REGISTERED NUMBER: 03507286 (England and Wales)

REPORT OF THE DIRECTORS AND

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

FOR

FORBIDDEN TECHNOLOGIES PLC

CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2009

DIRECTORS:	V J Steel S B Streater P J Madden G B Hirst D P Main
SECRETARY:	M C Kay
REGISTERED OFFICE:	Tuition House 27/37 St George's Road Wimbledon London SW19 4EU
REGISTERED NUMBER:	03507286 (England and Wales)
AUDITORS:	Kingston Smith LLP Statutory Auditors Chartered Accountants Devonshire House 60 Goswell Road London EC1M 7AD
SOLICITORS:	Blake Lapthorn Watchmaker Court 33 St John's Lane London EC1M 4DB

CHAIRMAN'S STATEMENT

I am pleased to present this, the eleventh annual report to shareholders of Forbidden Technologies since its flotation on the AIM market of the London Stock Exchange in February 2000.

Income Statement and Statement of Financial Position

In preparing the income statement and statement of financial position for the year ended 31st December 2009, the Board has now decided to adopt the International Financial Reporting Standards (IFRS) as the more appropriate reporting format for the nature of our business. We believe this to be a timely change as we begin to move towards becoming a more global business, and that it makes it easier to compare our performance with similar businesses.

Whereas in the past Forbidden Technologies has written off to expenses the total cost of all research and development activities in the year in which they were incurred, under IFRS development costs are capitalised. This has the effect of reducing development costs in the income statement and showing a commensurate increase on the statement of financial position for intangible assets and thus also increasing the level of net assets of the Company. In accordance with the requirements of IFRS the figures for 2008 have been restated in IFRS convention.

In the year to 31st December 2009 the Company achieved sales of £280,826 compared to £121,199 in the previous year, an increase of 131%. Administrative expenses in the year to 31st December 2009 at £341,192 compared to £207,445 in the previous year. An increase of £133,747, largely as a result of personnel increases in marketing, sales and R&D.

The loss after tax for the year to 31st December 2009 was £56,679 compared to £76,401 in the prior year.

The statement of financial position shows total equity and liabilities of £781,001 at 31st December 2009 compared with £398,256 at 31st December 2008. During the 2009 year the Company issued 2,500,000 new shares at 10p a share, representing a 29% premium to the prevailing market price, together with 2,500,000 options with an exercise price of 12p per share, a 55% premium. Following partial option exercises, this resulted in an increase in cash resources of just over £350,000. The £1m loan facility provided by two of the directors (Stephen Streater and Vic Steel) was extended during the year until the end of 2011. At 31st December 2009, £785,000 of this facility had been drawn down.

The Board is encouraged that the sales in 2009 came largely from repeat business from existing customers, enhanced by the addition of increasing numbers of new customers in UK based post-production and facilities houses. The trend is continuing in 2010. The improving rate of sales progress is apparent when looking at a three year bar chart.

Market Place and Strategy

In the 2009 annual accounts we identified four significant market opportunities:
- Broadcast (including all post-production companies)
- Professional web video
- In-house video
- Serious hobbyists

Our belief that the credit crisis and financial pressures would encourage broadcasters and post-production companies to adopt new web-based workflows appears to be well-founded. Customers are increasingly aware that FORscene "saves time and money", and increasing numbers of programmes are beginning to use FORscene.

The predicted rapid growth in demand for professional web video is now apparent as audiences and advertising move from broadcast TV to web, creating an expanding need for high quality video from media websites. FORscene is well placed to take part in this growth.

Our strategy in 2009, continuing in 2010, has been to focus on the broadcast and professional web video markets, with in-house video and serious hobbyists remaining as longer-term opportunities. These are not sectors in which we have yet applied significant resources.

To ensure scalability of the business we have been pursuing a strategy of forming partnerships with substantial companies who already operate and have many clients in markets relevant to FORscene. BIM and Chyron are examples of this, and we are in serious discussion with several other international operators. Scalability of our cloud-based platform has also been moved forward and it is described in more detail in the CEO's Review. One indicator of scalability is the fact that we have already exceeded 1 million hours of video processed through FORscene.

