's share of the results of its joint ventures is included in the Group income statement using the equity method of accounting.

Investments in joint ventures is carried in the Group balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the entity, less any impairment in value.

Investments in subsidiaries and joint ventures are carried at cost less any impairment loss in the financial statements of the Company.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Revenue 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.

Finance costs

Finance costs comprise interest payable on the bank overdrafts and are recognised on an accruals basis.

Goodwill and intangible assets

(a) Computer software

Computer software is carried at cost less accumulated amortisation and any impairment loss. Externally acquired computer software and software licences are capitalised at the costs incurred to acquire and bring into use the specific software. These assets are considered to have finite useful lives and are amortised on a straight line basis over the estimated useful economic lives of each of the assets, considered to be between three and five years. Computer software is carried at cost less accumulated amortisation and any impairment loss. Costs relating to development of computer software are capitalised once the recognition criteria are met. When the software is available for its intended use, these costs are amortised over the estimated useful life of the software.

The carrying values of intangible assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

(b) Goodwill

Goodwill arising on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill is recognised as an asset on the Group's balance sheet in the year in which it arises. Goodwill is not amortised and is tested for impairment at least annually and more frequently if events or changes indicate that the carrying value may be impaired and is carried at cost less accumulated impairment losses.

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 of greater than 20 years.

Notes to the financial statements

(continued)

4. Accounting policies (continued)

Property, plant and equipment

Furniture and equipment is carried at cost less accumulated depreciation and any recognised impairment in value. Cost comprises the aggregate amount paid to acquire asset and includes costs directly attributable to making the asset capable of operating as intended

Depreciation is calculated to write down the cost of the assets to their residual values 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 assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate on an annual basis. An item of furniture and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the period that the asset is derecognised.

Impairment of assets

At each balance sheet date, the Company reviews amounts of its tangible fixed assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets, which is the higher of its fair value less costs to sell and its value in use, is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. For tangible and intangible assets excluding goodwill, the CGU is deemed to be cash generating asset or the trading company whichever is the smaller CGU. For goodwill, the CGU is deemed to be the business acquired.

An impairment charge is recognised in the income statement in the period in which it occurs. Where an impairment loss subsequently reverses due to a change in its original estimate, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods.

The Group is required to assess whether goodwill has suffered any impairment loss, based on the recoverable amount of its CGUs. The recoverable amount of the CGUs have been determined based on value in use calculations and these calculations require the use of estimates in relation to future cash flows and suitable discount rates as disclosed in note 10. Actual outcomes could vary from these estimates.

Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less any further costs expected to be incurred on disposal.

Trade and other receivables

Trade receivables, which are generally received on end of month following terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision is made when it is likely that the balance will not be recovered in full. Balances are written off when the probability of recovery is considered remote.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and short-term deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as components of cash and cash equivalents for the purposes of the cash flow statement.

Notes to the financial statements

(continued)

4. Accounting policies (continued)

Foreign currencies

(a) Foreign operations

On consolidation, assets and liabilities of foreign operations are translated into sterling at year-end exchange rates. The results of foreign operations are translated into sterling at average rates of exchange for the year. The average US dollar to sterling exchange rate in 2007 was 2.00 (2006: 1.86).

Exchange differences arising from the retranslation at year-end exchange rates of the net investment in foreign operations are taken to equity and are reported in the statement of recognised income and expense.

(b) Foreign currency transactions

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating 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 income statement on a straight line basis over the life of the lease. Other operating leases are treated in the same manner.

Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from the Group's technology development is recognised only if all of the following conditions are met:

- An asset is created that can be identified;
- It is probable that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably.

Internally generated intangible assets are amortised on a straight-line basis over their useful economic lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Share-based payment

The Group provides benefits to employees (including Directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The fair value of the employee services rendered is determined by reference to the fair value of the shares awarded or options granted, excluding the impact of any non-market vesting conditions. All share options are valued using an option-pricing model (Black-Scholes). This fair value is charged to the income statement over the vesting period of the share-based payment scheme, with the corresponding increase in equity.

The value of the charge is adjusted in the income statement over the remainder of the vesting period to reflect expected and actual levels of options vesting, with the corresponding adjustment made in equity.

Notes to the financial statements

(continued)

4. Accounting policies (continued)

Income taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered or paid to the taxation authorities based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised using the balance sheet liability method, providing for temporary differences between the tax bases and the accounting bases of assets and liabilities. Deferred income tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred income tax liabilities are recognised for all temporary differences, except for an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax is charged or credited to the income statement, except when it relates to items charged or credited to equity, in which case the deferred tax is also dealt with in equity. Deferred income tax assets and liabilities are offset against each other only when the Company has a legally enforceable right to do so.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

Use of assumptions and estimates

The Company makes judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The resulting accounting estimates calculated using these judgements and assumptions will, by definition, seldom equal the related actual results but are based on historical experience and expectations of future events. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The estimates and assumption that have a significant effect on the amounts recognised in the financial statements are those related to establishing depreciation and amortisation periods for the Company and the estimates in relation to future cash flows and discount rates utilised in impairment testing.

New standards and interpretations not applied

The following standards and interpretations have been adopted by the European Union but are not effective for the year ended 31 December 2007 and have not been applied in preparing the financial statements.

International Accounting Standards (IAS/IFRSs) Effective Date

- IFRS 8: "Operating Segments" 1 January 2009
- IAS 1: "Presentation of Financial Statements" 1 January 2009
- IAS 23: "Borrowing costs"(Revised) 1 January 2009

International Financial Reporting Interpretations Committee Effective Date

- IFRIC 11: "IFRS 2 – Group and treasury share transactions" 1 March 2007
- IFRIC 12: "Service concession arrangements" 1 January 2008
- IFRIC 13: "Customer Loyalty Programmes" 1 July 2008
- IFRIC 14: "Defined Benefit Assets and Minimum Funding Requirements" 1 January 2008

The Directors do not anticipate that the adoption of these standards and interpretations, where relevant for the Group, will have a material impact on the Group's financial statements in the period of initial application.

