TOTALLY PLC

Financial statements

For the year ended 31 December 2012

TOTALLY PLC

Totally Plc is listed on London's Alternative Investment Market (ticker "TLY").

Totally comprises of two business units:

Totally Communications
Web solutions that enhance your organisation

Totally Communications are leading experts in the online industry. They specialise in Software Development, Creative Web Design and Search Marketing.

They work with a range of clients across many different sectors: Global enterprises, Charities, SMEs or new business startups.

TOTALLYHEALTH

Totally Health is a wholly owned subsidiary of Totally plc, established in 2011 to provide digital solutions to the healthcare sector.

Totally Health is made up of a highly experienced team, offering bespoke healthcare solutions, focussing on the provision of Professional Health Coaching which promotes self care and long term behaviour changes to enable people to live longer and more independently.

Contents

PERFORMANCE HIGHLIGHTS

- Revenues from continuing operations £1.62m up 86 per cent. (2011: £0.87m)
- Gross profit from continuing operations £0.63m up 33 per cent. (2011: £0.48m)
- Total EBITDA from continuing operations £(0.52)m (2011: £(0.06)m)
- Operating loss from continuing operations before tax £(0.55)m (2011: £(0.08)m)
- Cash utilised from operating activities £(0.14)m (2011: £(0.01)m)
- Basic loss per share (0.6)p (2011: (0.2)p per share)
- Commencement of sales of digital solutions to healthcare sector
- Entry into Shared Decision Making contract with the NHS
- Sale of the UK publishing business

2012 marked the transformation of Totally Plc into a serious participant in the Healthcare IT market, maximising the digital expertise within our Totally Communications business to extend and strengthen the capabilities of Totally Health.

Key events included the signing of the important Shared Decision Making (SDM) contract with the NHS in January and the sale of our print media business in May. However, more important even than these significant milestones, was the assembly of a strong team of expert professionals and corporate partners.

During the latter part of 2012 and early 2013, we raised approximately £1.1 million (net of expenses) of capital for the Company through the placing and exercise of warrants. This fundraising will help us to meet the ongoing challenges of our enhanced contractual responsibilities. As we win new contracts we will seek to ensure that the strength of our balance sheet keeps pace with the strength of our market success. We expect the real benefits of the repositioning of Totally Plc to be reflected in earnings performance from 2014 onwards.

Our management team, expertly led by Wendy Lawrence as CEO, is currently submitting proposals for a number of contracts which, if awarded, will enable us to leverage our SDM experience. Wendy was formally appointed to the Board on 2 May 2013. With her previous NHS and private sector experience we are very pleased to have her as our CEO. With healthcare systems throughout the world battling to adapt to serious financial constraints, we believe that the cost savings and enhanced health outcomes we have demonstrated through our programmes to date, will mean our solutions will not only be in demand by Clinical Commissioning Groups (CCGs) and other health organisations in the UK, but also by healthcare providers internationally. We hope to be able to make positive announcements in this regard over the summer months.

By providing patients with clear and accurate information to support them through their care pathways, we intend to make an important contribution to society. We believe that by empowering patients with timely and trusted information, Totally's healthcare solutions can play an important part in the therapeutic process. Our success in these endeavours will, I believe, lead to significant increases in value for shareholders and stakeholders alike.

Dr. Michael Sinclair
Non-Executive Chairman
21 June 2013

Totally Plc entered 2012 with two clear aims; to continue its development and growth in the healthcare sector, and to build upon its established reputation as a leading provider of digital technologies. Throughout the year, these two individual Group companies, Totally Health and Totally Communications (with Rise Digital), worked collaboratively to deliver innovative solutions to NHS and private sector organisations, not-for-profit organisations and charities.

Totally Health

At the end of January 2012, Totally Plc signed its first NHS contract to provide 36 disease-specific Personal Decision Aids (PDAs) and associated Mobile Apps for iPhone and Android handsets. It was also commissioned to provide a CRM database to underpin the Shared Decision Making programme and health coaching for all users of the service. This was an initial one-year contract that ran through to mid-March 2013 for all deliverables. Excellent progress was made during 2012, with the formation of our Medical Advisory Groups, comprising national clinical leaders across specific disease areas. Work continues with NHS England to secure a way forward with their Shared Decision Making Programme

2012 also saw us sign of our first NHS contract for the Management of Long Term Conditions, a critical issue and a major priority for the UK's health service. The initial programme has seen us begin work with a group of COPD (Chronic Obstructive Pulmonary Disease) patients, to provide them with telecare (via another supplier) together with Health Coaching services from Totally Health. Early results from this programme are very positive. Evidence shows that the initiative has not only yielded significant cost-savings for the Clinical Commissioning Groups (CCGs), but it has also had a tremendously positive impact on the health outcomes of the patients involved. Unplanned/emergency admissions to hospital have reduced significantly for this group of patients and their condition has been much better managed, even through the winter months, which are traditionally when COPD patients struggle most.

Totally Communications

Totally Communications delivered services to more than 50 clients, many of them with multiple contracts for diverse services.

Key highlights include:

NHS Shared Decision Making Programme

- 36 Mobile Apps for both iPhone and Android handsets
- Shared decision making application and associated services
- Interactive Website for all Personal Decision Aids (36 in total for 2012)
- SANDY CRM system

Health Foundation

- Website redesign
- Design and delivery of mobile website
- Research scan database integration

- Website build for self-management support resource centre
- Website build for Shared Decision Making resource centre
- Email marketing services integration

United Synagogue
- Update to membership system to integrate child/teen membership services
- Development of a front end, self-service portal for adult, child/teen members
- Development of back-end events/trip management system, fully integrated reporting and communications tools to service adult and child/teen members

Operations
2012 was also about building capacity and extending capability. Throughout the year, we continued to expand our team of experts to support sustainable growth across the Group and to ensure we consistently provide the optimal team to deliver a top quality offering to the markets in which we operate.

We have strengthened our management teams:

- Andrew Margolis is now Chief Operating Officer for Totally Plc
- Ben Gritz is Managing Director for Totally Communications
- Donald Baladasan is our Finance Director

Our clinical team continues to grow in strength as new service models are planned and developed.

Our Bids team has gone from strength to strength and processes are in place to ensure we are able to respond to all queries efficiently and effectively. This work has continued into 2013.

2012 was certainly an exciting year for all concerned - but I believe that this was only the beginning of what promises to be an exciting phase of growth and development for the Company.

Financial Review
The Company's strategic repositioning translated into revenue growth of 86% in 2012 to £1.62m (2011:£0.87m). Totally Health contributed £0.77m of which £0.71m related to delivery of the NHS SDM contract and £0.06m related to the pilot COPD health coaching contract for NHS Leicester. Totally Communications contributed £0.85m (net of intra-group revenue).

The operating loss for the year was £(0.56)m and the contribution split across the Group was Totally Communications £0.03m, Totally Health £(0.26)m and Totally Plc £(0.33)m. The losses in Totally Health reflected the infrastructure improvement costs including ISO accreditation and business development. These costs were incurred to strengthen the Group's ability to win and deliver further contracts.

Group operating cash utilised during the year was £0.14m this included the covering of all Plc costs. In addition the Group undertook a warrant conversion funding round which generated net cash of £0.5m in December 2012. The second part of this funding generated a further £0.5m in January 2013. The funding proceeds were used to finance the costs incurred in repositioning the Company and to provide working capital. The current cash balance is approximately £0.15m and there are no bank borrowings.

As referred to above we are pleased that there are a number of significant new business opportunities under negotiation, certain of which we hope to be able to announce in the near term. The recent transition from Primary Care Trusts (PCTs) to CCGs in April has resulted in considerable internal reorganisation within the NHS. In particular for Totally this has affected the management of budgets and the contract decision making process with the new NHS bodies.

Totally is confident that, as the new CCGs and other NHS bodies bed down, the award of contracts will accelerate in the second half of 2013. In the short term this has resulted in a reduction in expected revenues for the Group in the current financial year but the Board is confident that it has sufficient working capital at present to operate the business going forward should the expected contracts and contracted revenue crystallise in line with internal projections. Having said that, the Board is exploring options to strengthen the Company's balance sheet over the next few months, one of which may be through the issue of new equity to ensure that the Company has adequate resources to implement its business plan in full and fully capitalise on the exciting opportunities that the Company has ahead of it.

I would like to thank everyone involved with the delivery of every aspect of every area of the Company and for their dedication and commitment during 2012.

Wendy Lawrence
Chief Executive Officer
21 June 2013

Totally Plc comprises two business units; Totally Health and Totally Communications. The two businesses have been developed in recognition of the increasingly important role that digital and interactive technologies are playing in the evolution of business strategies across all sectors.

The Totally portfolio

Totally Plc comprises two business units; Totally Health and Totally Communications. The two businesses have been developed in recognition of the increasingly important role that digital and interactive technologies are playing in the evolution of business strategies across all sectors.

Totally services set out to optimise the value of data and deliver customised solutions that can improve engagement, streamline processes, drive innovation and provide robust business intelligence to inform strategy.

Digital technology is changing the business paradigm. Totally takes a collaborative approach to the development of customised solutions – bringing together multidisciplinary stakeholders from targeted communities to create holistic and interactive communications tools and services, underpinned by robust and reliable data.