CHAIRMAN'S STATEMENT

During 2009 we increased our efforts to become more visible in the investor community. We appointed Bishopsgate as our financial P.R. company and have established a regular output of press releases. In addition, we have been the subject of analyst research reports by two different organisations. We have also increased our involvement in relevant trade shows and conventions.

Outlook

It is difficult to convey the enthusiasm, confidence and optimism that is felt by all of us who are involved at Forbidden. The increases in unsolicited enquiries about FORscene coming from different countries across the world indicate that awareness of our technology and its benefits are becoming widespread. The scale of business under discussion or negotiation increases from month to month. As a result we continue to see a very bright future and we sense that the opportunity to achieve scale is not too far away.

We continue to be fortunate in having high calibre, skilled and dedicated employees. Their loyalty is a testament to their belief in the high potential of the Company.

Having developed a web-based video platform over several years before the market place was ready or able to use it to its advantage, we see increasing evidence of recognition that FORscene is a leading platform that has a very bright future. Continuing development is a constant feature of our technical team, with the objective of being ahead of any competitors over the coming years and our sales and marketing team enjoy an increasing warm reception from potential customers.

Vic Steel
Chairman

CHIEF EXECUTIVE'S REVIEW

Introduction
There is an increasingly confident feeling at Forbidden Technologies.

Forbidden has developed, owns and now sells a leading video platform, FORscene. Since its launch in 2004, the infrastructure to supply reliable high bandwidth access has matured considerably. This is supporting the growing market for Internet based video storage and post-production services.

The FORscene platform is now part of the modern trend of Cloud Computing. Mastering the exacting requirements for professional video post-production in the Cloud is hard. We believe we are well ahead of potential competitors in developing the right solutions for this complex sector. Our focus has been on developing a more effective and efficient Cloud based solution - a service that is accessible from anywhere. Services such as Google's Cloud-based text editing are raising the profile of Cloud-based services; Cloud-based video services are now anticipated and FORscene meets this need.

Key positive factors for FORscene are:

- the growth of Cloud Computing
- its acceptance in broadcast television
- the rapid growth of professional web video
- its scaleability
- Forbidden's access to partners
- higher profile
- FORscene's technological foundations
- Forbidden's access to capital

Broadcast television
Broadcast globally is a $20Bn market. FORscene entered this market through review and logging functions. During 2009, FORscene moved up the value chain to include shot selection, rough cut editing - and even fine cut editing. As people move from traditional desktop systems into the Cloud, we expect FORscene use to continue to move up the value chain. Programmes for BBC, ITV, Channel 4 or Sky, Bloomberg and CNBC all benefit from the flexibility of FORscene workflows, and the savings in both time and money.

Professional web
In 2009, the UK became the first major market where web advertising revenue overtook TV advertising revenue. Advertisers and subscription websites need professional video to attach their brands to. The Cloud-based approach can produce video at the right quality - even without broadcast budgets. Most of the million hours of professionally shot content handled by FORscene has been for web distribution.

Scaling up
FORscene use is starting to deliver economies of scale. Its system architecture is designed for high volume. Professional content has grown from 100 hours a week to over 10,000 hours a week with only a handful of extra Forbidden servers, and no additional support staff. FORscene's higher profile is self-perpetuating, generating more customers and more coverage. Our new large scale partnerships are promising new routes to market on a much larger scale than we have achieved to date.

Partnerships
Partnerships are playing an important role in opening up new markets for FORscene. Broadcast Interactive Media (BIM) now license FORscene to over sixty US television stations. We have integrated with Chyron's visionary Axis graphics system and we are assisting them with multiple US opportunities. Our adoption within SUNY and our close cooperation with TrueTube have given us exposure in the education market. The more recent Brightcove partnership is opening up opportunities in the web arena. Other partners are covered by NDAs.

Product profile
FORscene has seen a sharply higher profile in the industry press. Commercial and technology news articles have been supplemented with Forbidden sourced quotes in more general articles. Our website has largely replaced printed literature on Forbidden's active exhibition schedule. 2009 saw BETT (with TrueTube), NAB (with Chyron) and IBC (with IBC TV News, Chyron and with our own stand). This year so far we have exhibited at BVE 2010 (where I was also on the Cloud Computing panel) and NAB 2010 (with Chyron and our own stand supported by our fledgling US office). Third party discussion of FORscene in conference sessions has helped drive visitors to our stands. A sprinkling of specialist events around the world has also allowed us to show off our platform. Video endorsements from users and a FORscene page in the Sony XD-CAM brochure further illustrate industry acceptance.