Notes to the financial statements

(continued)

5. Segmental analysis

Primary reporting format – business segments

The table below sets out information for the group's business segments for the years ended 31 December 2007 and 2006.

Segment revenue represents revenue from external customers arising from the sale of goods and services.

The type of products sold by each segment is detailed in the Business Review.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Analysis by business segment 2007

	Head Office £000	UK Publishing £000	US Publishing £000	Total Publishing £000	Digital Marketing £000	Total £000
Revenue	–	1,165	808	1,973	671	2,644
EBITDA	(535)	190	137	327	164	(44)
Depreciation	–	(5)	(3)	(8)	(1)	(9)
Amortisation	(1)	(87)	–	(87)	(1)	(89)
Impairment losses	–	(176)	–	(176)	–	(176)
Operating profit/(loss)	(536)	(78)	134	56	162	(318)
Finance costs	(40)	1	1	2	–	(38)
Share of joint venture loss	–	–	(4)	(4)	–	(4)
Profit/(loss) before tax	(576)	(77)	131	54	162	(360)
Income tax	–	24	(7)	17	–	17
Profit/(loss) after tax	(576)	(53)	124	71	162	(343)
Segment assets	49	243	1,072	1,315	184	1,548
Segment liabilities	(572)	(284)	(98)	(373)	(63)	(1,017)
Other segment information:						
Capital expenditure						
Property, plant and equipment	–	8	19	27	–	27
Goodwill	–	–	941	941	–	941
Other intangible assets	–	68	–	68	5	73

Notes to the financial statements

(continued)

5. Segmental analysis (continued)

Analysis by business segment 2006

	Head Office £000	UK Publishing £000	US Publishing £000	Total Publishing £000	Digital Marketing £000	Total £000
Revenue	–	1,259	903	2,162	661	2,823
EBITDA	(412)	148	154	302	214	104
Depreciation	(5)	(11)	–	(11)	(3)	(19)
Amortisation	(2)	(76)	–	(76)	–	(78)
Impairment losses	–	–	–	–	–	–
Operating profit/(loss)	(419)	61	154	215	211	7
Finance costs	(50)	–	–	–	–	(50)
Share of joint venture loss	–	–	(18)	(18)	–	(18)
Profit/(loss) before tax	(469)	61	136	197	211	(61)
Income tax	–	21	(4)	17	–	17
Profit/(loss) after tax	(469)	82	132	214	211	(44)
Segment assets	33	446	1,058	1,504	299	1,836
Segment liabilities	(791)	(441)	(104)	(545)	(115)	(1,451)
Other segment information:						
Capital expenditure						
Property, plant and equipment	–	7	13	20	1	21
Goodwill	–	–	941	941	–	941
Other intangible assets	1	272	–	272	–	273

Secondary reporting format – Geographical segments

Analysis by geographical segment

	UK operations		US operations		Total	
	2007 £000	2006 £000	2007 £000	2006 £000	2007 £000	2006 £000
Revenue	1,836	1,920	808	903	2,644	2,823
Segment assets	504	804	1,044	1,032	1,548	1,836
Other segment information:						
Capital expenditure						
Property, plant and equipment	8	8	19	13	27	21
Goodwill	–	–	941	941	941	941
Other intangible assets	73	273	–	–	73	273

Segment revenue by geographical segment represents revenue from external customers based upon the geographical location of the customer. The analyses of segment assets and capital expenditure are based upon the location of the assets.

Notes to the financial statements

(continued)

6. Loss on operating activities before taxation	2007	2006
	£000	£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
Auditors' remuneration for non-audit services – due diligence	15	–
Operating lease charges- land and buildings	76	89
Operating lease charges- other assets	8	1
Depreciation	9	19
Amortisation	89	78
Impairment loss – Software	176	–
	<hr/>	<hr/>

Auditors' remuneration includes £6,000 (2006: £6,000) for the Company.

7. Employee information

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

	Number of employees	
	2007	2006
Management	3	4
Technical and production	10	10
Editorial	14	17
Sales and marketing	10	12
Administrative	2	2
	<hr/>	<hr/>
	39	45

Staff costs for the above employees during the year amounted to:

	2007	2006
	£000	£000
Wages and salaries	1,211	1,264
Social security costs	131	143
	<hr/>	<hr/>
	1,342	1,407

Directors' emoluments

	2007	2006
	£000	£000
Directors' emoluments	115	179
Compensation for loss of office	78	–
	<hr/>	<hr/>
Aggregate emoluments	193	179
Gain made on exercise of share options	–	–
	<hr/>	<hr/>
Number of directors entitled to share options	3	4

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 per annum (2006: 250,000 US Dollars).

Included in wages and salaries is a total charge for share based payments of £21,000 (2006: £25,000) which arises wholly in both years from transactions accounted for as equity settled share based payment.

Notes to the financial statements

(continued)

8. Taxation

(a) Taxation charge	2007	2006
	£000	£000
Overseas income tax on subsidiary undertakings	7	4
Research and development tax credit	(24)	(21)
Total current income tax credit charged in the income statement	<u>(17)</u>	<u>(17)</u>

(b) Taxation reconciliation

The current income tax credit for the period is explained below:

	2007	2006
	£000	£000
Loss before tax	(360)	(43)
Taxation at the standard UK income tax rate of 30% (2006: 30%)	(108)	(13)
Research and Development tax credit	(24)	(21)
Deferred Tax movement not provided for	108	13
Foreign tax adjustment	7	4
Total income tax credit charged in the income statement	<u>(17)</u>	<u>(17)</u>

(c) Deferred tax

Tax losses of £3,776,000 (2006: £3,651,000) 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.

