Financial statements

For the year ended 31 December 2013

totally plc

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

Totally focuses on promoting specialist innovative solutions across the spectrum of healthcare through the subsidiary:

TOTALLYHEALTH

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

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

Contents

PERFORMANCE OVERVIEW

- Revenues from continuing operations £0.88m up 14 per cent (2012: £0.77m)
- Gross profit from continuing operations £0.18m (2012: £0.16m)
- Total EBITDA from continuing operations £(0.69)m (2012: £(0.58)m)
- Loss from continuing operations before tax £(0.73)m (2012: £(0.68)m)
- Cash utilised from operating activities £(0.91)m (2012: £(0.14)m)
- Basic loss per share (0.4)p (2012: (0.6)p per share)
- Focusing on sales of innovative solutions to healthcare sector
- Sale of the digital marketing business

FOREWORD: 2013 GOVERNMENT POLICY – SETTING THE SCENE

The rise of long-term conditions

Let's look at the biggest operational challenge facing the NHS right now – the pressure on A&E departments.

Because of the ageing population, fully one quarter of the population – that's 15 million people – have a long term condition like diabetes, dementia or asthma. Although these conditions cannot be cured, they can be alleviated, treated and sometimes kept at bay.

This is a huge challenge for an NHS set up primarily to deal with one-off episodes and curable illnesses – whether cancer, a new knee or a broken leg. Because unlike when the NHS was founded 65 years ago, now half of GP appointments and two thirds of outpatient/A&E visits are for people with long-term conditions.

Indeed they are now responsible for 70% of the total health and care budget, over £70 billion every year. And that number is growing – which is why a recent review by Professor Carol Jagger said, the way we care for people with long-term conditions is unaffordable and unsustainable.

There are simply too many cases where people with long-term conditions do not get the medicines, the checks or the support they need. They or their relatives end up having to put their energy into fighting the system instead of fighting their illness.

Indeed the system itself has a long term condition – an outdated way of doing things that puts up silos, creates bunkers and too often gives people the minimum rather than the total support they need.

Treat the person not the condition

The first challenge is to treat the person and not the illness.

The new clinical commissioning groups have a huge role to play in changing this.

The role of Primary Care

The second challenge is to rethink the role of primary care, in particular its ability to prevent the need for emergency admissions.

The very nature of a long term condition means that you never leave hospital cured. So why do we tolerate a system which seems to perpetuate the myth that you do?

Too often people with long-term conditions are left to their own devices, without the help, care and guidance that local services should provide.

Then something goes wrong and they end up straight back in hospital needing emergency care, at great cost to themselves as well as to the system.

Our primary care system has become reactive when it needs to be proactive.

Jeremy Hunt
Secretary of State for Health

Source: Department of Health.
"Will we rise to the challenge of an ageing society?", 25 April 2013

JOINT STATEMENT FROM CHAIRMAN & CHIEF EXECUTIVE

Dr. Michael Sinclair
Non-Executive Chairman

Wendy Lawrence
Chief Executive Officer

The story of Totally Plc and its vision

Totally are passionate about empowering people to make informed, better decisions about their own health and the healthcare services available to help them lead better, healthier and longer lives.

Our services and programmes of support really do focus on improving people's lives and reducing reliance upon the unscheduled care system across the healthcare sector.

Long term conditions management

Totally Health's Long Term Condition Management Programme puts the patient right in the centre, at the heart of all discussions and decisions about how they live their lives to the maximum.

How do we do this? By building strong trusted relationships, based upon sound clinical knowledge and expertise that fit into local healthcare systems. This will ensure the best available knowledge, information and care is provided to individuals, who are empowered to make decision about themselves and what's best for them, whilst avoiding reliance on emergency services and unscheduled care.

Our Clinical Health Coaches are highly trained, experienced health care professionals who have the time to ensure each person is treated as an individual. We work with the person as a whole, not a condition that they live with. We have transformed the lives of many individuals who are diagnosed with a Long Term Condition and have to find a way to live with that condition and not let it determine what they can and cannot do.

By taking control and self managing their conditions, lives have been transformed without the need to spend hours in A&E or be admitted to hospital unnecessarily. The patients we work with have a much better understanding of their condition(s), their treatments and care plans. Most importantly they know when they need urgent care and what to do is those circumstances.

We are working with Clinical Commissioning Groups and GP Practices across England to support people diagnosed with a Long Term Condition.

> "DoH estimate that £7 out of every £10 spent in England on health and social care is supporting people diagnosed with a Long Term Condition."

Source: Department of Health.
"Long Term Conditions Compendium of Information", Third Edition, 30 May 2012

A case study

Our LTC Management Programme for Chronic Obstructive Pulmonary Disease (COPD) saved one CCG over £700,000 in one year, working with an average of 50 people...

We began working with NHS Leicester City CCG in December 2012 to deliver our clinical health coaching programme to patients diagnosed with COPD. COPD is one of the top 5 LTCs in England, with thousands of people diagnosed every year. Leicester City audited the impact of the programme not only in terms of resources saved, but also the impact this service had on patients' lives. Most patients on phase 1 of this programme also used Tele Health equipment, supported by their named clinical health coach.

The Leicester Mercury published an article in 2013 featuring one of the patients on the programme.

The following are extracts from that article and demonstrate the impact we are having.

A scheme to help keep patients suffering from chronic lung disease out of hospital could be extended.

- A trial in which patients are monitored via computer readings and supported by a dedicated team of professionals has nearly halved the number of hospital admissions over the winter.
- Forty-nine people have been on the programme over the past 15 weeks.
- They all suffer from chronic obstructive pulmonary disorder (COPD), which includes a range of conditions such as chronic bronchitis, emphysema and chronic obstructive airways disease.

Mr Foottit has had COPD for about 20 years. He said:

"I think the cause was a mixture of smoking and working in the rubber industry when there were no dust extractors. It was a terrific shock when I was diagnosed and it has got worse over the years."

Mr Foottit now has to have extra oxygen around the clock. He said:

"If I go away I have to arrange for oxygen to be sent to where I am going and I can't go abroad any more. This new scheme is helping me. I haven't been into hospital since I joined it before Christmas and usually I am in and out of there quite often."

Mr Foottit, is one of 4,700 city residents known to have COPD. Up to 3,000 more have not yet been diagnosed.

"The scheme has really helped people like Fred. Since he started, he has been doing more exercise, on his exercise bike and going out for walks. This is really helping his lungs and general health."

"Although you cannot reverse COPD, patients can do a lot to help keep it under control."

NHS Leicester City was the first CCG that commissioned Totally Health to work with them to deliver our specialised programme to some of the residents diagnosed with COPD.

During 2013 similar programmes were launched with Darley Dale Medical Centre and NHS Southern Derbyshire Clinical Commissiong Group.

More recently Waltham Forest, Kingston, Sutton and Newham CCGs in London have also asked us to deliver similar Programmes to their COPD populations. With Waltham Forest CCG we will also be supporting people diagnosed with Diabetes.