Investor profile
Forbidden has been featured in Aimzine, Decision Magazine, and recently in Moneyweek and the Penny Sleuth. Our good relationship with the London Stock Exchange led to a stand at the AIM conference. An investor seminar, multiple internet TV appearances, the Growth Company Investor Show 2009 (where we used FORscene to make these videos: http://clesh.com/videos/list/gci2009) and analysts reports from PSQ and GE&CR led up to a very busy Master Investor Show 2010. Active use of RNS Reach has simplified following our progress.

Technical advances in the year
Forbidden has continued to build on FORscene's technological foundations. The aim has been to increase scale and functionality without increasing overall serving or support costs. More efficient server software, improvements in hardware and moving even more work to client machines has minimised the need for more servers. Improvements in reliability and user interface design (our navigation bar now has a European patent) have kept support calls to a minimum. New functionality has allowed us to maintain prices. FORscene has joined in industry trends, such as to tapeless production, widescreen and high definition (HD). FORscene now supports post-production of HD content entirely in FORscene. Multicam, with up to eight concurrent video streams, was launched at NAB 2010, showing the depth of Forbidden's Cloud technology.

Access to capital
Raising money at a premium in a credit crunch can be hard. So our placing at a 29% premium to the prevailing market price, with options at a 55% premium can be seen as a success. This has provided us with £250,000 from the placing and a further £109,800 from option exercises. Our institutional investor has provided both stability and liquidity in the market.

Clesh
Clesh (http://clesh.com/) is our consumer-friendly version of FORscene. We provide shareholders with free accounts so they can see Forbidden's technology in action - and have some fun making videos. Any questions can be answered over Clesh's built in chat system. This platform is a white label option for major websites wanting to add consumer generated video as core content. A recent development of the platform is the integration of searchable metadata with the videos. This addresses one of the critical challenges for platforms such as YouTube: how to associate relevant advertising with video to enable efficient monetization of video content.

Staff
I would like to thank our staff for their significant contributions, commitment, reliability and flexibility. This has directly resulted in the high levels of innovation and service we provide our customers.

Stephen B Streater
Chief Executive

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2009

The directors present their report with the financial statements of the company for the year ended 31 December 2009.

PRINCIPAL ACTIVITY
The principal activity of the company in the year under review was the development and commercial exploitation of web-based video tools.

REVIEW OF BUSINESS
The Company has continued the development of video compression technology and tools. A detailed review of the Company's financial performance during the year and an outlook for the future is provided within the Chairman's statement on page 2.

Key Performance Indicators

Turnover for the year was £280,826 (2008: £121,199); the loss for the year was £56,679 (2008: £76,401). The results of the Company are shown in more detail on page 12.

In addition to the monthly management accounts, the Board uses the following key performance indicators in the management of the key risks of the business and as a measure of business efficiency.

Sales performance is measured against plan, and against latest expectations which are updated monthly.

Costs are monitored against plan and current needs.

Cash is monitored closely to ensure that the company avoids an overdraft at all times. The cash balance at the year end was £211,225 (2008: £51,424).

Corrective actions were taken during the year where these indicators were not satisfactory.

DIVIDENDS
No dividends will be distributed for the year ended 31 December 2009 (2008:£Nil).

RESEARCH AND DEVELOPMENT
The Company has carried on research and development during the year, the costs of which under UK GAAP would have been written off to the profit and loss account. IAS 38 requires development costs meeting the criteria specified in the standard to be capitalised as an intangible asset and amortised over the estimated useful life of the asset. The Directors have determined that, for the purposes of this accounting standard, the useful life of the development cost will be 10 years. The effect of this is that an intangible asset of £177,982 has been recognised at the transition date. This is partly offset by an amortisation charge of £17,798 in the year to 31 December 2009.