9. Finance costs

	2007	2006
	£000	£000
On bank overdrafts	<u>38</u>	<u>50</u>

10. Goodwill and intangible fixed assets

Group	Software	Goodwill	Total
	£000	£000	£000
Cost			
At 1 January 2007	395	941	1,336
Additions	6	–	6
Additions – Internally generated	59	–	59
At 31 December 2007	<u>460</u>	<u>941</u>	<u>1,401</u>
Amortisation			
At 1 January 2007	122	–	122
Amortisation during the year	89	–	89
Impairment loss	176	–	176
At 31 December 2007	<u>387</u>	<u>–</u>	<u>387</u>
Net carrying value			
At 31 December 2007	<u>73</u>	<u>941</u>	<u>1,014</u>
At 31 December 2006	<u>273</u>	<u>941</u>	<u>1,214</u>

Notes to the financial statements

(continued)

10. Goodwill and intangible fixed assets (continued)

On 29 January 2004 the Group acquired 100 per cent 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 4 "Accounting policies – Impairment of assets".

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.

The goodwill above is allocated to the respective CGU within the US Publishing sector. The value of the goodwill was tested for impairment during the current financial year by means of comparing the recoverable amount of each CGU to the carrying value of its goodwill.

In assessing value in use, the estimated future cash flows are calculated by preparing cash flow forecasts derived from the most recent financial budget and an assumed growth rate of 0 per cent, which does not exceed the long-term average growth rate of the relevant markets. The terminal value of the cash flow is then calculated by discounting using the Group's cost of capital (8 per cent). A period of 30 years has been used for assessing the value in use on the basis that goodwill as mentioned above, is likely to retain its value for a useful economic life greater than 20 years. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense.

It is the opinion of the Directors that at 31 December 2007 there was no impairment of goodwill.

Following the Group's annual impairment review of intangible fixed assets, an impairment charge of £176,000 (2006: £Nil) was made in the accounts due to a fall in the value in use of some of the Totally Jewish websites. These websites were phased out and the income generated has declined. The impairment loss has been included in administrative expenses in the income statement. The impairment loss relates to the UK publishing segment as disclosed in note 5.

Company	Software £000	Total £000
Cost		
At 1 January 2007	5	5
Additions	–	–
At 31 December 2007	5	5
Amortisation		
At 1 January 2007	4	4
Amortisation during the year	1	1
At 31 December 2007	5	5
Net carrying value		
At 31 December 2007	–	–
At 31 December 2006	1	1

Notes to the financial statements

(continued)

11. Property, plant and equipment

Group	Short leasehold property £000	Computer equipment £000	Fixtures and fittings £000	Total £000
Cost				
At beginning of year	54	126	89	269
Additions	–	1	14	15
At end of year	54	127	103	284
Depreciation				
At beginning of year	54	120	74	248
Charge for year	–	4	5	9
At end of year	54	124	79	257
Net book value				
At 31 December 2007	–	3	24	27
At 31 December 2006	–	6	15	21

Company	Short leasehold property £000	Computer equipment £000	Fixtures and fittings £000	Total £000
Cost				
At beginning and end of year	54	12	11	72
Depreciation				
At beginning and end of year	54	7	11	72
Net book value				
At 31 December 2007	–	–	–	–
At 31 December 2006	–	–	–	–

12. Investments

Group	Total £000
Equity investments in joint ventures	
Cost	3
Group share of post-acquisition reserves	(28)
Exchange difference taken to reserves	1
Share of retained loss for the year	(4)
At end of year	(28)

The joint ventures companies, all of which have been accounted for on the gross equity basis at 31 December 2007 are as follows:

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

Notes to the financial statements

(continued)

12. Investments (continued)

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

	2007 £000	2006 £000
Income	59	65
Expenses	(63)	(83)
Loss before tax	(4)	(18)
Tax	–	–
Loss after tax	<u>(4)</u>	<u>(18)</u>
	2007 £000	2006 £000
Non current assets	3	3
Current assets	20	15
Current liabilities	(51)	(45)
Net liabilities	<u>(28)</u>	<u>(27)</u>

**Total
£000**

Company

Investments in share capital of wholly owned subsidiaries

Cost

At beginning of year	929
Additions	–
At end of year	<u>929</u>

The subsidiary companies, all of which have been consolidated at 31 December 2007 are as follows:

	Country of incorporation	Percentage 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

13. Trade and other receivables

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Trade receivables	354	336	–	–
Amount due from group undertakings	–	–	24	–
Other debtors	19	20	18	16
Other taxation and social security	–	–	–	–
Prepayments and accrued income	60	66	19	16
	<u>433</u>	<u>422</u>	<u>61</u>	<u>32</u>

Notes to the financial statements

(continued)

14. Trade and other payables	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Current				
Trade payables	271	295	23	42
Amounts owed to group undertakings	–	–	764	449
Other taxes and social security	96	106	–	–
Accruals and deferred income	108	126	29	16
	<u>475</u>	<u>527</u>	<u>816</u>	<u>507</u>

15. Financial liabilities – Borrowings	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Current				
Bank overdrafts	<u>542</u>	<u>755</u>	<u>511</u>	<u>733</u>

Secured liabilities

The Group's financial liabilities during the year ended 31 December 2007 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 per cent 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 per cent above bank base rate per annum. At 31 December 2007 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 £48,000 in US dollars which is the working capital balance of the US subsidiary.

16. Financial instruments

The Group's financial instruments comprise cash and various items, such as trade receivables and trade payables, that arises directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operation.

Fair values of financial instruments

For the following financial assets and liabilities: long-term borrowings, short-term borrowings, trade and other payables, trade and other receivables and cash at bank and in hand, the carrying amount approximates the fair value of the instrument due to the instrument bearing interest at market rates and/or the short-term nature of the instrument.