Shared decision making

During the first quarter of 2013 we completed the delivery of our £1.6m contract for the NHS with the delivery and launch of 36 Patient Decision Aids (PDAs)- covering 36 specific disease areas.

This was supporting the NHS Rightcare Programme which aims to promote their 'No Decision About Me Without Me' Initiative.

All 36 PDAs and their mobile apps were launched on time and within budget which was a massive achievement for Totally Health.

For the full list of PDAs visit http://sdm.rightcare.nhs.uk/pda/

Whilst NHS England design phase 2 for this programme, Totally Health continue to support the Programme and provide the hosting and maintenance services for the website along with services for the rewriting of existing and new PDAs.

The PDAs are available nationally for use by members of the public who can review all treatment options available to them following diagnosis with one of the current 36 conditions covered by the PDAs.

During 2013, High Weald Lewes Havens CCG commissioned Totally Health to provide Decision Support Coaching to residents diagnosed with three conditions covered by PDAs – this initial trial was so successful that High Weald Lewes Havens CCG have recently recommissioned Totally Health for a further 12 months to provide additional Decision Support Coaching for all 36 disease areas covered by the current PDAs.

2013 overview

The successes outlined above have presented us with fantastic opportunities to roll out our programmes nationwide and work with the NHS and other healthcare providers to not only save money but also to transform the lives of people living with a long term condition or having to make decisions about their healthcare. We have used 2013 to prove ourselves and the difference we can genuinely make.

During the summer of 2013 we began an in-depth internal business review, undertook a fundraise of £600,000 with new investors and existing shareholders and further strengthened our balance sheet with the disposal of Totally Communications in December 2013.

This strategic move has allowed us to refocus the business, expand the team and ensure we have the expertise, knowledge and skills to grow the business and our people to support a national roll out of our services.

We have;

- Begun the roll out of our year one successes nationwide – new contracts have been secured and existing programmes continue to deliver beyond expectations
- Strengthened our balance sheet following our successful fundraise and the disposal of Totally Communications
- Renewed focus, allowing us to secure new clients, grow the business and ensure we have the best people within the organisation to do this
- Reduced our costs and overheads considerably going forward.

And most of all we have delivered innovative programmes with our clients which have already saved the NHS thousands of pounds and supported patients to live better lives and avoid having to spend time in hospital and A&E departments.

Dr. Michael Sinclair
Non-Executive Chairman

Wendy Lawrence
Chief Executive Officer

12 May 2014

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

Totally Health

The company's principal activity is the provision of innovative solutions to the healthcare sector. Totally Health started business in 2012.

During the first quarter of 2013 Totally Health continued its work on the delivery and implementation of the NHS Shared Decision Making Programme which it secured as part of the national NHS contract back in 2012. The first year of this contract required Totally Health to deliver 36 Patient Decision Aids, all focused on specific disease areas. Shared Decision Making is an evidenced based method to empower people to take control of their individual healthcare decisions. This concept is written into the Health and Social Care Bill and aims to empower patients to take control of decision involved in their long term health. Since many of these decisions are based within the management of long term conditions, it is seen as a key part of the Government's strategy to aid the reduction of NHS costs over the next five years.

Totally Health spent much of 2012 focused on the delivery and implementation of this project and by the end of March 2013 we had successfully delivered all Decision Aids and launched the new interactive web-based Shared Decision Making system for use nationally across England. All of this was delivered not only on time but also within the original budgets agreed for delivery – a major achievement for Totally Health and the NHS.

Totally Health continues to work with NHS England on this exciting programme and supporting the systems and PDAs used by patients across the country.

2013 also saw Totally Health expand its Long Term Condition Management Clinical Health Coaching services further across the healthcare sector.

The Leicester City Totalcare Programme which supports patients diagnosed with Chronic Obstructive Pulmonary Disease (COPD), launched in early December 2012, out performed management expectations and was extended and expanded to include an additional 350 patients from June 2013. Totally Health, working alongside local health care partners, has delivered new innovative services to COPD patients in Leicester City which has saved the local Clinical Commissioning Group in excess of £700,000 during the first year of operation and also dramatically reduced demand on A&E and unplanned NHS Services, for the people enrolled onto the Totalcare Programme.

Patient feedback has also been extremely positive with the majority of individuals having achieved major improvement in their lifestyle, wellbeing and overall day to day health status.

New Long Term Condition Management Programmes for COPD were also launched during 2013 with Darley Dale Medical Centre and Southern Derbyshire Clinical Commissioning Group. At the time of publishing, the evaluation of results is underway and will be published once available.

Totally Health also began a new programme supporting High Weald Lewes Havens CCG with Decision Support Coaching – ensuring that patients facing decisions about their own health had the support of a personal health coach to ensure that they understood all of the treatment options available to them before making a decision about the best option for them. This is an exciting area for Totally Health and one which is proving of interest in many healthcare sectors not only the NHS.

Totally Health also continued to grow and develop our team of experts. During the year we added to our team of clinicians and business development specialists and are confident that 2014 will bring many growth opportunities for the business.

Totally Communications

Totally Communications was sold via a Management Buy Out in December 2013. This was seen by all parties involved as a positive move for Totally PLC, Totally Health and Totally Communications, allowing all parties to focus on their core business objectives and growth.

All technology requirements for Totally Health were secured as part of this disposal to enable continued development of services and products going forward.

For details see note 23 to the financial statements.

Principal risks and uncertainties

The main risks arising from the Group's financial instruments are 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.

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 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.

Totally Health does trade with a small number of NHS 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 impacted on the Group's working capital cycle. The Directors continually monitor the situation through the careful management of creditors and working capital.

Donald Baladasan
Director
12 May 2014

The Directors present their report and the financial statements for the year to 31 December 2013.

Principal activities

The Group's principal activities are the provision of innovative solutions to the healthcare sector (through Totally Health).

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. During 2012 and 2013 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 which has 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 digital marketing division was sold in 2013 – 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 Joint Statement from Chairman & Chief Executive and the Strategic Report on pages 3 to 7 respectively.

Results and dividends

The results for the year are set out on page 16. No interim dividend has been paid and the Directors do not recommend a final dividend. (For details regarding dividend declared by the subsidiary of the company – see note 20 to the financial statements.)

Share capital

Details of the changes in the 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 2013 increased year on year by 14 per cent to £0.88 million (2012: £0.77 million).

Group EBITDA from continuing operations for the period was £(0.69) million (2012: £(0.58) million).

Group operating loss from continuing operations for the period was £0.73 million (2012: loss of £0.68 million).

Cash flow and net debt

The Group cash flow statement is set out on page 20. Highlights include cash utilised by operations of £911,000 (2012: £144,000), cash inflow from disposal of subsidiaries of £33,000 (2012: £210,000), net proceeds of shares issued of £1,073,000 (2012: £515,000) and £123,000 improvement in the Group's net funds position at 31 December 2013 to £173,000 in hand from £50,000 at 31 December 2012.