Our markets

Healthcare

The healthcare environment in the UK is undergoing significant change. The introduction of the Health & Social Care Act (2012) has led to a wholesale reorganisation of the NHS in England and a transformation in the way healthcare services are commissioned. This radical overhaul, which finally became a reality in April 2013, is being played out against the wider backdrop of a sustained drive to reduce healthcare spending and find more than £20 billion in efficiency savings – as well as improve the quality of care and deliver better patient outcomes.

Faced with an ageing population, increased demand on the system and an ongoing reduction in healthcare budgets, health and social care in the UK is fast approaching a tipping point. The call to establish a new model is reaching fever pitch.

National policy continues to point towards the development of integrated care – bringing together previously disparate health and social care systems to create a whole system approach to care. The establishment of integrated care pathways, where patients sit at the centre and are empowered to make a significant contribution to all decisions about their care, has therefore become the long-term strategic goal in the UK.

But it is widely acknowledged that a successful move towards integrated care will depend upon health and social care professionals ability to harness the power of information. The development of new and sustainable models of electronic healthcare, where critical information can be securely shared amongst patients and appropriate professionals across all settings, will require a collective will to seize the opportunities that innovative technologies currently present.

Totally Plc believes that digital solutions can play a major role in building the health and social care services of the future. Used optimally, digital technology can revolutionise care, accelerate treatment pathways and drive health outcomes. The aggregation, communication and interpretation of critical data can provide clinicians, care professionals and patients with the ability to make informed decisions and improve the quality of care and quality of life for the UK population.

Totally Health provides digital solutions to the UK healthcare sector. These include tools to support shared decision making within the NHS, customised electronic patient record systems for local healthcare organisations, and bespoke long-term condition management programmes that integrate health coaching, telehealth and case management.

Totally Health works closely and collaboratively with NHS policymakers to ensure its services meet the needs of all healthcare stakeholders; Health Authorities, Clinical Commissioning Groups, Community Services, Acute and Foundation Trusts, GP practices and, of course, patients.

Totally Health solutions are underpinned by leading edge digital technologies developed by its sister company, Totally Communications.

Commercial and Not-for-Profit Organisations

The optimisation of digital technology has become one of the global business community's biggest priorities in recent years. As organisations seek to reduce costs and increase operational efficiency, digital media – as part of an integrated multichannel strategy – is widely regarded as a vital engine for long-term growth. The proliferation of digital channels is helping companies build interactivity with customers, extend core business and identify new and emerging market opportunities.

TOTALLY'S MARKET

But the rapid evolution of digital media has coincided with a variability in uptake across different market sectors. Whereas some industries have reaped significant benefits from the early adoption of digital innovation, others have been more cautious and taken an incremental approach to the implementation of new technologies and communications platforms. Across the board, businesses have sought to learn the lessons from the dotcom boom of the early 2000s, where companies invested quickly and heavily in web development, only for projects to fail to deliver the anticipated returns.

Strategic multichannel planning as part of a fully-integrated communications plan has therefore become a business-critical activity across all commercial and not-for-profit organisations. Companies are increasingly recognising that only the optimal balance of both traditional and digital media can deliver cost-effective, efficient and productive communications that engage customers, increase conversion and drive growth.

The interactive nature of digital technologies is helping to transform organisations' approach to the development of digital tools. As businesses endeavour to become more customer-focused, many are beginning to capture the insights of end-users and key stakeholders during the development process – to ensure that digital products and services align with customer needs and expectations. This growing trend is dramatically changing the landscape of digital development. Companies are moving away from a reliance on off-the-shelf digital solutions and are instead opting to build bespoke products that tailor functionality to the needs of their users. Businesses are increasingly deploying 'Agile project management' techniques and taking an iterative and collaborative approach to planning and delivery.

Adoption of Agile development methodology is steadily rising. There is growing recognition that taking an iterative approach to the development of digital tools – where iterations are tested and critiqued by key user groups, and evaluations are used to inform the next phases of development – is helping companies mitigate the risk of project failure, increase productivity, reduce costs and accelerate speed to market. Moreover, Agile methodology is helping organisations ensure that final iterations are built around the robust alignment of business, IT and customer needs.

Although the move towards Agile project management is a global one, in the UK alone it is growing in prominence. In the past two years, the UK government has indicated its preference for all government digital services to be developed using Agile techniques. Many of its pilot sites have been tested by UK citizens using crowdsourcing, in the process, helping to inform development and improve the user experience based on real-world evidence.

Totally Communications is a full-service digital agency that creates intelligent, bespoke solutions for commercial and not-for-profit organisations. Its philosophy is built around taking the Agile approach to project management, developing personalised digital and mobile solutions based on a full understanding of clients' customer environments and cultures.

Totally Communications is helping to transform the digital landscape for its clients by developing bespoke solutions that optimise how they interact and engage with customers. These solutions are developed collaboratively with both internal and external stakeholders – across the full spectrum of business executives and target users – to create personalised tools that meet customer needs and expectations.

In the past decade, it has worked with a broad mix of commercial and not-for-profit organisations – ranging from start-ups and SMEs to multinational corporations and international charities.

Services encompass web development, content management systems and social media integration, as well as mobile and web application development. It also includes creative marketing solutions, software design, SEO and analytics, support and hosting services.

Totally Communications works in partnership with its clients, and walks hand-in-hand with them along their ongoing journey towards digital optimisation.

The Business Review should be read in conjunction with the Chairman's Statement which includes information about the Group's business performance during the year and an indication of the Group's future prospects. A review of the Group's financial position is included in the Directors' report.

Digital Marketing: Totally Communications

2012 saw another strong year of top line sales with year on year growth of 13% per cent, despite tough conditions within the marketplace.

Performance highlights

- Revenues £988,000 (2011: £871,000)
- EBITDA £62,000 (2011: £152,000)
- Operating profit £33,000 (2011: £130,000)

During the period under review, there was sustainable organic top line revenue growth across each of Totally Communications' three core business activities of website & bespoke software development, online marketing and hosting maintenance & support.

2012 saw close collaboration with Totally Health to deliver the significant technical components to underpin the NHS Shared Decision Making project. Totally Communications constructed the interactive website to house the 36 Patient Decision Aids (PDA) and integrated its Content Management System Pelorous to ensure the PDAs can be updated. Mobile App versions of each PDA were constructed for both Android and iPhone platforms.

Additionally, Totally Communications constructed a generic bespoke CRM and patient-centric Case Management System to support the workflows of Totally Health's health coaches. This platform integrated web and telephony, enabling both data secured via the web, as well as phone conversations via Totally Health's disparate virtual call centre to be stored securely on the NHS secure N3 network.

During the period under review, Totally Communications strengthened its market share of work within the not-for profit sector, with significant new projects secured for both new as well as existing clients, highlights include:

- A project for the War Memorials Trust where Totally Communications constructed a online interactive website (www.warmemorialsonline.org.uk) and supporting database system to track and manage all of the war memorials across the UK. This project was secured following an open tender and multi-agency pitch.
- A number of projects for the Health Foundation where Totally Communications delivered a mobile version of their website; created a new research database and self-support centre and integrated email marketing capabilities
- Extension to the United Synagogue's bespoke membership system to incorporate integrated events management and youth membership functionality
- Public Interest Law Alliance (Ireland), Totally Communications created a database of case law as well as a mobile version of their online propositions
- Crisis, for their Crisis at Christmas campaign, where Totally Communications created a mobile attendance app for their volunteers at their homeless centres across London
- Coram Children's Legal Centre where Totally Communications delivered a new website for the charity
- British Group Inter-Parliamentary Union (BGIPU) where Totally Communications delivered a new website

Totally Communications also secured significant projects from a number of private and public organisations including one of Europe's largest broadcasters where Totally Communications was introduced by its partner Layer3 Systems and created a new web-enabled system to monitor and track viewing figures across the network; web-based propositions were also created for Bioceuticals, Get Paid, Teliqo and Union Income Benefit.

Additionally, Rise Digital, launched in 2010 as a dedicated Online Marketing division, saw revenues nearly double during the period under review. Rise Digital specialises in the delivery of Search Engine Optimisation, Pay per Click and Social Media campaigns, and revenues now represent over 25% of Totally Communications' annual revenues.

Andrew Margolis
Managing Director (during the period under review)
Totally Communications Limited

Totally Health

The company's principal activity is providing digital solutions to the healthcare sector. The company started business activities in February 2012.

Performance highlights (2012)

- Revenues £769,000
- EBITDA -£253,000 (loss)
- Operating loss -£261,000

During late 2011, Totally announced that it had secured Lot 1 of the NHS Midlands and East Shared Decision Making contract, worth £1.595m (inc VAT), with a contract initiation date of February 2012. Shared Decision Making is an evidenced-based method to empower people to take control of their healthcare decisions. The concept is written into the Health and Social Care Bill and aims to empower patients to take control of decisions involved in their long-term health. Since many of these decisions are based within the management of long-term conditions, this is seen as a key part of the strategy to aid the £20bn reduction of NHS costs over the next five years.

For the majority of 2012, Totally Health focussed a significant amount of resources in delivering this Shared Decision Making contract, which resulted in the creation of 36 Patient Decision Aids (PDAs), available online via an interactive website, as well as via mobile apps), delivered under extremely challenging timescales. The project involved the formation of Medical Advisory Groups for each PDA, which comprised of a total of 350 senior healthcare professionals including many national clinical leads and senior surgeons across specific disease areas. The project also included the coordination of a number of third-party suppliers including the British Medical Journal Evidence Centre, Primal Pictures, and MC Saatchi Mobile and Kindling Strategies to help create patient facing evidence based content.