Maturity of financial liabilities	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Amounts payable:				
Within one year	<u>542</u>	<u>755</u>	<u>511</u>	<u>733</u>

Notes to the financial statements

(continued)

17. Share capital and reserves

	31 December 2007 £000	31 December 2006 £000
Authorised		
250,000,000 ordinary shares of 1p each (2006: 150,000,000)	2,500	1,500
Allotted, called up and fully paid		
112,447,900 ordinary shares of 1p each (2006: 90,075,709)	1,124	901

Allotted share capital

On 8 February 2007 the Company issued 150,000 ordinary 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 £2,250.

On 29 March 2007 the Company placed 22,222,225 new ordinary shares at 2.25p per share. The net amount received amounted to £467,050.

Loss per share

The calculation of the basic loss per share is based on the loss of £343,000 (2006: £44,000) and on 107,135,514 (2006: 90,042,249) 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 IAS33 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, 3,533,333 share options to subscribe for new ordinary shares were granted to the Directors and employees of the Company, 150,000 share options were exercised and 1,300,000 share options were surrendered by employees. At 31 December 2007 the number of share options granted to the Directors and eligible employees of the Company amounted to 13,867,333. These are exercisable at a price between 1.50p and 4.375p 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 2006, 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.

On 11 April 2007, 8,564,015 warrants at an exercise price ranging between 1.75 pence and 5 pence were surrendered. 11,306,015 new warrants were issued at an exercise price of 5 pence per ordinary share of which 7,053,477 warrants are exercisable 2 years from the date of issue up to 11 April 2017 and 4,252,538 are exercisable from the date of issue up to 11 April 2017.

Share premium account

The share premium account represents the amounts received by the Company on the issue of Ordinary Shares that are in excess of the nominal value of the issued shares.

Translation reserve

The translation reserve represents the accumulated exchange differences arising from the impact of the translation of subsidiaries with a functional currency other than pounds sterling.

Notes to the financial statements

(continued)

18. Share-based payment

During the year ended ending 31 December 2007 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 11 April 2007. 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 per cent, no expected dividends, contractual life of three years, and a risk free interest rate of four per cent. It has been estimated that 21% of options granted will be forfeited due to employees leaving during the three year vesting period. A three 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. A reconciliation of option movements over the year is shown below:

	2007		2006	
	Number	Weighted	Number	Weighted
	'000s	average price	'000s	average price
		Pence		Pence
Outstanding at 1 January	11,784	3.01	12,955	3.02
Granted	3,533	2.70	600	2.33
Surrendered	(1,300)	3.63	(1,560)	3.08
Exercised	(150)	4.00	(211)	2.50
Expired	-	-	-	-
Outstanding at 31 December	13,867	2.89	11,784	3.01
Exercisable	8,367	3.04	6,659	2.96
			2007	2006
Range of exercise price (Pence)			2.70 – 4.00	2.33 – 3.08
Weighted average exercise price (Pence)			2.89	3.01
Number of shares – 000's			13,867	11,784
Weighted average remaining life years – Expected			3	3
Weighted average remaining life years – Contractual			3	3

(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 11 April 2007. The estimated fair value of options is £0.009 and £0.001 respectively. The model inputs are share price at grant date, exercise price, expected volatility of 29 per cent, no expected dividends, contractual life of three years, and a risk free interest rate of four per cent. A three year contractual life has been used to reflect the non-tradability of the warrants compared to the actual contractual life of seven 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:

	2007	2006
	£000	£000
Expense arising from share option plans	15	14
Expense arising from issue of share option warrants	6	11

Notes to the financial statements

(continued)

19. Group and Company changes in equity

Group	Share capital £000	Share premium account £000	Translation reserve £000	Profit and loss account £000	Equity shareholders' funds £000
At 1 January 2005 as previously stated	788	2,947	1	(3,311)	425
At 1 January 2005 as restated	788	2,947	1	(3,311)	425
Loss for the year	-	-	-	(372)	(372)
Credit on issue of share options	-	-	-	14	14
Credit on issue of warrants	-	-	-	63	63
Currency translation differences on foreign currency net investments	-	-	1	-	1
Share capital issued	110	159	-	-	269
At 31 December 2005	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
At 31 December 2006	901	3,107	2	(3,625)	385
Loss for the year	-	-	-	(343)	(343)
Share capital issued	223	246	-	-	469
Currency translation differences on foreign currency net investments	-	-	(1)	-	(1)
Credit on issue of share options	-	-	-	15	15
Credit on issue of warrants	-	-	-	6	6
At 31 December 2007	1,124	3,353	1	(3,947)	531
Company	Share capital £000	Share premium account £000	Translation reserve £000	Profit and loss account £000	Equity shareholders' funds £000
At 1 January 2005 as previously stated	788	2,947	-	(3,494)	241
At 1 January 2005 as restated	788	2,947	-	(3,494)	241
Loss for the year	-	-	-	(492)	(492)
Credit on issue of share options	-	-	-	14	14
Credit on issue of warrants	-	-	-	63	63
Share capital issued	110	159	-	-	269
At 31 December 2005	898	3,106	-	(3,909)	95
Loss for the year	-	-	-	(402)	(402)
Share capital issued	3	1	-	-	4
Credit on issue of share options	-	-	-	14	14
Credit on issue of warrants	-	-	-	11	11
At 31 December 2006	901	3,107	-	(4,286)	(278)
Loss for the year	-	-	-	(538)	(538)
Share capital issued	223	246	-	-	469
Credit on issue of share options	-	-	-	15	15
Credit on issue of warrants	-	-	-	7	7
At 31 December 2007	1,124	3,353	-	(4,802)	(325)

Notes to the financial statements

(continued)

20. Commitments

(a) Capital expenditure commitments

At 31 December 2007 the Group had no capital commitments.