Liquidity and funding

At 31 December 2013 the Group had net current liabilities of £235,000 down from £497k in the prior year. The Group maintains liquidity through the careful management of the working capital cycle generated through normal business activities.

Since the transition from PCTs to CCGs Totally has been working with CCGs to facilitate the bedding in of new procurement processes and helped develop their Long Term Condition strategy. This work has crystallised into contracts in 2013. This strong pipeline is envisaged to convert into contracts in several disease areas and CCGs throughout 2014.

The Group is actively developing projects with organisations other than the NHS to further broaden the market for its digital solutions.

Furthermore the Group is in discussions to develop complementary technologies that can further reduce the financial burden on the NHS from long term conditions.

Totally is confident that, as the new CCGs and other NHS bodies are effectively rolled out, the award of contracts will accelerate in 2014. This has been evidenced by the new contract wins in the first quarter of 2014. The Board is confident that with the conversion of the current pipeline no further external funding either by debt or equity will be needed in the foreseeable future to implement the current business plan.

Financial position

Overall the net liabilities position of the Group has decreased by £243k during the year to a position of £219,000 at 31 December 2013.

Employee matters

Quality and integrity of personnel

The Group has a core of key employees with strong market and product knowledge. It 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 (2012: 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 effected by its operations. It is the Group's policy to provide working environments which are safe and without risk to health and to 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 (Executive Director)

Donald Baladasan (Finance Director)

Wendy Lawrence (Chief Executive, appointed 2 May 2013)

George Rolls (Non-executive director, appointed 3 June 2013, resigned 25 February 2014)

Clare Wexler (Appointed 15 May 2012; Resigned 15 February 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 0.1p each held 31 December 2013	**Ordinary shares of 0.1p each held 31 December 2013**	Warrants to subscribe for Ordinary shares of 1p each held 31 December 2012	Ordinary shares of 1p each held 31 December 2012
Dr Michael Sinclair (non-executive Chairman)*	**833,334**	**19,731,792**	–	14,509,791
Andrew Margolis	**833,334**	**4,438,770**	–	2,772,102
Donald Baladasan	**–**	**5,000,000**	–	–
Wendy Lawrence	**833,334**	**1,666,668**	–	–
George Rolls	**1,875,000**	**6,771,090**	–	–

*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 held no shares or warrants during 2012 or 2013.

In January 2014 Donald Baladasan acquired 1,778,000 ordinary shares of 0.1p each. Following this transaction, Mr. Baladasan holds 6,778,000 ordinary shares of 0.1p each.

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
Andrew Margolis	5,125,000	–	5,125,000	1.0	08/10/2009

Substantial interests

The Company has been notified, as at 30 April 2014, of the following interests in 3 per cent or more of the 317,617,450 ordinary shares in issue:

	Ordinary shares	Percentage
JIM Nominees Limited	124,298,635	39.14
TD Direct Investing Nominees (Europe) Limited	19,121,784	6.02
Hargreaves Lansdown (Nominees) Limited	18,828,586	5.93
Peel Hunt Holdings Limited	10,238,806	3.22
L R Nominees Limited	10,059,517	3.17
Chase Nominees Limited	9,872,656	3.11

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 2013 was 77 days (2012: 60 days).

Financial instruments

As at 31 December 2013 the Group has no bank borrowing.

Principal risks and uncertainties

The main risks arising from the Group's financial instruments are supply risk, credit risk, liquidity risk and cash flow risk. The Board reviews and agrees the policies for managing each of these risks. These are detailed in the Directors' Report on page 6.

Research and development

Totally Communications Limited (sold during 2013) was engaged in ongoing research and development aimed at website and software development.

Events after the reporting period

(a) In February and March 2014 Totally Health was appointed by Waltham Forest Clinical Commissioning Group (CCG) and by Newham Clinical Commissioning Group (CCG) to undertake clinical health coaching programmes focused on the management of Long Term Conditions.

In each of the contracts, Totally Health will work with 100 patients, diagnosed with either Chronic Obstructive Pulmonary Disease (COPD) or Diabetes (Waltham CCG) and diagnosed with COPD (Newham CCG), over a six month period to help the patients to better manage their own conditions. The aggregated revenue from both contracts is expected to be £130,000 (excluding VAT).

(b) On 26 March 2014 Totally Health was appointed by NHS Sutton Clinical Commissioning Group (CCG) to deliver a clinical health coaching programme focused on the management of COPD.

During the course of the programme, Totally Health will work with 100 patients diagnosed with COPD, over a twelve month period, to help the patients to better manage their own conditions. The expected revenues from this contract are expected to be £100,000 (excluding VAT).

(c) In April 2014 Totally Health was appointed by NHS Kingston Clinical Commissioning Group to undertake a clinical health coaching programme focused on the management of long term conditions.

During the programme, Totally Health will work with 50 patients diagnosed with COPD over an initial six month period, with the option to extend for a further three months if required. Revenues from this programme are expected to be between £50,000 and £75,000 (excluding VAT).

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 2 January 2013, 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

BOARD REPORT ON CORPORATE GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2013

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), Mrs Wendy Lawrence (Appointed 2 May 2013), Mr Andrew Margolis, Mr Donald Baladasan, Mr George Rolls (Non-executive director, appointed 3 June 2013 and resigned 25 February 2014) and Mrs Clare Wexler (Resigned 15 Feb 2013). 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 14.

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, overseeing the system of risk management 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 majority of directors attended all of the Board meetings.

The Remuneration Committee and the Audit Committee who meet once a year are comprised exclusively of the non-executive Chairman and the non-executive director. During the period they were as follows:

Dr Michael Sinclair
George Rolls (appointed 3 June 2013 and resigned 25 February 2014)

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 13.

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 to the financial statements.

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 2013 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 service contracts 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 Board considers that this is appropriate.

Share options

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

Relations with shareholders

The Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

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 the group financial statements 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;
- state whether the company financial statements have been prepared in accordance with applicable UK accounting standards, subject to any material departures disclosed and explained in the financial statements; and
- 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.

Wendy Lawrence
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 2013, 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 14, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2013 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
- 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 disclosure made in note 3 to the financial statements concerning the ability of the group and the company to continue as a going concern.

The group incurred a net loss of £731,000 on continuing operations during the year ended 31 December 2013 and at that date its current liabilities exceeded its total assets by £219,000 and it had net current liabilities of £235,000.

The directors are confident that if conversion of the pipeline of contract prospects continues at the rate the Group has achieved in Quarter 1 of 2014 the Group should be able to continue as a going concern without raising further funding. However if the conversion of the pipeline were to fall below expectation, the Group may need to seek further funding. This indicates the existence of a material uncertainty which may cast doubt about the ability of the Group and Company to continue as a going concern.