During the period under review, Totally Health created a virtual call centre, a secure web-enabled patient-centric case management system, and recruited a team of experienced clinical health coaches.

Totally Health's health coaches were used as an integral part of the Shared Decision Making project to support patients in helping them make the right decisions for themselves.

Also during the period under review, Totally Health signed an initial prototype contract with the NHS in Leicester to provide our health coaching services to the most acute 50 patients with Chronic Obstructive Pulmonary Disease. The health coaches augmented existing telecare services. The initial results were extremely positive, showing significant savings, resulting in further discussions to extend the service provision.

Post event reporting period

During Q2 2013, the initial results of the prototype contract with Leicester were announced, with in excess of £350,000 being directly saved by the use of Totally Health's health coaches. These savings were achieved by supporting only an extremely small number of patients, and over only a 26 week period. Totally Health subsequently announced an extension to the contract, to provide health coaching to additional patients in the same disease area.

Andrew Margolis
Director, Totally Health

Jewish News and Media Group

The Group's UK publishing business was sold in May 2012 – for details see note 23 to the financial statements.

DIRECTORS' REPORT

The Directors present their report and the financial statements for the year to 31 December 2012.

Principal activities

The Group's principal activities are the provision of digital marketing and software development services (through Totally Communications) and innovative solutions to the healthcare sector (through Totally Health).

Totally Communications Limited is a digital marketing agency and software development company which has provided website design and development services, bespoke software development, consultancy, and internet marketing services to the not-for-profit and commercial sectors.

Totally Health Limited provides bespoke healthcare solutions for the management of long term conditions. Solutions offered include clinical health coaching, innovative software solutions and supporting shared decision making. Totally Health developed 36 patient decision aids (Web, Mobile & Print) for the NHS as part of the National SDM programme. Patient decision aids are evidence-based, clinically relevant resources to supplement clinical consultations; supported by Health Coaching they help patients make informed decisions about their treatment options. Totally Health has a clinical health coaching team who have a pivotal role in managing long term conditions. Our health coaches educate and encourage patients to take an active role in their own health, building confidence and skills to become better informed about their condition.

The Group's niche community media division was sold in 2012 – for details see note 23 to the financial statements.

Business review and future developments

The review of the year's operations, trading outlook and future developments is contained in the Chairman's statement and the Business Review on page 2 and 7 to 8 respectively.

Results and dividends

The results for the year are set out on page 18. 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 18 to the financial statements.

Financial summary

Group turnover from continuing operations in the year to 31 December 2012 increased year on year by 86 per cent. to £1.62 million (2011: £0.87 million).

Group EBITDA from continuing operations for the period was £(0.52) million (2011: £(0.06) million).

Group operating loss from continuing operations for the period was £0.55 million (2011: loss of £0.08 million).

Cash flow and net debt

The Group cash flow statement is set out on page 22. Highlights include cash utilised by operations of £144k (2011: £14k utilised), cash inflow from disposal of subsidiaries of £210k (2011: £nil), net proceeds of shares issued of £515k (2011: £nil) and £506k improvement in the Group's net funds position at 31 December 2012 to £50k in hand from £456k net debt.

Liquidity and funding

At 31 December 2012 the Group had net current liabilities of £497k down from £508k in the prior year. The Group maintains liquidity through the careful management of the working capital cycle the use of working capital generated through normal business activities.

The recent transition from Primary Care Trusts (PCTs) to CCGs in April 2013 has resulted in considerable internal reorganisation within the NHS. In particular for Totally this has affected the management of budgets and the contract decision making process with the new NHS bodies.

Totally is confident that, as the new CCGs and other NHS bodies bed down, the award of contracts will accelerate in the second half of 2013. However in the short term this has resulted in a reduction in expected revenues for the Group in the current financial year. As a result of this the Board is exploring options to strengthen the Company's balance sheet, one of which is likely to be the issue of new equity to ensure that the Company has adequate resources to implement its business plan.

The Group is in discussions with finance providers to ensure that the Group has sufficient funding to meet its working capital requirements. As at the date of this announcement none of these facilities have yet been agreed.

The Directors have prepared projected cash flow information for the period ending 12 months from the date of their approval of these financial statements as part of a three year business plan. Some of the items of expenditure included within the forecasts are discretionary, and are under the control of the Directors. Including these items of expenditure, the forecasts indicate that additional funding of approximately £600,000 will be required within the next six months to deliver the business plans.

The Directors are in discussions with current and potential new investors to raise new equity to provide the necessary funding. The Directors believe that the trading forecasts are realistic and that a fundraising will be able to be completed, and accordingly, the financial statements have been prepared on a going concern basis. However due to the need to identify investors and complete a placing successfully, there is an uncertainty which may cast doubt about the ability of the Group and the Company to continue as a going concern. Inherently, there can be no certainty in these matters, but the Directors believe that the going concern basis of preparation continues to be appropriate.

Financial position

Overall the net liabilities position of the Group has increased by £6k during the year to a position of £462k at 31 December 2012.

Employee matters

Quality and integrity of personnel

The Group has a core of key employees with strong market and product knowledge but has always sought to position itself as not reliant on individuals but ensuring that the knowledge and responsibilities are shared. Our business still depends however on the quality of our staff and this involves risks of retention and of being able to recruit at our current high standards. We mitigate this risk by seeking to provide the environment and assistance that will aid the development of our employees and improve the retention prospects, which we also seek to do through employee benefits, incentive schemes, share plans and career opportunities where possible.

Disabled persons

The Group is committed to equal opportunity of employment and all employment decisions are based on merit, qualifications and abilities. The Group is committed to providing a working environment that is free from all forms of discrimination and harassment. The Group will employ disabled persons where they appear to be suitable for a particular vacancy and every effort is made to ensure that they are given full and fair consideration when such vacancies arise. The number of disabled persons employed by the Group was Nil (2011: Nil).

Health and safety

It is the objective of the Group to ensure the health and safety of its employees and of any other persons who could be affected by its operations. It is the Group's policy to provide working environments which are safe and without risk to health and provide information, instruction, training and supervision to ensure the health and safety of its employees.

As a minimum, all Group companies are required to comply with all applicable local legislation in employment matters.

Environmental matters

The Group is committed to supporting best practice and complying with all relevant legislation in relation to the production of its products and to environmental issues. The Group is in regular dialogue with suppliers in relation to new products and processes, and environmental issues are considered in the decision-making process.

Directors

Dr Michael Sinclair (Non-executive Chairman)

Andrew Margolis

Donald Baladasan (Finance Director, appointed 28 Nov 2012)

Daniel Assor (Resigned 30 Nov 2012)

Clare Wexler (Appointed 15 May 2012; Resigned 15 Feb 2013)

Wendy Lawrence (Chief Executive, appointed 2 May 2013)

George Rolls (Non-executive director, appointed 3 June 2013)

Directors and their interests

The interests of the Directors who held office during the year in the share capital of the Company were as follows:

	Warrants to subscribe for Ordinary shares of 1p each held 31 December 2012	**Ordinary shares of 1p each held 31 December 2012**	Warrants to subscribe for Ordinary shares of 1p each held 31 December 2011	Ordinary shares of 1p each held 31 December 2011
Dr Michael Sinclair (non-executive Chairman)*	**–**	**14,509,791**	35,000,000	14,509,791
Andrew Margolis	**–**	**2,772,102**	25,171,905	2,772,102
Daniel Assor (resigned 30/11/2012)	**–**	**1,576,436**	41,504,776	2,554,214

*Dr Sinclair's interests are held by him personally (both directly and through various pension arrangements) and by Sinclair Montrose Trust Limited. Sinclair Montrose Trust Limited is a company in which Dr Sinclair and his immediate family have a controlling interest.

Clare Wexler and Donald Baladasan held no shares or warrants during 2012.

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				
	At start of year	Granted/ (surrendered)	At end of year	Exercise price Pence	Date from which Exercisable
Daniel Assor (resigned 30/11/2012)	5,450,000	–	5,450,000	1.0	27/07/2009
Andrew Margolis	5,125,000	–	5,125,000	1.0	08/10/2009

Substantial interests

The Company has been notified, as at 30 May 2013, of the following interests in 3 per cent or more of the 205,624,615 ordinary shares in issue:

	Ordinary shares	Percentage
JIM Nominees Limited	96,728,843	47.04
Chase Nominees Limited	9,872,656	4.80
TD Direct Investing Nominees (Europe) Limited	8,804,239	4.28
HSBC Client Holdings Nominee (UK) Limited	7,024,205	3.42
Forest Nominees Limited	7,018,000	3.41
Mr Leopold Noe	6,666,666	3.24
Grand Rabbi Yitzchok Aharon Korff of Boston	6,514,000	3.17

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 2012 was 60 days (2011: 55 days).

Financial instruments

The Group's financial instruments principally comprised of bank borrowings. It is the Group's policy that no trading in financial instruments shall be undertaken. The bank borrowings have been repaid by the group at December 2012 and as at 31 December 2012 the Group had no bank borrowings.

Principal risks and uncertainties

The main risks arising from the Group's financial instruments are interest rate risk, supply risk, credit risk liquidity risk and cash flow 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 financed its operations during 2012 through a mixture of shareholders' funds and borrowings. The Group borrowed principally in Sterling at floating rates of interest. At the year end the Group had no bank borrowings.

Credit risk

The Group's credit risk primarily relates to trade and other receivables and accrued income. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Group's management.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and controls relating to customer credit management. Credit limits are established for all customers and are based inter alia on credit checks. Outstanding customer receivables are regularly monitored.