(b) Operating leases agreements

At 31 December 2007 the Group had the following annual commitments under non-cancellable operating leases:

	Land and buildings 2007 £000	Other assets 2007 £000	Total 2007 £000	Total 2006 £000
Commitments which expire:				
Within 1 year	9	–	9	29
Between 1 and 2 years	–	3	3	–
Between 2 and 5 years	–	4	4	5
Greater than 5 years	45	–	45	48
	<u>54</u>	<u>7</u>	<u>61</u>	<u>82</u>

21. Related party transactions

The Group has taken advantage of the exemption available under IAS 24, "Related Party Disclosures", not to disclose details of transactions with its subsidiary undertakings.

The following related party transactions have been carried out at arms length and are required to be disclosed in accordance with IAS24.

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 2007, purchases of £3,714 (2006: £7,547), 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 £Nil (2006: £1,105) is included in trade creditors at year end.

In 2007, purchases of £3,030 (2006: £3,580), 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 £80 (2006: £300) is included in trade creditors at year end.

Included in trade debtors is an amount of £65,952 (2006: £65,252) due from Totally Jewish Travel Inc., a company in which the Group has a joint venture interest. Sales of £59,553 (2006: £97,951) relating to the recharge of services to Totally Jewish Travel Inc have been made in the year.

Included in trade debtors is an amount due of £1,439 (2006: £1,410) from Friends of Laniado UK, a registered charity of which Dr Michael Sinclair is also the chairman. Sales during the year amounted to £734 (2006: £1,410). At the year end a bad debt provision of £1,439 was made in the accounts against outstanding trade debtor balances.

22. 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 2007 amounted to £Nil (2006: £21,000).

Notes to the financial statements

(continued)

23. Reconciliation of net assets and profit under UK GAAP to IFRS

The Group reported under UK GAAP in its previously published financial statements for the year ended 31 December 2006. The analysis below shows a reconciliation of net assets and profit as reported under UK GAAP at 31 December 2006 to the revised net assets and profit under IFRS as reported in these financial statements. In addition, there is a reconciliation of net assets under UK GAAP to IFRS at the transition date for this Group, being 31 December 2005.

Impact of key differences between UK GAAP and IFRS

All relevant accounting standards have been applied to the restated financial information and the following accounting standards are those that have the most significant impact on the Group.

IFRS 3 (Business Combinations): Under UK GAAP goodwill was amortised over estimated useful lives. However, as permitted by UK GAAP, the Directors had departed from FRS10 by the non-amortisation of goodwill as the goodwill related to the brand name of The Jewish Advocate newspaper which the Directors regarded as a trophy asset likely to retain its value for a useful life greater than 20 years. Under IFRS goodwill is not amortised but is tested at least annually for impairment. There is no difference between the residual goodwill balance under UK GAAP and IFRS.

The Group is unaffected by the transition to IFRS 3 and the change is that the Group is no longer departing from any reporting standards or accounting policies to give what the Directors believe was a true and fair view of the Group financial position and performance.

IAS 7 (Cash Flow Statements): Underlying cash flows are unaffected by the transition to IFRS although there are changes to their presentation. IFRS requires cash flows to be reported under three sections: operating, investing and financing, whereas the equivalent UK GAAP standard requires cash flows to be reported in far greater detail under nine standard headings.

One further impact of IAS 7 relates to reporting of cash and cash equivalents. UK GAAP reports the movements in cash. However, IFRS reports the movements in cash and cash equivalents. Under UK GAAP, there is no concept of cash equivalents but cash flows relating to IAS 7 cash equivalents would be included in "management of liquid resources". This policy has had no impact for the year ended 31 December 2006 and 2007.

IAS 12 (Income Taxes): Deferred taxation charges arise under IFRS as a result of differences between the accounting treatment in respect of share-based payment (IFRS 2), intangible assets (IFRS 3 / IAS 38), revenue recognition (IAS 18) and employee benefits (IAS 19) (holiday pay accruals and pensions).

Under UK GAAP, in accordance with FRS 19 "Deferred Tax", deferred tax is provided in full on all timing differences which result in an obligation at the balance sheet date to pay more tax or a right to pay less tax, at a future date, at rates expected to apply when they crystallise, based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. It is the Group's policy that deferred tax assets and liabilities are not discounted.

Under IAS 12, deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Notes to the financial statements

(continued)

23. Reconciliation of net assets and profit under UK GAAP to IFRS (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. The policy has had no impact on the Group to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

IAS 18 (Revenue): Under IAS 18 there are certain revenue adjustments related to the allocation of revenue and discounts between the various elements of bundled licence and maintenance and support contracts. Under IAS 18, the amount allocated to the future services is required to be on a fair value basis, with the amount deferred being equal to the cost to provide the service plus a reasonable profit on the service.

The impact of this policy on the Group balance sheet was immaterial as income had been deferred under UK GAAP.

IAS 21 (The Effects of Changes in Foreign Exchange Rates): Certain exchange differences, previously recognised directly within retained earnings under UK GAAP, are reclassified into a separate currency translation reserve, directly within equity, under IFRS.

The impact of this policy results is immaterial and does not impact the Group's net equity.

IAS 31 (Interest in Joint Ventures): The Group has chosen the equity method of accounting for joint ventures, which is largely consistent with how they were accounted for in the UK GAAP accounts. The adoption of IFRS leads to a change in the presentation of the Group's share of the results of our joint ventures. Under UK GAAP, the Group included its share of joint ventures operating loss before interest and tax and showed its share of the interest and tax in the respective Group lines on the profit and loss account. Under IFRS, joint ventures loss is shown as a net figure after operating profit. The carrying amount of the investment is reduced by the loss or increased by profit.