The financial statements do not include the adjustments that would result if the group and 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.

Sashi Mohan-Dennis (Senior Statutory Auditor)
for and on behalf of RPG Crouch Chapman LLP
Chartered Accountants
Statutory Auditor
62 Wilson Street, London EC2A 2BU
12 May 2014

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

Continuing operations	Note	2013 £000	2012 £000
Revenue	5	**878**	769
Cost of sales		**(698)**	(607)
Gross profit		**180**	162
Administrative expenses		**(871)**	(741)
Loss before interest, tax and depreciation		**(691)**	(579)
Depreciation	11	**(9)**	(9)
Operating loss	6	**(700)**	(588)
Share issue costs	18	**(29)**	(54)
Finance costs	9	**(2)**	(37)
Loss before taxation		**(731)**	(679)
Income tax	8	**–**	–
Loss for the year from continuing operations		**(731)**	(679)
(Loss)/profit for the year from discontinued operations	23	**(200)**	91
Loss for the year attributable to the equity shareholders of the parent company		**(931)**	(588)

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	2013 Pence	2012 Pence
Basic and diluted			
Continuing operations	18	**(0.32)**	(0.72)
Discontinued operations	18	**(0.08)**	0.10
Total		**(0.40)**	(0.62)

The accompanying notes on pages 21 to 43 form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Share capital £000	Share premium account £000	Profit and loss account £000	Equity shareholders' deficit £000
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 1 January 2013	1,693	3,353	(5,508)	(462)
Total comprehensive loss for the year	–	–	(902)	(902)
Issue of share capital	680	494	(29)	1,145
At 31 December 2013	**2,373**	**3,847**	**(6,439)**	**(219)**

The balance on the share premium account may not legally be distributed under section 831 of the Companies Act 2006.

The Company statement of changes in equity can be found in note 20.

The accompanying notes on pages 21 to 43 form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2013

	Note	2013 £000	2013 £000	2012 £000	2012 £000
Non current assets					
Intangible fixed assets	10	–		11	
Property, plant and equipment	11	16		24	
			16		35
Current assets					
Amounts recoverable on contracts	13	–		154	
Trade and other receivables	14	64		363	
Cash and cash equivalents		173		50	
			237		567
			253		602
Current liabilities					
Trade and other payables	15		(472)		(1,064)
Financial liabilities	16		–		–
			(472)		(1,064)
Net current liabilities			(235)		(497)
Net liabilities			(219)		(462)
Shareholders' equity					
Called up share capital	18		2,373		1,693
Share premium account	18		3,847		3,353
Retained earnings	18		(6,439)		(5,508)
Equity shareholders' deficit			(219)		(462)

These financial statements were approved by the Board of Directors on 12 May 2014 and were signed on its behalf by:

Wendy Lawrence
Director

Donald Baladasan
Director

Totally PLC
Company registration No: 3870101 (England and Wales)

The accompanying notes on pages 21 to 43 form part of the financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2013

		2013		2012	
	Note	£000	£000	£000	£000
Non current assets					
Investments	12	–		155	
Property, plant and equipment		–		1	
			–		156
Current assets					
Trade and other receivables	14	623		85	
Cash and cash equivalents		144		15	
			767		100
Current liabilities					
Trade and other payables	15		(235)		(1,909)
Short term borrowings	16		–		–
Total current liabilities			(235)		(1,909)
Net assets/(liabilities)			532		(1,653)
Shareholders' equity					
Called up share capital	20		2,373		1,693
Share premium account	20		3,847		3,353
Retained earnings	20		(5,688)		(6,699)
Equity shareholders' deficit	20		532		(1,653)

These financial statements were approved by the Board of Directors on 12 May 2014 and were signed on its behalf by:

Wendy Lawrence
Director

Donald Baladasan
Director

Totally PLC
Company registration No: 3870101 (England and Wales)

The accompanying notes on pages 21 to 43 form part of the financial statements

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 £000	2012 £000
Cash flows from operating activities			
Loss for the year		**(902)**	(534)
Adjustments for:			
– Option and warrants charge	19	**–**	13
– Amortisation and depreciation	10/11	**21**	35
– Profit on disposal of subsidiary		**(87)**	(74)
Movements in working capital:			
– Movement in amounts recoverable on contracts		**154**	(154)
– Movement in trade and other receivables		**112**	(211)
– Movement in trade and other payables		**(209)**	781
Net cash flows from operating activities		**(911)**	(144)
Cash flow from investing activities			
Purchase of intangible fixed assets	10	**–**	(9)
Purchase of property, plant and equipment	11	**(15)**	(28)
Cash repaid to the purchaser of subsidiary		**(57)**	–
Cash received from disposal of subsidiary net of costs	23c	**33**	210
Net cash flows from investing activities		**(39)**	173
Cash (outflow)/inflow before financing		**(950)**	29
Cash flow from financing activities			
Interest paid		**–**	(38)
Issue of share capital, net		**1,073**	515
Net cash flows from financing activities		**1,073**	477
Net increase in cash and cash equivalents		**123**	506
Cash and cash equivalents at beginning of year		**50**	(456)
Cash and cash equivalents at end of year	16/25	**173**	50

Cash flows relating to discontinued operations – see note 25(b).

The accompanying notes on pages 21 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 1 Lighterman House, 26-36 Wharfdale Road, London N1 9RY. 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 innovative solutions to the healthcare sector, provided by the subsidiary Totally Health. The Group had activities of providing digital marketing services, until the subsidiary Totally Communications was sold at December 2013 and 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 subsidiary.

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

The Group's financial statements for the period ended 31 December 2013 were authorised for issue by the Board of Directors and the Statements of financial position were signed on the Board's behalf by Wendy Lawrence and Don Baladasan on 12 May 2014.

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 the Companies Act 2006, 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 £167,000 for the year ended 31 December 2013 (2012: loss £90,000).

3. Basis of preparation

The financial year represents the 365 days to 31 December 2013, and the prior financial year, 366 days to 31 December 2012. 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 financial statements.

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

Since the transition from PCTs to CCGs Totally has been working with CCGs to facilitate the bedding in of new procurement processes and helped develop their Long Term Conditions strategy. This work has crystallised into contracts in 2013. This strong pipeline is envisaged to convert into contracts in several disease areas and CCGs throughout 2014. The Group is actively developing projects with organisations other than the NHS to further broaden the market for its digital solutions. Furthermore the Group is in discussions to develop complementary technologies that can further reduce the financial burden on the NHS from long term conditions.

The Directors are confident that, as the new CCGs and other NHS bodies are effectively rolled out, the award of contracts will accelerate in 2014. This has been evidenced by new contract wins in the first quarter of 2014. The Board is confident that with the conversion of the current pipeline no further external funding either by debt or equity will be needed in the foreseeable future to implement the current business plan.