Concentration of credit risk with respect to trade receivables is limited in Totally Communications due to its customer base being large and unrelated. Totally Health does trade with a small number of NHS Trust customers but the Directors consider that the credit risk is minimised by contractual arrangements which require customers to make stage payments as service delivery progresses, Totally Health's experience of on time payments received so far and the government backing being given to these initiatives.

Liquidity risk and cash flow risk

Cash balances and the working capital cycle are managed so as to maximise interest earned and minimise interest paid, while maintaining the liquidity requirement of the business. When seeking borrowings, the Directors consider the commercial terms available and, in consultation with their advisors, consider whether such terms should be fixed or variable and are appropriate to the business.

The Group would normally expect that sufficient cash is generated in the operating cycle to meet contractual cash flows through effective cash management. However as mentioned earlier the reorganisation in the NHS has affected the Group's working capital cycle. The Directors continually monitor the situation through the careful management of creditors and working capital.

Research and development

Totally Communications Limited is engaged in ongoing research and development aimed at website and software development.

Post balance sheet events

After the end of the reporting period holders of 56,838,340 Warrants subscribed for 56,838,340 ordinary shares of 1p each on 14 January 2013 at an exercise price of 1p per share. The net consideration received by the company from this issue of shares was £539,000.

Political and charitable contributions

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

Disclosure of information to the auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

On 21 December 2012, the auditor Royce Peeling Green Limited, transferred the trade and assets of its London business to a newly formed entity RPG Crouch Chapman LLP, which was established for this purpose and to acquire the business and assets of Crouch Chapman, another firm of Chartered Accountants. On 16 May 2013 Royce Peeling Green Limited resigned as auditor to the company and the directors appointed RPG Crouch Chapman LLP to fill the vacancy. A resolution to re-appoint RPG Crouch Chapman LLP as auditor will be proposed at the Annual General Meeting.

By order of the Board

Donald Baladasan
Director

As an AIM listed company, Totally PLC is not required to comply with the Corporate Governance Code of June 2010 (the Code) or the updated 2012 Code. The Board is accountable to the Company's shareholders for good corporate governance. This statement describes how the principles of corporate governance considered by the Board to be appropriate to a group of this size have been applied.

The workings of the Board and its committees

During the year the Board comprised Dr Michael Sinclair (the non-executive Chairman), Mr Daniel Assor (Resigned 30 Nov 2012), Mr Andrew Margolis, the managing director of Totally Communications, Mrs Clare Wexler (Appointed 15 May 2012 and resigned 15 Feb 2013) and Mr Donald Baladasan (Appointed 28 Nov 2012). 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 15.

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 are comprised exclusively of the non-executive Chairman and Company Secretary.
During the period they were as follows:

Dr Michael Sinclair
Paul 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 14.

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 Group'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 reviews the nature, scope, results and cost effectiveness of the audit and the independence and objectivity of the external auditors.

Nominations Committee

There is no formal nominations committee but the Board controls and approves all senior appointments based on standard recruitment practices and recommendations from the non-executive directors.

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.

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 are 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.

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 2012 are set out in note 7 to the financial statements.

Contracts of service

The current executive directors, Andrew Margolis, Wendy Lawrence and Donald Baladasan, have a service contract with the Company which can be terminated with a notice period of one year (Andrew Margolis) and with a notice period of six months (Wendy Lawrence and Donald Baladasan) by either party. The Company considers that this is appropriate for the executive directors.

Share options

Details regarding share options are set out in notes 18 and 19 to the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions.

The maintenance and integrity of the company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Andrew Margolis
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOTALLY PLC

We have audited the financial statements of Totally PLC for the year ended 31 December 2012, which comprise the Consolidated income statement, the Consolidated statement of changes in equity, the Consolidated statement of financial position, the Company statement of financial position, the Consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and our engagement letter. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2012 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK GAAP and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the provisions of the Companies Act 2006.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, 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. The Group has identified a requirement to raise additional funds through the issue of new equity to existing and potential investors, the issue of which requires the Directors to identify investors and complete a placing successfully which will require the consent of shareholders in general meeting. These conditions, along with the other matters explained in note 3 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all of the information and explanations we require for our audit.

Paul Randall (Senior Statutory Auditor)
for and on behalf of RPG Crouch Chapman LLP
Chartered Accountants
Statutory Auditor
62 Wilson Street
London
EC2A 2BU

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

Continuing operations	Note	2012 £000	2011 £000
Revenue	5	**1,619**	871
Cost of sales		**(986)**	(395)
Gross profit		**633**	476
Administrative expenses		**(1,150)**	(539)
Loss before interest, tax, depreciation and amortisation		**(517)**	(63)
Depreciation	11	**(13)**	(4)
Amortisation	10	**(25)**	(18)
Operating loss	6	**(555)**	(85)
Share issue costs	18	**(54)**	–
Finance costs	9	**(38)**	(25)
Loss before taxation		**(647)**	(110)
Income tax	8	**–**	–
Loss for the year from continuing operations		**(647)**	(110)
Profit/(loss) for the year from discontinued operations	23b	**59**	(39)
Loss for the year attributable to the equity shareholders of the parent company		**(588)**	(149)

All comprehensive income for continuing operations is shown above, equivalent information for discontinued activities is shown in note 23.

Comparative results have been restated to re-analyse the results of discontinued activities.

Earnings per share	Note	2012 Pence	2011 Pence
Basic and diluted			
Continuing operations	18	**(0.69)**	(0.12)
Discontinued operations	18	**0.07**	(0.04)
Total		**(0.62)**	(0.16)

The accompanying notes on pages 23 to 43 form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital £000	Share premium account £000	Profit and loss account £000	Equity shareholders' deficit £000
At 1 January 2011	1,124	3,353	(4,798)	(321)
Total comprehensive loss for the year	–	–	(149)	(149)
Credit on issue of warrants	–	–	14	14
At 1 January 2012	1,124	3,353	(4,933)	(456)
Total comprehensive loss for the year	–	–	(534)	(534)
Issue of share capital	569	–	(54)	515
Credit on issue of warrants	–	–	13	13
At 31 December 2012	**1,693**	**3,353**	**(5,508)**	**(462)**

The accompanying notes on pages 23 to 43 form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2012

	Note	2012		2011	
		£000	**£000**	£000	£000
Non current assets					
Intangible fixed assets	10	**11**		29	
Property, plant and equipment	11	**24**		23	
			35		52
Current assets					
Amounts recoverable on contracts	13	**154**		–	
Trade and other receivables	14	**363**		606	
Cash and cash equivalents		**50**		134	
			567		740
			602		792
Current liabilities					
Trade and other payables	15		**(1,064)**		(658)
Financial liabilities	16		**–**		(590)
			(1,064)		(1,248)
Net current liabilities			**(497)**		(508)
Net liabilities			**(462)**		(456)
Shareholders' equity					
Called up share capital	18		**1,693**		1,124
Share premium account	18		**3,353**		3,353
Retained earnings	18		**(5,508)**		(4,933)
Equity shareholders' deficit			**(462)**		(456)

These financial statements were approved by the Board of Directors on 21 June 2013 and were signed on its behalf by:

Andrew Margolis
Director

Donald Baladasan
Director

Totally PLC
Company registration No: 3780101 (England and Wales)

The accompanying notes on pages 23 to 43 form part of the financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2012

	Note	2012 £000	2012 £000	2011 £000	2011 £000
Non current assets					
Investments	12	**155**		–	
Property, plant and equipment	11	**1**		1	
			156		1
Current assets					
Trade and other receivables	14	**85**		2	
Cash and cash equivalents		**15**		22	
			100		24
Current liabilities					
Trade and other payables	15		**(1,909)**		(1,580)
Short term borrowings	16		**–**		(590)
Total current liabilities			**(1,909)**		(2,170)
Net liabilities			**(1,653)**		(2,145)
Shareholders' equity					
Called up share capital	20		**1,693**		1,124
Share premium account	20		**3,353**		3,353
Retained earnings	20		**(6,699)**		(6,622)
Equity shareholders' deficit	20		**(1,653)**		(2,145)

These financial statements were approved by the Board of Directors on 21 June 2013 and were signed on its behalf by:

Andrew Margolis
Director

Donald Baladasan
Director

Totally PLC
Company registration No: 3780101 (England and Wales)

The accompanying notes on pages 23 to 43 form part of the financial statements

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 £000	2011 £000
Cash flows from operating activities			
Operating loss		**(555)**	(85)
Option and warrants charge	19	**13**	14
Amortisation and depreciation	10/11	**35**	22
Movement in amounts recoverable on contracts		**(154)**	–
Movement in trade and other receivables		**(211)**	5
Movement in trade and other payables		**798**	74
Cash (utilised)/generated from continuing operations		**(74)**	30
Cash utilised by discontinued operations	25	**(70)**	(44)
Net cash flows from operating activities		**(144)**	(14)
Cash flow from investing activities			
Purchase of intangible fixed assets	10	**(9)**	–
Purchase of property, plant and equipment	11	**(28)**	(15)
Cash received from disposal of subsidiary net of costs	23c	**210**	–
Net cash flows from investing activities		**173**	(15)
Cash inflow/(outflow) before financing		**29**	(29)
Cash flow from financing activities			
Interest paid		**(38)**	(25)
Issue of share capital, net		**515**	–
Net cash flows from financing activities		**477**	(25)
Net increase/(decrease) in cash and cash equivalents		**506**	(54)
Cash and cash equivalents at beginning of year		**(456)**	(402)
Cash and cash equivalents at end of year	16	**50**	(456)
Cash and cash equivalents comprise:			
Cash at bank		**50**	134
Bank overdrafts		**–**	(590)
		50	(456)

Comparative cash flows have been restated to re-analyse the cash flows of discontinued activities.