IAS 38 (Intangible Assets): Certain software assets are reclassified from tangible to intangible assets under IFRS. The impact was to increase goodwill and intangible assets by £73,000 (2006: £273,000) and reduce property, plant and equipment by the same amount on the Group's balance sheet.

Separate intangible assets are also recognised within business combinations (see IFRS 3, above). These assets are amortised to the income statement over their estimated useful lives.

Under UK GAAP all research and development expenditure activity undertaken by the Group is charged through the income statement as incurred. The Group had applied UITF Abstract 29 which allowed them to capitalise website development costs, where the Group had created an asset which would give rise to future economic benefit. Similarly under IAS 38 – intangible assets, expenditure on research activities is recognised as an expense in the period in which it is incurred. However, an internally generated intangible asset arising from the development of software is recognised if all of the following conditions are met:-

- It is probable that the asset will create future economic benefits;
- The development costs can be measured reliably;
- Technical feasibility of completing the intangible asset can be demonstrated;
- There is the intention to complete the asset and use or sell it;
- There is the ability to use or sell the asset; and
- Adequate technical, financial and other resources to complete the development and to use or sell the asset are available.

Internally generated intangible assets are amortised over their estimated useful lives. If any of the criteria above are not met then no internally generated intangible asset is recognised and development expenditure is charged to the income statement in the period in which it is incurred.

Due to the similarity in UITF Abstract 29 and IFRS 3, this policy has no impact on the financial statements.

Notes to the financial statements

(continued)

23. Reconciliation of net assets and profit under UK GAAP to IFRS (continued)

Elections made under IFRS 1 (First-time adoption of International Financial Reporting Standards)

IFRS options

Share-based Payment

There are two first-time adoption exemptions for accounting for share-based payments:

- Share-based payments granted on or before 7 November 2002 and vested before 1 January 2005 may be restated but restatement is not mandatory;
- Share-based payments granted on or before 7 November 2002 and not vested before 1 January 2005 may be restated but restatement is not mandatory.

Business Combinations/Intangible Assets

The standard is mandatory for all acquisitions after the Group's transition date of 31 December 2005. However, the standard allows a first-time adopter to apply the standard to all business combinations that occurred before this date.

The Effects of Changes in Foreign Exchange Rates

IFRS requires certain translation differences to be recognised as a separate component of equity, rather than within retained earnings and to be considered as part of the profit or loss on any future disposal of foreign operations. However, the standard allows first-time adopters to deem the cumulative translation differences to be zero at the date of transition.

Financial Instruments

This standard is applicable from the Group's transition date of 31 December 2005. However, the standard grants a first year exemption from its application to the comparative period but also allows first-time adopters to account retrospectively for financial instruments in line with the standard.

Basis of election

IFRS 2

- Share options granted on or before 7 November 2002 and vested before 1 January 2005, have not been restated in accordance with IFRS 2.
- IFRS has been applied to all share options granted after 7 November 2002 which had not vested by 1 January 2005.

IFRS 3/IAS 38

The standard has been applied only to business combinations taking place after the Group's transition date of 31 December 2005. Goodwill relating to acquisitions prior to the transition date will be held at net book value at 31 December 2005 and subject to an annual impairment review (IAS 36).

IAS 21

The Group will deem cumulative exchange differences to be zero as at 31 December 2005 and will not consider any cumulative exchange differences arising prior to 31 December 2005 if the relevant foreign operations are disposed in the future.

IAS 32/IAS 39

The Group has taken the exemption from presenting comparative financial information under IAS 32/IAS 39. Therefore, the restated results for the year to 31 December 2006 do not reflect the impact of IAS 32 and IAS 39 and the related applicable financial instruments have been accounted for under UK GAAP.

Notes to the financial statements

(continued)

23. Reconciliation of net assets and profit under UK GAAP to IFRS (continued)

Consolidated Income Statement UK GAAP to IFRS Reconciliation

For the year ended 31 December 2006

	UK GAAP (IFRS Format) £000	IAS 31 – Interest in Joint Venture £000	IFRS £000
Revenue	2,888	(65)	2,823
Less: Share of joint venture	(65)	65	–
	<hr/>	<hr/>	<hr/>
Cost of Sales	2,823	–	2,823
	(528)	–	(528)
	<hr/>	<hr/>	<hr/>
Gross profit	2,295	–	2,295
Administrative costs	(2,288)	–	(2,288)
	<hr/>	<hr/>	<hr/>
Operating profit/(loss)	7	–	7
Share of operating loss of joint venture	(18)	–	(18)
Finance costs	(50)	–	(50)
	<hr/>	<hr/>	<hr/>
Profit before taxation	(61)	–	(61)
Income tax	17	–	17
	<hr/>	<hr/>	<hr/>
Profit for the year attributable to Equity Shareholders of the parent company	(44)	–	(44)

Notes to the financial statements

(continued)