The Directors believe that the trading forecasts are realistic and that revenues from future contracts will be achieved, and accordingly, the financial statements have been prepared on a going concern basis. However due to the need to successfully convert the strong pipeline into contracts, 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 ability to exercise control and are accounted for as subsidiaries. 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.

4. Accounting policies continued

Revenue recognition – innovative 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.

Revenue recognition – digital marketing (sold in 2013)

Revenue was recognised to the extent that it was probable that the economic benefits would flow to the Group and the revenue could be reliably measured.

Revenue represented the amounts, excluding valued added tax, derived from advertising, marketing and technical services. Revenue was recognised in the profit and loss account on the accruals basis.

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

Finance costs

Finance costs comprise interest payable on 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

Property, plant 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 asset 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 asset, 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.

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.

4. Accounting policies continued

Trade and other receivables

Trade receivables, which are generally received by the 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 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 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 year end 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 year end 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, effects neither the accounting profit nor taxable profit or loss.

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

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

4. Accounting policies continued

Use of assumptions and estimates

The Company makes judgements, estimates and assumptions that effect 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 effects 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 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

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1st January 2013.

(a) New and amended standards adopted by the group:

- IAS 1 'Financial statement presentation – regarding other comprehensive income' (effective 1st July 2012).
- IAS 19 (revised June 2011) – Employee Benefits. Effective 1st January 2013.
- IFRS 13 – Fair Value Measurement. Effective 1st January 2013.
- IFRS 12 – Disclosure of Interest in Other Entities. Effective 1st January 2013.
- IFRS 11 – Joint Arrangements. Effective 1st January 2013.
- IFRS 10 – Consolidated Financial Statements. Effective 1st January 2013.
- IAS 27 – (revised May 2011) – Separate Financial Statements. Effective 1st January 2013.
- 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).
- IAS12 'Income taxes – on deferred tax' (effective 1st January 2013).
- Amendment to IFRS 7 (Dec 2011) – Disclosures – Offsetting Financial Assets and Financial Liabilities. Effective 1st January 2013.
- IAS 28 – (revised May 2011) – Investments in Associated and Joint Ventures. Effective 1st January 2013.
- IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine. Effective 1st January 2013.

None of these standards has had a significant impact on the financial statements of the Group.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1st January 2013 and not early adopted:

- IFRS 9 – Financial Instruments was amended in November 2013. The standard currently has no effective date but early application is 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 is not expected to have a material impact on the financial statements.
- IFRS 10, IFRS 12 and IAS 27 (amended) – Investment Entities. Effective 1st January 2014. The Directors have not yet fully assessed the impact that adoption of Investment Entities will have on the financial statements
- Amendment to IAS 36 – Impairment of Assets. Effective 1st January 2014. The adoption of this standard is expected to have limited impact on the classification and measurement of financial statements.
- Amendment to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting. Effective 1st January 2014. The adoption of this standard is not expected to have a material impact on the 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 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 Digital marketing operation was discontinued in 2013. The Digital marketing business consisted of Totally Communications' activities which have three main service sectors being website and software design & development, consultancy & systems integration and online marketing. This operating segment was sold in Dec 2013. 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. 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. 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.

As a result of the above mentioned discontinued operations, the Group considers innovative Digital Solutions to the healthcare sector and the head office costs to be the only two reportable operating segments.

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 business.

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 2013 and 2012, all segments operated solely in the UK, and as a result no secondary format is provided in the financial statements.

Segmental analysis – major customers

During the year there were 2 customers (2012: 1) who separately comprised 10% or more of revenue.

	2013 £'000	2012 £'000
Major customer 1	**676**	745
Major customer 2	**104**	–
	780	745

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 2013. 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 Strategic Report. 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 2013

	Digital solutions for healthcare £000	Head Office £000	Total continuing operations £000	Discontinued operations £000	Total £000
Revenue	**878**	**–**	**878**	**828**	**1,706**
EBITDA	**(468)**	**(223)**	**(691)**	**(259)**	**(950)**
Depreciation	**(9)**	**–**	**(9)**	**(12)**	**(21)**
Operating (loss)/profit	**(477)**	**(223)**	**(700)**	**(271)**	**(971)**
Profit on disposal of digital marketing	**–**	**–**	**–**	**87**	**87**
Share issues costs	**–**	**(29)**	**(29)**	**(16)**	**(45)**
Finance costs	**–**	**(2)**	**(2)**	**–**	**(2)**
(Loss)/profit before tax	**(477)**	**(254)**	**(731)**	**(200)**	**(931)**
Income tax	**–**	**–**	**–**	**–**	**–**
(Loss)/profit after tax	**(477)**	**(254)**	**(731)**	**(200)**	**(931)**
Segment assets	**84**	**169**	**253**	**–**	**253**
Segment liabilities	**(230)**	**(242)**	**(472)**	**–**	**(472)**

Analysis by business segment 2012

	Digital solutions for healthcare £000	Head Office £000	Total continuing operations £000	Discontinued operations £000	Total £000
Revenue	769	–	769	1,400	2,169
EBITDA	(253)	(326)	(579)	50	(529)
Depreciation	(8)	(1)	(9)	(7)	(16)
Amortisation	–	–	–	(25)	(25)
Operating (loss)/profit	(261)	(327)	(588)	18	(570)
Profit on disposal of UK publishing	–	–	–	74	74
Share issues costs	–	(54)	(54)	–	(54)
Finance costs	–	(37)	(37)	(1)	(38)
(Loss)/profit before tax	(261)	(418)	(679)	91	(588)
Income tax	–	–	–	–	–
(Loss)/profit after tax	(261)	(418)	(679)	91	(588)
Segment assets	267	100	367	235	602
Segment liabilities	(237)	(379)	(616)	(448)	(1,064)

Analysis by business segment of 2012 have been restated to re-analyse the results of discontinued activities.

6. Loss on operating activities before taxation

	2013 £000	2012 £000
Loss on ordinary activities before and after taxation is stated after charging:		
Auditors' remuneration for audit services	**21**	19
Auditors' remuneration for non-audit services – tax services	**6**	2
Directors' and employees' share-based payments	**–**	13
Impairment charge for provisions in relation to irrecoverability of trade receivables	**–**	4
Operating lease charges – land and buildings	**82**	90
Depreciation	**21**	16
Amortisation	**–**	25

Auditors' remuneration includes fees of £6,000 (2012: £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	
	2013	2012
Management and finance	**9**	6
Technical and production	**16**	11
Editorial	**–**	2
Sales and marketing	**1**	2
Administrative	**–**	1
Health coaches and project managers	**6**	8
	32	30

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

	2013 £000	2012 £000
Wages and salaries	**1,163**	1,043
Social security costs	**150**	119
	1,317	1,162

The above number of employees and staff costs relates to both continuing operations and discounted operations.