The accompanying notes on pages 23 to 43 form part of the financial statements.

1. General information

Totally PLC is a public limited company ("Company") incorporated in the United Kingdom under the Companies Act 2006 (registration number 3870101). The Company is domiciled in the United Kingdom and its registered address is Unit 800 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 the provision of software development and digital marketing services, provided by the subsidiary Totally Communication. At the beginning of 2012 the group established a new subsidiary, Totally Health, which provides digital solutions to the healthcare sector. The Group had activities of niche community media activities until the Jewish News was sold in May 2012. The Company's principal activity is to act as a holding company for its subsidiaries.

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

The Group's financial statements for the period ended 31 December 2012 were authorised for issue by the Board of Directors and the balance sheets were signed on the Board's behalf by Andrew Margolis on 21 June 2013.

The Group'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 2006 applicable to companies reporting under IFRS. The Company's financial statements have been prepared under UK GAAP and as permitted by Section 408 of the Companies Act 2006 no income statement or cash flow statement is presented for the Company. The Company made a loss of £90,000 for the year ended 31 December 2012 (2011: loss £240,000).

3. Basis of preparation

The financial year represents the 365 days to 31 December 2012, and the prior financial year, 365 days to 31 December 2011. The financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The accounting policies set out in note 4 have been applied consistently to all periods presented in these consolidated financial statements.

The financial statements are prepared on a going concern basis which the Directors believe to be appropriate for the following reasons.

The Group is in discussions with finance providers to ensure that the Group has sufficient funding to meet its working capital requirements. As at the date of this announcement none of these facilities have yet been agreed.

The Directors have prepared projected cash flow information for the period ending 12 months from the date of their approval of these financial statements as part of a three year business plan. Some of the items of expenditure included within the forecasts are discretionary, and are under the control of the Directors. Including these items of expenditure, the forecasts indicate that additional funding of approximately £600,000 will be required within the next six months to deliver the business plans.

The Directors are in discussions with current and potential new investors to raise new equity to provide the necessary funding.

The Directors believe that the trading forecasts are realistic and that a fundraising will be able to be completed, and accordingly, the financial statements have been prepared on a going concern basis. However due to the need to identify investors and complete a placing successfully, there is an uncertainty which may cast doubt about the ability of the Group and the Company to continue as a going concern.

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

4. Summary of significant accounting policies

Basis of consolidation

The Group's financial statements include the results of the Company and all its subsidiaries, all of which are prepared up to the same date as the parent company. Uniform accounting policies are adopted by all companies in the Group.

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 until the date that such control ceases. Intercompany transactions and balances between Group companies are eliminated upon consolidation.

Revenue recognition – Totally Communications

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.

4. Accounting policies continued

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.

Revenue from technical services is recognised as contract activity progresses to the extent that revenue can be reliably measured. Hosting and maintenance income within technical services is spread on a straight line basis over the period to which the hosting or maintenance period relates.

Revenue recognition – UK publishing

Revenue from advertising is recognised on the date of the specific publication in which the advert is included.

Where advertising revenue is generated both via magazine advertising (print media) and online advertising, the accounting policy is to recognise revenue on the latest publication date, whether this is online or published via print media.

Revenue recognition – Digital solutions for Healthcare

Turnover is generated by providing digital services and solutions to the healthcare sector. The revenue is generated through services that are provided on short term and long term contracts.

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the income statement turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs to date bear to total expected costs for that contract.

Finance costs

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

Intangible fixed assets

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 amortisation of intangible fixed assets is shown as a separate line in the consolidated income statement.

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

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 non current assets

At each balance sheet date, the Company reviews amounts of its intangible fixed assets and property, plant and equipment 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 non current 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.

4. Accounting policies continued

Amounts recoverable on contracts
Amounts recoverable on contracts represent the costs of Totally Health contracts in progress at the balance sheet date, less progress billings to date.

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.

Trade and other payables
Trade and other payables are recognised at original cost.

Foreign currencies 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 payments
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.

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 applying the period when the liability is settled of the asset is realised, based on tax rates and laws enacted or substantively enacted at the year end 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.

4. Accounting policies continued

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 effects 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 the impairment testing of intangible and tangible fixed assets.

Change in accounting policies

a) New standards and interpretations effective from 1 January 2012

The following new standards, amendments to standards and interpretations are mandatory for the first time in this accounting period:

- Amendments to IFRS 7 – Financial Instruments Disclosures.
- Amendments to IAS 12 – Deferred Tax: Recovery of Underlying Assets.
- Amendments to IAS 1 – Severe Hyperinflation and Removal of Fixed dates for First Time Adopters.

As of the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective.

- IFRS 9; Financial Instruments was issued in November 2009. The standard is effective for annual periods, beginning on or after 1st January 2015, with earlier application permitted. The adoption of this standard is expected to have limited impact on the classification and measurement of financial statements.
- Amendment to IAS 32 (Dec 2011) – Offsetting Financial Liabilities. Effective 1st January 2014. The adoption of this standard in future periods is not expected to have a material impact on the financial statements of the Company.
- Amendment to IFRS 7 (Dec 2011) – Disclosures – Offsetting Financial Assets and Financial Liabilities. Effective 1st January 2013. The adoption of this standard in future periods is not expected to have a material impact on the financial statements of the Company.
- IAS 19 (revised June 2011) – Employee Benefits. Effective 1st January 2013. The adoption of this standard in future periods is not expected to have a material impact on the financial statements of the Company.
- IFRS 13 – Fair Value Measurement Effective on 1st January 2013. The adoption of this standard may impact on disclosures in the financial statements in future periods.
- IFRS 12 – Disclosure of Interest in Other Entities. Effective 1st January 2013. The adoption of this standard may impact on disclosures in the financial statements in future periods.
- IFRS 11 – Joint Arrangements. Effective on 1st January 2013. The adoption of this standard may impact on disclosures in the financial statements in future periods.
- IFRS 10 – Consolidated Financial Statements. Effective on 1st January 2013. The adoption of this standard may impact on disclosures in the financial statements in future periods.
- IAS 28 – (revised May 2011) – Investments in Associated and Joint Ventures. Effective on 1st January 2013. The adoption of this standard in future periods is not expected to have a material impact on the financial statements of the Company.
- IAS 27 – (revised May 2011) – Separate Financial Statements. Effective on 1st January 2013. The adoption of this standard in future periods is not expected to have a material impact on the financial statements of the Company.
- IFIC 20 – Stripping Costs in the Production Phase of a Surface Mine. Effective on 1st January 2013. The adoption of this standard in future periods is not expected to have a material impact on the financial statements of the Company.
- IFRS 10, IFRS 12 and IAS 27 (amended) – Investment Entities. Effective on 1st January 2014. The adoption of this standard in future periods could have a material impact on the financial statements of the Company in respect of the consolidation of the Company's subsidiaries. The Company has not yet fully assessed the impact that adoption of Investment Entities will have on the financial statements.
- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (effective 1 January 2013).
- Annual Improvements 2009-2011 cycle (effective 1 January 2013).

The adoption of the above standards is not expected to have a material effect on Totally PLC consolidated financial statements.

5. Segmental analysis – operating segments

The chief operating decision maker ("CODM") for the purpose of IFRS 8 is the executive management team – The Group Chief Executive Officer and the Directors of subsidiary undertakings. The Group operates in a number of different markets and considers that the presentation of financial results on a goods and services basis is the most appropriate way to demonstrate the performance of the Group. For the purpose of resource allocation and assessment of performance, the CODM regularly reviews information based on the goods and services at a revenue and EBITDA level.

The Group considers there to be the following reportable operating segments organised around goods and services:

Digital marketing – consists of Totally Communications' activities which have three main service sectors being website and software design & development, consultancy & systems integration and online marketing.

Digital solutions to the healthcare sector – consists of Totally Health's activities.

Head office costs – these are central costs that are offset by internal cost recoveries from the Group's operating businesses and by sundry income which is not attributable to any of the Group's operations.

The UK publishing operation was discontinued in 2012. The UK publishing business consisted of the Jewish News & Media Group which publishes on and offline media for the UK's Jewish community including a weekly newspaper 'Jewish News', quarterly lifestyle and Celebrations magazines, 'Pulse' and 'TotallyJewishSimchas, a community portal, 'www.TotallyJewish.com' and an annual Wedding exhibition, TotallyJewishSimchas Live. This operating segment was sold in May 2012. The segmental information reported in this note does not include any amounts for this discontinued operation which is described in more details in note 23.

No operating segments have been aggregated to form the above reportable segments. The Group's management reporting and controlling systems use the accounting policies that are the same as those referred to in Note 4.

Segmental analysis – segment measures

The Group measures the performance of its operating segments through a measure of segment profit or loss which is referred to as EBITDA. This measure is reported to the CODM for the purposes of resource allocation and assessment of performance.

Interest income, interest expense and income tax expense are not included in the EBITDA profit measure which is reviewed by the CODM. Tax and treasury balances are managed centrally.

Segment assets and liabilities are not regularly provided to the CODM. The Group has elected, as provided under IFRS 8 "Operating Segments" (amended 2009) not to disclose a measure of segment assets or liabilities where these amounts are not regularly provided to the CODM.