23. Reconciliation of net assets and profit under UK GAAP to IFRS (continued)

Consolidated Balance Sheet UK GAAP to IFRS Reconciliation

As at 31 December 2006

	UK GAAP (IFRS Format) £000	IAS 38 Intangible assets – Asset reclassification £000	IAS 31 – Joint Venture £000	IFRS £000
Non current assets				
Goodwill and intangible fixed assets	941	273	–	1,214
Property, plant and equipment	294	(273)	–	21
	<u>1,235</u>	<u>–</u>	<u>–</u>	<u>1,235</u>
Investment in Joint Ventures				
Share of gross assets	18	–	(18)	–
Share of gross liabilities	(45)	–	45	–
	<u>(27)</u>	<u>–</u>	<u>27</u>	<u>–</u>
Total fixed assets	<u>1,208</u>	<u>–</u>	<u>27</u>	<u>1,235</u>
Current assets				
Inventories	5	–	–	5
Trade and other receivables	422	–	–	422
Cash and cash equivalents	32	–	–	32
	<u>459</u>	<u>–</u>	<u>–</u>	<u>459</u>
Total assets	<u>1,667</u>	<u>–</u>	<u>27</u>	<u>1,694</u>
Current liabilities				
Trade and other payables	(1,282)	–	–	(1,282)
Non current liabilities				
Investment in joint venture	–	–	(27)	(27)
Total liabilities	<u>(1,282)</u>	<u>–</u>	<u>(27)</u>	<u>(1,309)</u>
Net assets	<u>385</u>	<u>–</u>	<u>–</u>	<u>385</u>
Shareholders' equity				
Called up share capital	901	–	–	901
Share premium account	3,107	–	–	3,107
Revaluation Reserve	2	–	–	2
Retained earnings	(3,625)	–	–	(3,625)
Equity shareholders' funds	<u>385</u>	<u>–</u>	<u>–</u>	<u>385</u>

Notes to the financial statements

(continued)

23. Reconciliation of net assets and profit under UK GAAP to IFRS (continued)

Consolidated Cash Flow Statement

For the year ended 31 December 2006

	UK GAAP (IFRS Format) £000	Adjustment £000	IFRS £000
Cash flows from operating activities	7	–	7
Option charge	25	–	25
Amortisation and depreciation	97	–	97
Increase in inventories	(1)	–	(1)
Increase in trade and other receivables	(14)	–	(14)
Decrease in trade and other payables	(1)	–	(1)
Cash generated by operations	113	–	113
R&D tax credit	21	–	21
Foreign tax on subsidiary profit	(5)	–	(5)
Net cash generated by operating activities	129	–	129
Cash flows from investing activities			
Purchase of non current asset	(95)	–	(95)
Net cash utilised by investing activities	(95)	–	(95)
Cash inflow before financing	34	–	34
Cash flows from financing activities			
Interest paid	(50)	–	(50)
Issue of ordinary share capital	4	–	4
Net cash from financing activities	(46)	–	(46)
Net decrease in cash and cash equivalents	(12)	–	(12)
Cash and cash equivalents at beginning of year	(711)	–	(711)
Cash and cash equivalents at end of year	(723)	–	(723)

Notes to the financial statements

(continued)

23. Reconciliation of net assets and profit under UK GAAP to IFRS (continued)

Consolidated Income Statement UK GAAP to IFRS Reconciliation

For the year ended 31 December 2005

	UK GAAP (IFRS Format) £000	IAS 31 – Interest in Joint Venture £000	IFRS £000
Revenue	2,771	(31)	2,740
Less: Share of joint venture	(31)	31	–
	<hr/>	<hr/>	<hr/>
Cost of Sales	2,740	–	2,740
	(654)	–	(654)
	<hr/>	<hr/>	<hr/>
Gross profit	2,086	–	2,086
Administrative costs	(2,436)	–	(2,436)
	<hr/>	<hr/>	<hr/>
Operating loss	(350)	–	(350)
Share of operating loss of joint venture	(13)	–	(13)
Finance costs	(40)	–	(40)
	<hr/>	<hr/>	<hr/>
Profit before taxation	(403)	–	(403)
UK income tax	31	–	31
	<hr/>	<hr/>	<hr/>
Profit for the year attributable to equity shareholders of the parent company	(372)	–	(372)

Notes to the financial statements

(continued)

23. Reconciliation of net assets and profit under UK GAAP to IFRS (continued)

Consolidated Balance Sheet UK GAAP to IFRS Reconciliation

As at 31 December 2005

	UK GAAP (IFRS Format) £000	IAS 38 Intangible assets – Asset reclassification £000	IAS 31 – Joint Venture £000	IFRS £000
Non current assets				
Goodwill and intangible fixed assets	941	275	–	1,216
Property, plant and equipment	297	(275)	–	22
	<u>1,238</u>	<u>–</u>	<u>–</u>	<u>1,238</u>
Investment in Joint Ventures				
Share of gross assets	18	–	(18)	–
Share of gross liabilities	(29)	–	29	–
	<u>(11)</u>	<u>–</u>	<u>11</u>	<u>–</u>
Total fixed assets	<u>1,227</u>	<u>–</u>	<u>11</u>	<u>1,238</u>
Current assets				
Inventories	4	–	–	4
Trade and other receivables	408	–	–	408
Cash and cash equivalents	43	–	–	43
	<u>455</u>	<u>–</u>	<u>–</u>	<u>455</u>
Total assets	<u>1,682</u>	<u>–</u>	<u>11</u>	<u>1,693</u>
Current liabilities				
Trade and other payables	(1,282)	–	–	(1,282)
Non current liabilities				
Investment in joint venture	–	–	(11)	(11)
Total liabilities	<u>(1,282)</u>	<u>–</u>	<u>(11)</u>	<u>(1,293)</u>
Net assets	<u>400</u>	<u>–</u>	<u>–</u>	<u>400</u>
Shareholders' equity				
Called up share capital	898	–	–	898
Share premium account	3,106	–	–	3,106
Revaluation Reserve	2	–	–	2
Retained earnings	(3,606)	–	–	(3,606)
Equity shareholders' funds	<u>400</u>	<u>–</u>	<u>–</u>	<u>400</u>

Notes to the financial statements

(continued)