7. Employee information continued

Directors' emoluments

	2013				
	Salaries & fees £000	Bonus £000	Benefits in kind £000	**2013 £000**	2012 £000
Executive directors					
A Margolis	115	15	–	**130**	141
W Lawrence	98	–	–	**98**	–
D Baladasan	55	–	–	**55**	52
D Assor	–	–	–	**–**	273
C Wexler	62	–	–	**62**	128
Non-Executive directors					
M J Sinclair	44	–	–	**44**	50
G Rolls	12			**12**	–
	386	15	–	**401**	644

At 26 September 2013 an amount of 4,375,002 warrants was placed to the following directors: Dr. Michael Sinclair 833,334; Wendy Lawrence 833,334; Andrew Margolis 833,334; George Rolls 1,875,000. Each warrant is exercisable at 1 pence to 1 ordinary share at any time up until 18 months following the date of admission.

During 2013 no share options were issued to directors.

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

Included in the directors' emoluments above is a charge of £12,500 in the year to the Company and Group by Senate Consulting Ltd (2012: £50,000) of which Dr M J Sinclair and his immediate family have a controlling interest.

Included in the directors' emoluments above is a charge of £48,829 in the year to the Company and Group by Mataxis Ltd (2012: £52,190) of which Donald Baladasan has a controlling interest.

Included in the directors' emoluments above is a charge of £18,000 in the year to the Company and the Group by Clare Wexler as well as payments of £43,558 as a result of settlement agreement signed in July 2013. Clare Wexler was the former Chief Executive Officer of Totally PLC and resigned on 15 February 2013. (2012: charge of £128,000).

Not included in the directors' emoluments above is a charge of £14,000 in the year to the Company and Group for services provided by Wendy Lawrence (2012: £36,000) who was subsequently appointed as the Chief Executive Officer of Totally PLC on 18 February 2013.

2012 emoluments of D Assor include a provision of £90,000 which remains unpaid as at the date of authorisation of the financial statements.

Other remuneration and benefits in kind for the year for the non-executive Directors amounted to £nil (2012: £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.

7. Employee information continued

At each year end 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.

Included in wages and salaries is a total charge for share based payments of £nil (2012: £13,000) which in both years arises wholly from transactions accounted for as equity settled share based payments.

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.

8. Taxation

(a) Taxation charge

	2013 £000	2012 £000
Research and development tax credit	–	–
Total current income tax credit charged in the income statement	–	–

(b) Taxation reconciliation

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

	2013 £000	2012 £000
Loss before tax	(931)	(588)
Taxation at the standard UK income tax rate of 23.5 per cent (2012: 24.5 per cent)	219	144
Research and development tax credit	–	–
Utilisation of brought forward tax losses	–	–
Losses carried forward	(219)	(144)
Total income tax credited in the income statement	–	–

(c) Deferred tax

Estimated tax losses of approximately £1,681,000 (2012: £750,000) 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

	2013 £000	2012 £000
On bank overdraft facilities	–	36
Others	2	1
Total finance costs	2	37

10. Intangible fixed assets

Group	Software £000	Total £000
Cost		
At 1 January 2013	81	81
Additions	–	–
On disposal of subsidiary	(81)	(81)
At 31 December 2013	–	–
Amortisation		
At 1 January 2013	70	70
Provided in the year	–	-
On disposal of subsidiary	(70)	(70)
At 31 December 2013	–	–
Net carrying value		
At 31 December 2013	–	–
At 31 December 2012	11	11

11. Property, plant and equipment

Group	Short leasehold property £000	Computer equipment £000	Total £000
Cost			
At 1 January 2013	93	13	106
Additions	3	–	3
On disposal of subsidiary	(64)	(12)	(76)
At 31 December 2013	**32**	**1**	**33**
Depreciation			
At 1 January 2013	70	12	82
Provided in the year	8	–	8
On disposal of subsidiary	(62)	(11)	(73)
At 31 December 2013	**16**	**1**	**17**
Net book value			
At 31 December 2013	**16**	**–**	**16**
At 31 December 2012	23	1	24

All property, plant and equipment were pledged as security for the Group’s overdraft facilities, all of which were repaid during the year 2012.

12. Investments

Company

Investments in share capital of wholly owned subsidiaries.

	Total £000
Cost	
At 1 January 2013	**155**
Additions	–
Disposal of subsidiary	(155)
At 31 December 2013	**–**
Net book value	
At 31 December 2013	**–**
At 31 December 2012	155

The subsidiary companies, all of which have been consolidated, at 31 December 2013 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 Health Limited	England and Wales	100%	Bespoke IT healthcare solutions
London Jewish News Limited*	England and Wales	100%	Dormant

* During February 2014, the London Jewish News Limited made an application to have the name of the company struck off the register and the company dissolved.

The subsidiary company, which had been consolidated at 31 December 2012 and was sold during 2013, is 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 Communications Limited	England and Wales	100%	Technical and marketing services

Companies in which the Group has the power to exercise control are fully consolidated. This applies irrespective of the percentage of interest in the share capital. The Group is deemed to control a company when it is exposed, or has rights to variable returns from its involvement with that company and has the ability to affect those returns through its power over the company. 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 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £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 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Trade receivables	8	173	–	66
Less: provision for impairment on receivables	–	(4)	–	–
Trade receivables – net	8	169	–	66
Directors' loans	52	20	8	8
Prepayments, accrued income and others	4	174	17	11
Amounts owed by group undertakings	–	–	598	–
	64	363	623	85

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

	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
At 1 January	6	7	–	–
Receivables written off during the year as uncollectable	–	(7)	–	–
Sale of subsidiary during the year	(6)	–	–	–
Provisions made in the year	–	6	–	–
At 31 December	–	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 2013 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 2013 £000	Group 2012 £000	**Company 2013 £000**	Company 2012 £000
Under three months	**8**	134	**–**	57
Three to six months	**–**	20	**–**	9
Over six months	**–**	15	**–**	–
	8	169	**–**	66

The group holds no collateral against these receivables at the year end date and does not charge interest on its overdue receivables. The other classes within trade and other receivables do not contain impaired assets.

To assist the Group's short-term cash flow the Directors agreed to the deferral of certain amounts owing to them. Short-term loans of £52,000 were advanced to the Directors which were less than the amount of deferred payments accrued.

15. Trade and other payables

	Group 2013 £000	Group 2012 £000	**Company 2013 £000**	Company 2012 £000
Current				
Trade payables	**148**	351	**97**	104
Amounts owed to group undertakings	**–**	–	**–**	1,559
Other taxes and social security	**17**	325	**–**	62
Other creditors	**–**	76	**–**	77
Accruals and deferred income	**307**	312	**138**	107
	472	1,064	**235**	1,909

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 – borrowing

Secured liabilities

The Group's financial liabilities during the year ended 31 December 2012 comprised two overdraft facilities, both repayable in less than one year, which expired and were repaid during the year.

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

Undrawn facilities

As at 31 December 2013 and 31 December 2012 the Group had no undrawn overdraft facilities available to the Group.

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: 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 short-term nature of the instrument.

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 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 2013.