Intersegment revenue is recorded at values that represent estimated third-party selling prices.

With respect to geographical regions, revenue is generally allocated to countries based on the location where the goods and services are provided. Non-current assets are disclosed according to the location of the businesses to which the assets relate. In 2012 and 2011, all segments operated solely in the UK, and as a result no secondary format is provided in the financial statements.

Primary reporting format – business segments

The table below sets out information for the Group's business segments for the years ended 31 December 2012 and 2011. 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 include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

5. Segmental analysis – operating segments continued

Analysis by business segment 2012

	Digital marketing £000	Digital solutions for healthcare £000	Head Office £000	Intra-group adjustments £000	Total continued operations £000	Discontinued operations £000	Total £000
Revenue	988	769	–	(138)	1,619	550	2,169
EBITDA	62	(253)	(326)	–	(517)	(12)	(529)
Depreciation	(4)	(8)	(1)	–	(13)	(3)	(16)
Amortisation	(25)	–	–	–	(25)	–	(25)
Operating (loss)/profit	33	(261)	(327)	–	(555)	(15)	(570)
Profit on disposal of UK publishing	–	–	–	–	–	74	74
Share issues costs	–	–	(54)	–	(54)	–	(54)
Finance costs	(1)	–	(37)	–	(38)	–	(38)
(Loss)/profit before tax	32	(261)	(418)	–	(647)	59	(588)
Income tax	–	–	–	–	–	–	–
(Loss)/profit after tax	32	(261)	(418)	–	(647)	59	(588)
Segment assets	235	267	100	–	602	–	602
Segment liabilities	(448)	(237)	(379)	–	(1,064)	–	(1,064)

Analysis by business segment 2011

	Digital marketing £000	Head Office £000	Total continued operations £000	Discontinued operations £000	Total £000
Revenue	871	–	871	974	1,845
EBITDA	152	(215)	(63)	(43)	(106)
Depreciation	(4)	–	(4)	(5)	(9)
Amortisation	(18)	–	(18)	–	(18)
Operating (loss)/profit	130	(215)	(85)	(48)	(133)
Finance costs	–	(25)	(25)	–	(25)
(Loss)/profit before tax	130	(240)	(110)	(48)	(158)
Income tax	–	–	–	9	9
(Loss)/profit after tax	130	(240)	(110)	(39)	(149)
Segment assets	282	25	307	485	792
Segment liabilities	(144)	(737)	(881)	(367)	(1,248)

6. Loss on operating activities before taxation

	2012 £000	2011 £000
Loss on ordinary activities before and after taxation is stated after charging:		
Auditors' remuneration for audit services	**19**	21
Auditors' remuneration for non-audit services – tax services	**2**	–
Directors' and employees' share-based payments	**13**	13
Impairment charge for provisions in relation to irrecoverability of trade receivables	**4**	6
Operating lease charges – land and buildings	**90**	52
Operating lease charges – other assets	**–**	8
Depreciation	**16**	9
Amortisation	**15**	18

Auditors' remuneration includes fees of £6,000 (2011: £6,000) for the Company.

7. Employee information

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

	Number of employees	
	2012	2011
Management and finance	**6**	2
Technical and production	**11**	9
Editorial	**2**	5
Sales and marketing	**2**	5
Administrative	**1**	1
Health coaches and project managers	**8**	1
	30	23

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

	2012 £000	2011 £000
Wages and salaries	**1,043**	1,061
Social security costs	**119**	100
	1,162	1,161

7. Employee information continued

Directors' emoluments

	2012				
	Salaries & fees £000	Bonus £000	Benefits in kind £000	**2012 £000**	2011 £000
Executive directors					
A Margolis	119	22	–	**141**	117
D Assor	168	100	5	**273**	125
D Baladason	52	–	–	**52**	–
C Wexler	128	–	–	**128**	–
Non-Executive directors					
M J Sinclair	50	–	–	**50**	–
	517	122	5	**644**	242

During 2012 and 2011 no warrants and no share options were issued to directors.

Included in the directors' emoluments above is a charge of £50,000 in the year to the Company and Group by Senate Consulting Ltd (2011: £nil charge) of which Dr M J Sinclair and his immediate family have a controlling interest.

Included in the directors' emoluments above is a charge of £52,190 in the year to the Company and Group by Mataxis Ltd (2011: £nil charge) of which Donald Baladasan has a controlling interest.

Included in the directors' emoluments above is a charge of £128,000 in the year to the Company and the Group by Clare Wexler (2011: £nil) who was the former Chief Executive Officer of Totally PLC.

Not included in the directors' emoluments above is a charge of £36,000 in the year to the Company and Group for services provided by Wendy Lawrence (2011: £nil) who was subsequently appointed as the Chief Executive Officer of Totally PLC on 18 February 2013.

As at the date of the authorisation of the financial statements, £90,000 of the £100,000 bonus included within D Assor emoluments was not paid.

Other remuneration and benefits in kind for the year for the non-executive Directors amounted to £nil (2011: £nil).

Employee benefits

Share based compensation

The Group operates an equity-settled share based compensation plan for Directors and executives. In accordance with IFRS 1, the Group has elected to implement the measurement requirements of IFRS 2 in respect of only those equity-settled share options that were granted after 7 November 2002 and that had not vested as at 1 January 2005. The fair value of the employee services received in exchange for the grant of options is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted at the grant date. At each balance sheet date, the Group revises its estimate of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the Statement of Consolidated Income, and a corresponding adjustment to equity over the remaining vesting period. When share options are cancelled the Group accounts for the cancellation as an acceleration of vesting and therefore recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. The fair value of share options has been assessed using the Black Scholes Model.

7. Employee information continued

Termination benefits

Termination benefits are payable when employment is terminated before normal retirement date, or whenever an employee is expected to accept voluntary redundancy in exchange for these benefits. The Group recognises these benefits when it is demonstrably committed to terminating the employment of current employees in line with a formal plan, or providing termination benefits as a result of the expected take up of an offer for voluntary redundancy.

Included in wages and salaries is a total charge for share based payments of £13,000 (2011: £14,000) which in both years arises wholly from transactions accounted for as equity settled share based payments.

8. Taxation

a) Taxation charge

	2012 £000	2011 £000
Research and development tax credit	**–**	(9)
Total current income tax credit charged in the income statement	**–**	(9)

b) Taxation reconciliation

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

	2012 £000	2011 £000
Loss before tax	**(588)**	(149)
Taxation at the standard UK income tax rate of 24.5 per cent (2011: 26.5 per cent)	**(144)**	(39)
Research and development tax credit	**–**	(9)
Utilisation of brought forward tax losses	**–**	–
Losses carried forward	**144**	39
Total income tax credited in the income statement	**–**	(9)

b) Deferred tax

Estimated tax losses of approximately £750,000 (2011: £3,600,000) are available to relieve future profits of the Group. A deferred tax asset has not been recognised in respect of these losses due to uncertainty as to the timing and tax rate at which these losses will be utilised against future taxable profit streams.

9. Finance costs

	2012 £000	2011 £000
On bank overdrafts	**38**	25

10. Intangible fixed assets

Group	Software £000	Total £000
Cost		
At 1 January 2012	518	518
Additions	9	9
On disposal of subsidiary	(446)	(446)
At 31 December 2012	**81**	**81**
Amortisation		
At 1 January 2012	489	489
Provided in the year	25	25
On disposal of subsidiary	(444)	(444)
At 31 December 2012	**70**	**70**
Net carrying value		
At 31 December 2012	**11**	**11**
At 31 December 2011	29	29

11. Property, plant and equipment

Group	Short leasehold property £000	Computer equipment £000	Fixtures and fittings £000	Total £000
Cost				
At 1 January 2012	65	132	73	270
Additions	28	1	–	29
On disposal of subsidiary	–	(120)	(58)	(178)
At 31 December 2012	**93**	**13**	**15**	**121**
Depreciation				
At 1 January 2012	58	132	55	245
Provided in the year	12	–	1	13
On disposal of subsidiary	–	(120)	(41)	(161)
At 31 December 2012	**70**	**12**	**15**	**97**
Net book value				
At 31 December 2012	**23**	**1**	**–**	**24**
At 31 December 2011	5	–	18	23

All property, plant and equipment was pledged as security for the Group’s overdraft facilities, all of which were repaid during the year.

11. Property, plant and equipment continued

Company	Short leasehold property £000	Computer equipment £000	Fixtures and fittings £000	Total £000
Cost				
At 1 January and 31 December 2012	**54**	**7**	**12**	**73**
Depreciation				
At 1 January and 31 December 2012	**54**	**7**	**11**	**72**
Net book value				
At 31 December 2012	**–**	**–**	**1**	**1**
At 31 December 2011	–	–	1	1

12. Investments

Company

Investments in share capital of wholly owned subsidiaries

	Total £000
Cost	
At beginning of year	155
Additions	–
At end of year	155
Provision for impairment	
At beginning of year	155
Reversal in year	(155)
At end of year	–
Net book value	
At 31 December 2012	**155**
At 31 December 2011	–

The subsidiary companies, all of which have been consolidated, at 31 December 2012 are as follows. All shares are held directly by the company.