23. Reconciliation of net assets and profit under UK GAAP to IFRS (continued)

Consolidated Cash Flow Statement

For the year ended 31 December 2005

	UK GAAP (IFRS Format) £000	Adjustment £000	IFRS £000
Cash flows from operating activities	(350)	–	(350)
Amortisation and depreciation	71	–	71
Option charge	77	–	77
Increase in inventories	(1)	–	(1)
Increase in trade and other receivables	(17)	–	(17)
Decrease in trade and other payables	(18)	–	(18)
Cash utilised by operations	(238)	–	(238)
R&D tax credit	33	–	33
Foreign tax on subsidiary profit	(2)	–	(2)
Net cash utilised by operating activities	(207)	–	(207)
Cash flows from investing activities			
Purchase of non current asset	(184)	–	(184)
Net cash utilised by investing activities	(184)	–	(184)
Cash outflow before financing	(391)	–	(391)
Cash flows from financing activities			
Interest paid	(40)	–	(40)
Issue of ordinary share capital	269	–	269
Net cash from financing activities	229	–	229
Net decrease in cash and cash equivalents	(162)	–	(162)
Cash and cash equivalents at beginning of year	(549)	–	(549)
Cash and cash equivalents at end of year	(711)	–	(711)

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 4 August 2008 at 4.00 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 2007;
2. To re-appoint Robin Morgan 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 Company is authorised, so far as the law for the time being permits, to communicate in electronic form with its members and, in particular, the Company is authorised to send or supply documents or information to members by making them available on a website.

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 £900,000 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 £900,000 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: 24 June 2008

Notes:

1. Please indicate how you wish your votes to be cast in respect of the resolutions to be proposed at the said meeting. If you do not indicate how you wish your proxy to use your votes, the proxy will exercise his discretion both as to how he votes and as to whether or not he abstains from voting. Your proxy will have the authority to vote at his discretion on any amendment or other motion proposed at the meeting, including any motion to adjourn the meeting.
2. If you prefer to appoint some other person or persons as your proxy, strike out the words "the Chairman of the Meeting, or" and insert in the blank space the name or names preferred and initial the alteration. A proxy need not be a member of the Company. Completion of a form of proxy will not preclude a member from attending and voting in person.
3. In the case of joint holders, the signature of the holder whose name stands first in the relevant register of members will suffice as the vote of such holder and shall be accepted to the exclusion of the votes of the other joint holders. The names of all joint holders should, however, be shown.

Notice of Annual General Meeting

(continued)

4. If a member is a corporation, this form must be executed either under its common seal or under the hand of an officer or agent duly authorised in writing. In the case of an individual the proxy must be signed by the appointor or his agent, duly authorised in writing.

This form of proxy has been sent to you by post. It may be returned by post or courier or by hand to the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. CREST members should use the CREST electronic proxy appointment service and refer to note 5 below in relation to the submission of a proxy appointment via CREST.

In each case the proxy appointment must be received not less than 48 hours before the time for the holding of the meeting or adjourned meeting together (except in the case of appointments made electronically) with any authority (or a notarially certified copy of such authority) under which it is signed.

5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on the above date and any adjournment(s) thereof by using the procedures described in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST proxy instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID: RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST proxy instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST proxy instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

6. Pursuant to regulation 41 (1) of the Uncertificated Securities Regulations 2001 (2001 No. 3755) the Company has specified that only those members registered on the register of members of the Company at 6 pm on 2 August 2008 shall be entitled to attend and vote at the AGM in respect of the number of Ordinary Shares registered in their name at that time. Changes to the register of members after 6pm on 2 August 2008 shall be disregarded in determining the rights of any person to attend and vote at the AGM.

Form of Proxy

For use at the Annual General Meeting of the Company convened for 4 August 2008 at 4.00 p.m.

I/We, the undersigned, being (a) member/member(s) of Totally plc ("the Company"), hereby appoint the Chairman of the meeting or,

Name of Proxy* _____ Number of shares _____

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 4 August 2008 at 4.00 p.m. and at any adjournment thereof. I/We wish my/our proxy to vote as shown below in respect of the resolutions set out in the Notice of Meeting.

Please indicate by ticking the box if this proxy appointment is one of multiple appointments being made.
 For the appointment of one of more proxy, please refer to explanatory note 2 (below).

Ordinary Resolutions	For	Against	Vote Withheld**
1. To receive the Report of the Directors and the Accounts for the year ended 31 December 2007, together with the Report of the Auditors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Robin Morgan as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Royce Peeling Green Limited as Auditors to the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. That the Company is authorised, so far as the law for the time being permits, to communicate in electronic form with its members and, in particular, the Company is authorised to send or supply documents or information to members by making them available on a website.	<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(1) of the Companies Act 1985.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Special Resolution			
6. To authorise the disapplication of the statutory pre-emption rights pursuant to Section 95 of the Companies Act 1985.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you want your proxy to vote in a certain way on the resolutions specified, please place an "X" in the appropriate box. If you fail to select any of the given options your proxy can vote as he/she chooses or can decide not to vote at all. The proxy can also do this on any other resolution that is put to the meeting.

Signature _____ Dated _____ day of _____ 2008

Name _____

Address _____

*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:

- Every holder has the right to appoint some other person(s) of their choice, who need not be a shareholder as his proxy to exercise all or any of his rights, to attend, speak and vote on their behalf at the meeting. If you wish to appoint a person other than the Chairman, please insert the name of your chosen proxy holder in the space provided (see below). If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name (see below) the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).
- To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given.
- The 'Vote Withheld' option overleaf is provided to enable you to abstain on any particular resolution. However, it should be noted that a 'Vote Withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.
- Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at 6pm on the day which is two days before the day of the meeting or adjourned meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the issuer's agent (ID number RA10) not later than 48 hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- The completion and return of this form will not preclude a member from attending the meeting and voting in person. If you attend the meeting in person, your proxy appointment will automatically be terminated.
- To be effective, all votes must be lodged not less than 48 hours before the time of the meeting at the office of the Company's registrars at: Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

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FIRST FOLD

**Capita Registrars
(PROXIES)
PO Box 25
Beckenham
Kent
BR3 4BR**

SECOND FOLD



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

T: 020 7692 6929
F: 020 7692 6689

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