Interest rate risk

The Group and Company's interest rate exposure arises mainly from the interest bearing borrowings as disclosed in note 16. All of the Group's facilities were at floating rates, which exposed the entity to cash flow risk. As at 31 December 2013 there are no loans outstanding and no undrawn overdraft facilities available to the Group.

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.

17. Financial instruments continued

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 was limited in Totally Communications (sold at December 2013) due to its customer base being large and unrelated. Totally Health does trade with a small number of NHS 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. The group's facilities (in the form of bank overdrafts) were repaid during 2012 (for details see note 16).

18. Share capital and reserves

(a) Share capital

	31 December 2013 £000	31 December 2012 £000
Authorised		
317,617,450 ordinary shares of 0.1p each (2012: 148,786,275 of 1p each)	**318**	1,488
228,402,392 deferred shares of 0.9p each (2012: 20,500,000 of 1p each)	**2,055**	205
	2,373	1,693
Allotted, called up and fully paid		
317,617,450 ordinary shares of 0.1p each (2012: 148,786,275 of 1p each)	**318**	1,488
228,402,392 deferred shares of 0.9p each (2012: 20,500,000 of 1p each)	**2,055**	205
	2,373	1,693

The Ordinary shares carry full voting rights, the right to attend general meetings of the Company and full rights to receive dividends. The shares do not confer any rights of redemption.

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.

18. Share capital and reserves continued

Number of ordinary shares	2013	2012
Balance at 1 January	**148,786,275**	91,947,934
Issue of shares – see below	**168,831,175**	56,838,341
Balance at 31 December	**317,617,450**	148,786,275

Number of deferred shares	2013	2012
Balance at 1 January	**20,500,000**	20,500,000
Sub-division of deferred shares – see below	**2,277,777**	–
Reorganisation of shares – see below	**205,624,615**	–
Balance at 31 December	**228,402,392**	20,500,000

(1) 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.

(2) During January 2013 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.

(3) On 10 September 2013 the Company announced a proposal to reorganise its share capital and to place new ordinary shares to raise £600,000 before expenses as follows:

i. At September 2013 the company sub-divided every existing deferred share (of 1p each) into 1.1111111 new deferred share (of 0.9p each) in order to enable the reorganisation of share capital described below.

ii. At September 2013 the company reorganised its share capital so that each of the 205,624,615 of existing ordinary shares (of 1p each) has been subdivided into one new ordinary share (of 0.1p each) and one new deferred share (of 0.9p each).

iii. At September 2013 the company issued 100,000,000 new ordinary shares (of 0.1p each). The net consideration after costs for the Company from this issue of shares was £534,000.

iv. At September 2013 the company issued 11,992,835 new ordinary shares (of 0.1p each) to the directors of the company in lieu of unpaid fees. The value of the shares issued was £72,000.

Shareholders approved resolutions to carry this proposal on 26 September 2013.

Director	Amount of unpaid fees (£000)	New ordinary shares in lieu of unpaid fees
Dr. Michael Sinclair	26	4,388,667
Wendy Lawrence	5	883,334
Donald Baladasan	30	5,000,000
Andrew Margolis	5	833,334
George Rolls	6	937,500
Total	72	11,992,835

18. Share capital and reserves continued

(b) Earnings per share

Earnings per share	2013	2012
Basic and diluted earnings (continuing operations) (£000)	**(731)**	(679)
Basic and diluted earnings (discontinued operations) (£000)	**(200)**	91
Weighted average number of shares used in basic and diluted earnings per share calculations (continuing operations) (000)	**231,412**	94,122
Weighted average number of shares used in basic and diluted earnings per share calculations (discontinued operations) (000)	**231,412**	94,122
Basic earnings per share (continuing operations) (Pence)	**(0.32)**	(0.72)
Basic earnings per share (discontinued operations) (Pence)	**(0.08)**	0.10

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 2013 and 2012.

(c) Share options

Details of all options in issue at 31 December 2013 are as follows:

Grant date	Exercise period	Exercise price	Outstanding at start of year	Issued in year	Expired in year	Residual at 31 December 2013
22 December 2004	10 years	2.88p	25,000	–	(25,000)	**–**
16 May 2005	10 years	2.375p	1,000,000	–	(1,000,000)	**–**
1 January 2006	10 years	2.38p	150,000	–	(150,000)	**–**
29 March 2007	10 years	2.25p	1,033,333	–	(1,033,333)	**–**
10 April 2007	7 years	2.88p	100,000	–	–	**100,000**
1 January 2008	10 years	1p	1,000,000	–	(1,000,000)	**–**
27 July 2009	10 years	1p	10,575,000	–	(5,450,000)	**5,125,000**
8 October 2009	10 years	1p	3,050,000	–	–	**3,050,000**
22 April 2010	10 years	1p	500,000	–	–	**500,000**
			17,433,333	–	(8,658,333)	**8,775,000**

18. Share capital and reserves continued

(d) Warrants currently in issue

Details of all warrants in issue at 31 December 2013 are as follows:

Grant date	Exercise period	Exercise price	Outstanding at start of year	Issued in year	Expired in year	Residual at 31 December 2013
30 September 2008	No expiry date	1p	35,000,000	–	–	**35,000,000**
8 October 2009	Within 10 years from grant date	1p	166,666	–	–	**166,666**
11 June 2013	Within 3 years from grant date	1.2p	–	5,683,834	–	**5,683,834**
26 September 2013	Within 1.5 years from grant date	1p	–	100,000,000	–	**100,000,000**
26 September 2013	Within 1.5 years from grant date	0.6p	–	1,912,501	–	**1,912,501**
			35,166,666	107,596,335	–	**142,763,001**

(e) 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.

(f) Managing capital

Our objective in managing the capital structure is to ensure that the Group has the financial capacity, liquidity and flexibility to support the existing business and to fund opportunities as they arise.

19. Share-based payment

During the year ended 31 December 2013 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.

	2013 Number '000s	**2013 weighted average price Pence**	2012 Number '000s	2012 weighted average price Pence
Outstanding at 1 January	**17,433**	**1.18**	17,443	1.17
Granted	**–**	**–**	–	–
Exercised	**–**	**–**	–	–
Expired/surrendered	**(8,658)**	**(1.34)**	(10)	(1.50)
Outstanding at 31 December	**8,775**	**1.02**	17,433	1.18

19. Share-based payment continued

	2013	2012
Range of exercise price (Pence)	**1.00 – 2.88**	1.00 – 2.88
Weighted average exercise price (Pence)	**1.02**	1.18
Number of shares (000's)	**8,775**	17,433
Weighted average remaining life years – Expected	**5**	7
Weighted average remaining life years – Contractual	**6**	7

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:

	2013 £000	2012 £000
Expense arising from issue of share option warrants – equity settled	**–**	13

20. Company statement of changes in equity

Company	Share capital £000	Share premium account £000	Profit and loss account £000	Equity share-holders' deficit £000
At 1 January 2012	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)
Loss for the year	–	–	(138)	(138)
Issue of share capital	680	494	(29)	1,145
Dividend income (see below)	–	–	1,178	1,178
At 31 December 2013	**2,373**	**3,847**	**(5,688)**	**532**

On 29 November 2013 the board of Totally Communications Ltd (fully owned subsidiary of Totally Plc) declared a total dividend of £1,178,000 (£117.8 per ordinary share) to be set-off against the inter-company debt of the parent company (Totally Plc).