Subsidiary undertakings held directly	Country of incorporation	Percentage of equity capital held	Nature of business
Totally Communications Limited	England and Wales	100%	Technical and marketing services
Totally Health Limited	England and Wales	100%	Bespoke IT healthcare solutions
London Jewish News Limited	England and Wales	100%	Dormant

12. Investments continued

The subsidiary companies, all of which had been consolidated at 31 December 2011 and were sold during 2012 are as follows. All shares were held directly by the company.

Subsidiary undertakings held directly	Country of incorporation	Percentage of equity capital held	Nature of business
Totally Jewish.com Limited	England and Wales	100%	Online media
The Jewish News Limited	England and Wales	100%	Print media

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 until the date that such control ceases. Intercompany transactions and balances between Group companies are eliminated upon consolidation.

13. Amounts recoverable on contracts

	Group 2012 £000	Group 2011 £000	**Company 2012 £000**	Company 2011 £000
Amounts recoverable on contracts	**154**	–	**–**	–

Amounts recoverable on contracts represent the costs of Totally Health contracts in progress at the balance sheet date, less progress billings to date.

14. Trade and other receivables

	Group 2012 £000	Group 2011 £000	**Company 2012 £000**	Company 2011 £000
Trade receivables	**173**	443	**66**	–
Less: provision for impairment on receivables	**(4)**	(6)	**–**	–
Trade receivables – net	**169**	437	**66**	–
Directors' loans	**20**	–	**8**	–
Prepayments and accrued income	**174**	169	**11**	2
	363	606	**85**	2

Movement on the Group and Company provision for impairment of trade receivables are as follows:

	Group 2012 £000	Group 2011 £000	**Company 2012 £000**	Company 2011 £000
At 1 January	**6**	7	**–**	–
Receivables written off during the year as uncollectable	**(6)**	(7)	**–**	–
Provisions made in the year	**4**	6	**–**	
At 31 December	**4**	6	**–**	–

14. Trade and other receivables continued

The creation of provision for impaired trade receivables has been included in administration costs in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. There is no provision for other receivables.

As of 31 December 2012 the following trade receivables were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group 2012 £000	Group 2011 £000	**Company 2012 £000**	Company 2011 £000
Under three months	**134**	322	**57**	–
Three to six months	**20**	89	**9**	–
Over six months	**15**	26	**–**	–
	169	437	**66**	–

The group holds no collateral against these receivables at the balance sheet date and does not charge interest on its overdue receivables.

The other classes within trade and other receivables do not contain impaired assets.

Directors' loans of £20,000 (2011: £nil) have been granted during the year. The loans are interest free and have been repaid since 31 December 2012.

15. Trade and other payables

	Group 2012 £000	Group 2011 £000	**Company 2012 £000**	Company 2011 £000
Current				
Trade payables	**351**	176	**104**	20
Amounts owed to group undertakings	**–**	–	**1,559**	1,433
Other taxes and social security	**325**	152	**62**	91
Other creditors	**76**	6	**77**	–
Accruals and deferred income	**312**	324	**107**	36
	1,064	658	**1,909**	1,580

Trade payables and accruals principally comprise amounts outstanding from purchases and ongoing costs. The directors consider that the carrying amount of trade payables approximates to their fair value.

16. Financial liabilities – borrowings

	Group 2012 £000	Group 2011 £000	**Company 2012 £000**	Company 2011 £000
Repayable within one year:	–	590	–	590
Secured borrowings	–	590	–	590

Undrawn facilities

The undrawn overdraft facilities available to the Group at the year end in respect of which all conditions precedent have been met at that date were as follows:

	2012 £000	2011 £000
Expiring in less than one year	–	10

Secured liabilities

The Group's financial liabilities during the year ended 31 December 2011 were comprised of two overdraft facilities, both repayable in less than one year.

One overdraft was secured by a debenture over the Group's trade debtors aged below 90 days, with a limit of £50,000 charging interest at 3.75 per cent above bank base rate per annum. This facility expired during 2012.

The second facility had a limit of £600,000 charging interest at 2 per cent above bank base rate per annum. As security for the second facility, the bank had obtained the unlimited Joint and Several Guarantees of Dr Michael J. Sinclair (non-executive Chairman), and Mr Leo Noe. At 31 December 2011 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. This facility had formally expired on 30 June 2011, but had remained in place until 8 May 2012. The facility has now been repaid by the Group.

All monetary assets and liabilities at the balance sheet date are held in Sterling, the Group's functional currency.

17. Financial instruments

The Group's financial instruments comprise cash and various items, such as trade receivables and trade payables that arise 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 2012 £000	Group 2011 £000	**Company 2012 £000**	Company 2011 £000
Amounts payable:				
Within one year	–	590	–	590

17. Financial instruments continued

The Group's activities expose the Group to a number of risks including capital management risk, interest rate risk, foreign exchange risk, credit risk and liquidity risk. The policies for managing these risks are regularly reviewed and agreed by the Board.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments should be undertaken.

Capital management risk

The Group's main objective when managing capital is to protect returns to shareholders by ensuring the Group will continue to trade in the foreseeable future. The Group also aims to optimise its capital structure of debt and equity so as to minimise its cost of capital. The Group in particular reviews its levels of borrowing and the repayment dates, setting these out against forecast cash flows and reviewing the level of available funds.

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to holders of the parent, comprising issued share capital, reserves and retained earnings. Consistent with others in the industry, the Group reviews the gearing ratio to monitor the capital. This ratio is calculated as the net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity (including capital, reserves and retained earnings). This gearing ratio will be considered in the wider macroeconomic environment. With the current restraints on availability of finance and economic pressures the Group has lowered its gearing ratio expectations and has continued to reduce its debt in the year to 31 December 2012.

Interest rate risk

The Group and Company's interest rate exposure arises mainly from the interest bearing borrowings as disclosed in note 16. Currently all of the Group's facilities are at floating rates, which expose the entity to cash flow risk.

Foreign exchange risk

The Group and Company operates principally in the United Kingdom and as such the majority of the Group and Company's financial assets and liabilities are denominated in sterling, and there is no material exposure to exchange risks.

Credit risk

The Group's credit risk primarily relates to trade and other receivables and accrued income. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Group's management.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and controls relating to customer credit management. Credit limits are established for all customers and are based inter alia on credit checks. Outstanding customer receivables are regularly monitored.

Concentration of credit risk with respect to trade receivables is limited in Totally Communications due to its customer base being large and unrelated. Totally Health does trade with a small number of NHS Trust customers but the Directors consider that the credit risk is minimised by contractual arrangements which require customers to make stage payments as service delivery progresses, Totally Health's experience of on time payments received so far and the government backing being given to these initiatives.

Liquidity risk

Cash balances and borrowings are managed so as to maximise interest earned and minimise interest paid, while maintaining the liquidity requirement of the business. When seeking borrowings, the directors' consider the commercial terms available and, in consultation with their advisors, consider whether such terms should be fixed or variable and are appropriate to the business

The Group would normally expect that sufficient cash is generated in the operating cycle to meet the contractual cash flows through effective cash management. At 31 December 2011 the Group had borrowings in the form of bank overdrafts of £590K compared to available facilities of £600K, which could be accessed as considered necessary. These facilities were repaid during 2012.

18. Share capital and reserves

	31 December 2012 £000	31 December 2011 £000
Authorised		
148,786,275 ordinary shares of 1p each (2011: 125,000,000)	**1,488**	1,250
20,500,000 deferred shares of 1p each (2011: 20,500,000)	**205**	205
	1,693	1,455
Allotted, called up and fully paid		
148,786,275 ordinary shares of 1p each (2011: 91,947,934)	**1,488**	919
20,500,000 deferred shares of 1p each (2011: 20,500,000)	**205**	205
	1,693	1,124

The Deferred Shares carry no voting rights, no rights to attend general meetings of the Company, and no rights to receive dividends. The Deferred Shares do carry a right to participate in any return of capital to the extent of 0.01 pence per Deferred Share but only after each Ordinary Share has received in aggregate capital repayments totalling £1,000,000 per Ordinary Share.

Number of ordinary shares	**2012**	2011
Balance 1 January	**91,947,934**	91,947,934
Issue of shares (see below)	**56,838,341**	–
Balance 31 December	**148,786,275**	91,947,934

During December 2012 existing warrant holders agreed to sell 113,676,681 warrants to subscribe for 113,676,681 new Ordinary Shares of 1p each in the Company to investors at a purchase price of 0.2p per warrant.

Under the terms of the Agreement, holders of 56,838,341 warrants subscribed for 56,838,341 Ordinary Shares of 1p each on 17 December 2012. The net consideration after costs for the Company from this issue of shares was £515,000.

After the end of the reporting period holders of 56,838,340 warrants subscribed for 56,838,340 Ordinary Shares of 1p each on 14 January 2013 at an exercise price of 1p per share. The net consideration for the Company from this issue of shares was £539,000

Earnings per share	**2012**	2011
Basic and diluted earnings (continuing operations) (£000)	**(647)**	(110)
Basic and diluted earnings (discontinued operations) (£000)	**59**	(38)
Weighted average number of shares used in basic and diluted earnings per share calculations (continuing operations) (000)	**94,122**	91,948
Weighted average number of shares used in basic and diluted earnings per share calculations (discontinued operations) (000)	**94,122**	91,948
Basic earnings per share (continuing operations) (Pence)	**(0.69)**	(0.12)
Basic earnings per share (discontinued operations) (Pence)	**0.07**	(0.04)
Diluted earnings per share (continuing operations) (Pence)	**(0.69)**	(0.12)
Diluted earnings per share (discontinued operations) (Pence)	**0.07**	(0.04)

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of Ordinary Shares in issue during the year.