EVENTS SINCE THE END OF THE YEAR
Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS
The directors shown below have held office during the whole of the period from 1 January 2009 to the date of this report.

V J Steel
S B Streater
P J Madden
G B Hirst
D P Main

DIRECTORS - continued
The directors who held office at the beginning and the end of the financial year had the following interests in the shares of the Company according to the register of directors' interests:

		Interest at end of year	Interest at start of year
SB Streater	Ordinary shares of 0.8 pence	62,660,000	62,760,000
VJ Steel	Ordinary shares of 0.8 pence	362,500	362,500
DP Main	Ordinary shares of 0.8 pence	-	-
GB Hirst	Ordinary shares of 0.8 pence	60,000	60,000
PJ Madden	Ordinary shares of 0.8 pence	75,685	65,685

According to the register of directors' interest, no rights to subscribe for shares in or debentures of the Company were granted to any of the directors or their immediate families, or exercised by them, during the financial year except as indicated below:

	At start of year	Granted	Exercised	Lapsed	At end of year	Exercise price £	Market price on date of exercise £	Date from which exercisable	Expiry date
VJ Steel	200,000				200,000	2.175	-	02/10/2003	02/10/2010
VJ Steel	50,000				50,000	0.625	-	30/03/2004	30/03/2011
VJ Steel	150,000				150,000	0.255	-	21/09/2004	21/09/2011
VJ Steel	100,000				100,000	0.475	-	04/04/2005	04/04/2012
VJ Steel	100,000				100,000	0.215	-	04/10/2005	04/10/2012
VJ Steel	100,000				100,000	0.31	-	08/05/2006	08/05/2013
VJ Steel	100,000				100,000	0.65	-	06/10/2006	06/10/2013
VJ Steel	100,000				100,000	0.35	-	04/05/2007	04/05/2014
VJ Steel	100,000				100,000	0.39	-	30/09/2007	30/09/2014
VJ Steel	100,000				100,000	0.22	-	29/04/2008	29/04/2015
VJ Steel	100,000				100,000	0.26	-	06/09/2008	06/09/2015
VJ Steel	100,000				100,000	0.085	-	18/06/2011	18/06/2018
VJ Steel		20,000			20,000	0.24	-	25/08/2012	25/08/2019
DP Main	50,000				50,000	0.625	-	19/04/2004	19/04/2011
DP Main	25,000				25,000	0.255	-	21/09/2004	21/09/2011
DP Main	25,000				25,000	0.215	-	04/10/2005	04/10/2012
DP Main	30,000				30,000	0.65	-	06/10/2006	06/10/2013
DP Main	50,000				50,000	0.35	-	04/05/2007	04/05/2014
DP Main	50,000				50,000	0.39	-	30/09/2007	30/09/2014
DP Main	20,000				20,000	0.22	-	29/04/2008	29/04/2015
DP Main	50,000				50,000	0.26	-	06/09/2008	06/09/2015
DP Main	50,000				50,000	0.085	-	18/06/2011	18/06/2018
DP Main		20,000			20,000	0.24	-	25/08/2012	25/08/2019
GB Hirst	50,000				50,000	0.255	-	21/09/2004	21/09/2011
GB Hirst	20,000				20,000	0.475	-	04/04/2005	04/04/2012
GB Hirst	50,000				50,000	0.215	-	04/10/2005	04/10/2012
GB Hirst	40,000				40,000	0.31	-	08/05/2006	08/05/2013
GB Hirst	40,000				40,000	0.65	-	06/10/2006	06/10/2013
GB Hirst	50,000				50,000	0.35	-	04/05/2007	04/05/2014
GB Hirst	50,000				50,000	0.39	-	30/09/2007	30/09/2014
GB Hirst	75,000				75,000	0.22	-	29/04/2008	29/04/2015
GB Hirst	50,000				50,000	0.26	-	06/09/2008	06/09/2015
GB Hirst	15,000				15,000	0.23	-	09/05/2009	09/05/2016

DIRECTORS - continued

GB Hirst	35,000				35,000	0.085	-	18/06/2011	18/06/2018
GB Hirst		30,000			30,000	0.24	-	25/08/2012	25/08/2019
PJ Madden	50,000				50,000	0.26	-	06/09/2008	06/09/2015
PJ Madden	25,000				25,000	0.23	-	09/05/2009	09/05/2016
PJ Madden	25,000				25,000	0.135	-	27/07/2010	27/07/2017
PJ Madden	65,000				65,000	0.085	-	18/06/2011	18/06/2018
PJ Madden		30,000			30,000	0.24	-	25/08/2012	25/08/2019

The market value of the shares at the year end was 19.5p. The highest market value during the year was 28p and the lowest market value 7p.