The profit for the year dealt with in the financial statements of the parent company is shown above.

As permitted by Section 408 of the Companies Act 2006, no separate income statement is presented in respect of the parent company.

21. Commitments

(a) Capital expenditure commitments

At 31 December 2013 and 2012 the Group had no capital commitments.

(b) Operating leases agreements

At 31 December 2013 the Group had the following aggregate minimum lease payments under non-cancellable operating lease rentals:

	Group		Company	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Land and buildings				
Within one year	**58**	63	**–**	–
Between two and five years	**6**	59	**–**	–
After more than five years	**–**	–	**–**	
	64	122	**–**	–

According to sublease agreement, as at 31 December 2013 lease payments of £55,000 (included above as payments within one year) and of £5,000 (included above as payments between two years and five years) should be paid by the sub-tenant.

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 assets in the Company statement of financial position are amounts owed to 100% subsidiary undertakings of £0.6m (2012: £1.56m included within current liabilities). The movement in the Company’s balances with its subsidiaries reflects the Group’s banking facilities and arrangements operating during the year, the dividend declared by a subsidiary (see note 20 for details) and the sale of the subsidiary (see note 23 for details).

The following related party transactions are required to be disclosed in accordance with IAS24: In 2013 consultancy of £5,000 (2012: £nil) was provided to the company by J Sinclair, son of M Sinclair who is the non-executive chairman of the company. No balance is included in trade creditors at the year end.

Details of directors’ loans can be found on note 14.

Details of directors’ emoluments can be found in note 7.

23. Discontinued operations

(a) Digital Marketing – On 19 December 2013, Totally PLC announced the sale of its digital marketing business to Crisp Works Limited. The total consideration from the sale was £300,000: £75,000 was received in December 2013, £200,000 was used by the company for full and final settlement of outstanding intercompany loans with Totally Communications and £25,000 is to be paid on the anniversary of the first payment.

UK publishing – On 15 May 2012, Totally PLC announced the sale of its UK publishing business to JN News and Media Group Limited. The net consideration receivable during 2012 was £210,000 and during 2013 an amount of £57,000 was repaid to the purchaser. The proceeds of the disposal have been used to reduce indebtedness and to fund the working capital requirement of the Group.

(b) Profit and Loss from discontinued operations

Profit and Loss from discontinued operations – for the year 2013:

	Digital marketing £000
Revenue	**828**
Expenses	**(1,115)**
Loss before taxation	**(287)**
Income tax credit	**–**
Loss for the year	**(287)**
Profit on disposal of subsidiary (see note 23c)	**87**
Loss from discontinued operations	**(200)**

Profit and Loss from discontinued operations – for the year 2012:

	Digital marketing £000	UK publishing £000	Total £000
Revenue	850	550	1,400
Expenses	(818)	(565)	(1,383)
Profit/(loss) before taxation	32	(15)	17
Income tax credit	–	–	–
Profit (loss) for the year	32	(15)	17
Profit on disposal of subsidiary (see note 23c)	–	74	74
Profit from discontinued operations	32	59	91

23. Discontinued operations continued

(c) Profit on disposal of subsidiaries

Profit on disposal of subsidiary – for the year 2013:

	2013 £000
Sale proceeds (after net assets based price adjustments)	300
Less: Legal and professional fees	(48)
Net consideration receivable	252
Net assets/liabilities disposed of:	
Property plant and equipment	13
Cash at bank	8
Working capital – inventories, receivables and payables	144
Net assets disposed of	165
Profit on disposal of subsidiary	87

The total consideration from the sale was £300,000: £75,000 was received in December 2013, £200,000 was used by the company for full and final settlement of outstanding intercompany loans with Totally Communications and £25,000 is to be paid on the anniversary of the first payment (December 2014).

The net cash received from the disposal in the year was £33,000 (Gross consideration of £75,000; less: £34,000 payments of legal and professional fees; less: £8,000 cash balance disposed of) as disclosed in the consolidated cash flow statement on page 20.

Profit on disposal of subsidiary – for the year 2012:

	2012 £000
Sale proceeds (after net assets based price adjustments)	210
Less: Legal and professional fees	(67)
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 20. During 2013 the Group repaid £57,000 to the purchaser.

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

24. Events after the reporting period

(a) In February and March 2014 Totally Health has been appointed by Waltham Forest Clinical Commissioning Group (CCG) and by Newham Clinical Commissioning Group (CCG) to undertake a clinical health coaching programme focused on the management of Long Term Conditions.

In each of the contracts, Totally Health will work with 100 patients, diagnosed with either Chronic Obstructive Pulmonary Disease or Diabetes (Waltham CCG) and diagnosed with COPD (Newham CCG), over a six month period to help the patients to better manage their own conditions. The aggregated revenue from both contracts is expected to be £130,000 (excluding VAT).

(b) On 26 March 2014 Totally Health has been appointed by NHS Sutton Clinical Commissioning Group (CCG) to deliver a clinical health coaching programme focused on the management of COPD.

During the course of the programme, Totally Health will work with 100 patients, diagnosed with COPD, over a twelve month period, to help the patients to better manage their own conditions. The expected revenues from this contract are £100,000 (excluding VAT).

(c) In April 2014 Totally Health Ltd has been appointed by NHS Kingston Clinical Commissioning Group (CCG) to undertake a clinical health coaching programme focused on the management of long term conditions.

During the programme, Totally Health will work with 50 patients diagnosed with COPD, over an initial six month period, with the option to extend for a further three months if required. The expected revenues from this programme will be between £50,000-£75,000 (excluding VAT).

25. Notes to the cash flow statement

(a) Non-cash transactions

	2013 £000	2012 £000
Consideration from sale of subsidiary used for settlement of intercompany loan – see also note 23(a)	**200**	–
Issue of shares to directors in lieu of unpaid fees – see also note 18(a)(5)	**72**	–

(b) Cash flows relating to discontinued operations

		2012		
	2013 £000	Digital marketing £000	UK publishing £000	Total £000
Cash flows from operating activities	**(14)**	2	(57)	(55)
Cash flows from investing activities	**(11)**	(12)	(13)	(25)
Cash flows from financing activities	**–**	–	–	–

26. Ultimate controlling party

There is no single ultimate controlling party.

COMPANY INFORMATION

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Wendy Lawrence (CEO)

Andrew Margolis (Executive Director)

Donald Baladasan (Finance Director)

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