None of the share options or warrants in issue had a dilutive effect on earnings per share in 2012 and 2011.

18. Share capital and reserves continued

Share options

Details of all options in issue at 31 December 2012 are as follows:

Grant date	Exercise price	Outstanding at start of year	Issued in year	Expired in year	Residual at 31 December 2012
17 December 2002	1.5p	10,000	–	(10,000)	–
22 December 2004	2.88p	25,000	–	–	25,000
16 May 2005	2.375p	1,000,000	–	–	1,000,000
1 January 2006	2.38p	150,000	–	–	150,000
29 March 2007	2.25p	1,033,333	–	–	1,033,333
10 April 2007	2.88p	100,000	–	–	100,000
1 January 2008	1p	1,000,000	–	–	1,000,000
27 July 2009	1p	10,575,000	–	–	10,575,000
8 October 2009	1p	3,050,000	–	–	3,050,000
22 April 2010	1p	500,000	–	–	500,000
		17,443,333	–	(10,000)	17,433,333

All options granted and outstanding as shown above may be exercised from the date of grant for a period of 10 years.

Warrants currently in issue

No warrants were issued in the year.

Details of all warrants in issue at 31 December 2012 are as follows:

Grant date	Exercise period	Exercise price	Outstanding at start of year	Expired in year	Converted* to equity	Residual at 31 December 2012
21 May 2002	Within 10 years from grant date	5p	1,916,665	(1,916,665)	–	–
18 June 2004	Within 7 years from grant date	5p	4,287,143	(4,287,143)	–	–
4 November 2005	Within 7 years from grant date	2p	2,500,000	(2,500,000)	–	–
2 July 2008	Within 10 years from grant date	1.25p	4,500,000	–	(4,500,000)	–
30 September 2008	No expiry date	1p	70,000,000	–	(35,000,000)	35,000,000
27 July 2009	Within 10 years from grant date	1p	16,752,528	–	(16,752,528)	–
8 October 2009	Within 10 years from grant date	1p	166,666	–	–	166,666
13 April 2010	Within 10 years from grant date	1p	32,424,153	–	(32,424,153)	–
22 April 2010	Within 10 years from grant date	1p	25,000,000	–	(25,000,000)	–
			157,547,155	(8,703,808)	(113,676,681)	35,166,666

* As noted on page 38 these warrants were sold to a broker in December 2012 and by the year end 56,838,341 Ordinary Shares had been subscribed for by investors. The balance was placed with investors in January 2013. No breakdown of the warrants subscribed pre and post year end is readily available to provide the analysis required above and hence all the relevant warrants are shown as converted.

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. Directly chargeable issue costs are charged to the share premium account.

19. Share-based payment

During the year ended ending 31 December 2012 the Group and Company had two share based payment arrangements as described below.

a) Employee Share Options

Totally PLC Enterprise Management Incentive Plan – 10 year limit

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 22 April 2010. The estimated fair value of options varies between 0.7 pence and 0.04 pence. 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 reconciliation of option movements over the year is shown below.

The volatility of the Company's share price on each date of grant was calculated as the average of the standard deviations of daily continuously compounded returns on the stock of the company, calculated back over a period commensurate with the expected life of the option. The risk-free rate used is the yield to maturity on the date of grant, with term to maturity equal to the expected life of the option. It was assumed that options would be exercised within two years of the date on which they vest.

	2012 Number '000s	2012 weighted average price Pence	2011 Number '000s	2011 weighted average price Pence
Outstanding at 1 January	17,443	1.17	17,443	1.17
Granted	–	–	–	–
Surrendered	–	–	–	–
Exercised	–	–	–	–
Expired	(10)	–	–	–
Outstanding at 31 December	17,433	1.17	17,443	1.17

	2012	2011
Range of exercise price (Pence)	1.00 – 5.00	1.00 – 5.00
Weighted average exercise price (Pence)	1.17	1.17
Number of shares (000's)	17,443	17,443
Weighted average remaining life years – Expected	7	8
Weighted average remaining life years – Contractual	8	9

b) Warrants

The estimated fair value of each warrant has been calculated using the Black Scholes option pricing model for different warrants granted as outlined in Note 18. The estimated fair value of warrants varies between 0.8 pence and 0.01 pence. 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:

	2012 £000	2011 £000
Expense arising from issue of share option warrants – equity settled	13	14

20. Company changes in equity

Company	Share capital £000	Share premium account £000	Profit and loss account £000	Equity shareholders' deficit £000
At 1 January 2011	1,124	3,353	(6,396)	(1,919)
Loss for the year	–	–	(240)	(240)
Credit on issue of warrants	–	–	14	14
At 31 December 2011	1,124	3,353	(6,622)	(2,145)
Loss for the year	–	–	(36)	(36)
Issue of share capital	569	–	(54)	515
Credit on issue of warrants	–	–	13	13
At 31 December 2012	**1,693**	**3,353**	**(6,699)**	**(1,653)**

21. Commitments

a) Capital expenditure commitments

At 31 December 2012 and 2011 the Group had no capital commitments.

b) Operating leases agreements

At 31 December 2012 the Group had the following aggregate minimum lease payments under non-cancellable operating lease rentals:

	Group		Company	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Land and buildings				
Within one year	**63**	55	**–**	–
Between two and five years	**59**	94	**–**	–
After more than five years	**–**	–	**–**	
	122	149	**–**	–
Other assets				
Within one year	**–**	8	**–**	–
Between two and five years	**–**	3	**–**	–
After more than five years	**–**	–	**–**	
	–	11	**–**	–

22. Related party transactions

The Group has taken advantage of the exemption available under IAS 24, "Related Party Disclosures", not to disclose details of transactions between Group undertakings which are eliminated on consolidation.

Included within current liabilities in the Company statement of financial position are amounts owed to 100% subsidiary undertakings of £1.56m (2011: £1.43m). The movement in the Company's balances with its subsidiaries reflects the Group's banking facilities and arrangements operating during the year.

22. Related party transactions continued

The following related party transactions are required to be disclosed in accordance with IAS24.

In 2012, no purchases (2011: £8,625), were made from K Margolis, wife of A Margolis who is a director of both Totally Communications Limited and Totally PLC. The purchases were made on an arm's length basis. A balance of £nil (2011: £1,000) is included in trade creditors at the year end.

23. Discontinued operations – UK publishing group

a) On the 15 May, Totally PLC announced the sale of its UK publishing business to JN News and Media Group Limited. The net consideration receivable was £211,000. The proceeds of the disposal has been used to reduce the Group's indebtedness and to fund the working capital requirement of Totally Communications and Totally Health.

b) Profit and Loss from discontinued operations

	2012 £000	2011 £000
Revenue	550	975
Expenses	(565)	(1,023)
Operating loss	(15)	(48)
Income tax credit	–	9
Loss for the year from operating activities	(15)	(39)
Profit on disposal of subsidiary (see note 23c)	74	–
Profit/(loss) from discontinued operations	59	(39)

The 2012 trading results include operating activities from 1 January 2012 to 15 May 2012.

c) Profit on disposal of subsidiary

	2012 £000
Sale proceeds (after net assets based price adjustments)	211
Less: Legal and professional fees	(68)
Less: Director's bonus in respect of sale	(100)
Net consideration receivable	43
Net assets/liabilities disposed of:	
Property plant and equipment	17
Cash at bank	12
Working capital – inventories, receivables and payables	(60)
Net liabilities disposed of	(31)
Profit on disposal of subsidiary	74

At 31 December 2012 the Group had not paid £90,000 of the director's bonus and £77,000 of the consideration that was payable to the purchaser in respect of the disposal. Therefore the net cash received from the disposal in the year was £210,000 as disclosed in the consolidated cash flow statement on page 22.

The Group has sufficient current year tax losses to offset the profit on disposal of subsidiary. Therefore, no income tax change or credit is expected in respect of the disposal.

24. Post balance sheet events

After the end of the reporting period holders of 56,838,340 of the warrants subscribed for 56,838,340 Ordinary Shares of 1p each on 14 January 2013 at an exercise price of 1p per share. The net consideration received by the Company from this issue of shares was £539,000.

Following the end of the reporting period Clare Wexler resigned as CEO of Totally Plc and was replaced by Wendy Lawrence. The Company is currently in dialogue with Mrs Wexler and her representatives regarding an appropriate compromise package. The Directors believe this will be settled at a level commensurate to the circumstances of Mrs Wexler's resignation.

25. Notes to the cash flow statement – cash flows relating to discontinued operations

	2012 £000	2011 £000
Cash flows from operating activities		
Operating loss	**(15)**	(48)
Amortisation and depreciation	**3**	5
Movement in working capital balances	**(45)**	12
Net cash utilised by operating activities	**(57)**	(31)
Research and development tax credit	**–**	9
Cash flows from investing activities		
Purchase of non-current assets	**(1)**	(22)
Cash disposed with subsidiary	**(12)**	–
Net cash utilised by investing activities	**(13)**	(22)
Net decrease in cash and cash equivalents	**(70)**	(44)
Cash and cash equivalents at beginning of year	**70**	114
Cash and cash equivalents at 31 December	**–**	70

The above operations are up to the 15th May 2012.

COMPANY INFORMATION

Directors

Dr. Michael Sinclair (Non-Executive Chairman)

Wendy Lawrence (CEO)

Andrew Margolis (Executive Director)

Donald Baladasan (Finance Director)

George Rolls (Non-Executive Director)

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