COMPANY'S POLICY ON PAYMENT OF CREDITORS
The Company does not follow any code. Creditors are normally paid in accordance with the terms of the invoice, subject to any particular agreement between the two parties. At the year end, there were 26 days (2008: 17 days) purchases in trade creditors.

FINANCIAL INSTRUMENTS
The Company's financial instruments comprise trade debtors, trade creditors, directors' loans, cash and liquid assets. The Company has not entered into any derivative or other hedging instruments.
The Company's practice has been to finance its operations and expansion through the issue of equity share capital. The Company has made arrangements with two of its directors for the availability of a loan facility to meet working capital requirements when necessary. Further detail of this arrangement is given in note 18.
Financial assets comprise cash at bank and in hand and current asset investments. Financial assets and financial liabilities exclude short-term debtors and creditors. The fair value of the financial assets and financial liabilities are not materially different from their carrying values.

Principal risks and uncertainties

Interest rate risk

Cash balances attract a floating rate of interest. Interest on loans from directors is fixed. Until 30 November 2008 interest on the loan was 0%; thereafter it increases annually by 10% per annum. SB Streater waived their interest in 2008 and 2009. VJ Steel waived his entitlement to an increased rate of interest in 2009.
The directors review interest payable and receivable on an ongoing basis to assess the Company's risk relating to changes in interest rates.

Liquidity risk

Certain directors have provided a credit facility which allows the Company to draw funds up to a maximum of £1,000,000 until 31 December 2011. At the year end the undrawn facility amounted to £215,000 (2008: £365,000).
The Company reviews future working capital requirements on a monthly basis. The directors consider that the credit facility will be sufficient to meet financing requirements.

Foreign currency risk

The Company enters into transactions in the UK, Asia and North America and is exposed to currency fluctuations in the exchange rates for these regions. The Company does not currently hedge against foreign currency risk since the directors feel that at current levels of income and expenditure, the risk is low and its effect does not materially influence the Company's working capital position.
The directors review foreign exchange movements on an ongoing basis to assess the Company's risk relating to changes in foreign currency exchange rates.

POLITICAL AND CHARITABLE CONTRIBUTIONS
The Company made no political or charitable donations in the year (2008: £nil).

SUBSTANTIAL SHAREHOLDERS
At the year end t1ps held an interest of 3.16% in the Company's ordinary share capital. No-one else, other than directors, held an interest of 3% or more in the Company's ordinary share capital.

SHARE OPTION SCHEMES

Under the Company's approved share option scheme, options over 155,000 ordinary shares of 0.8p in the Company were granted to 3 employees on 25 August 2009, exercisable at 24p per share within the period 25 August 2012 to 25 August 2019, on condition of employment with the Company.

The Company also has an unapproved share option scheme under which options over 165,000 ordinary shares of 0.8p in the Company were granted in total to 8 directors and employees on 25 August 2009, exercisable at 24p per share within the period 25 August 2012 to 25 August 2019, on condition of employment with the Company.

On termination of employment, employees lose their share options unless the Board exercises its discretion to let an employee retain their share options for a limited period.

The exercise price for the share options issued was the market value at the date the options were granted.

CORPORATE GOVERNANCE

In June 1998, the London Stock Exchange published the Principles of Good Governance and Code of Best Practice (the Combined Code) which embraces the work of the Cadbury, Greenbury and Hampel committees and became effective in respect of accounting periods ending on or after December 1998.

The listing rules require that listed companies (but not companies traded on the Alternative Investment Market "AIM") incorporated in the UK should state in the report and accounts whether they comply with the Code of Best Practice and identify and give reasons for any area of non-compliance. The Company is listed on AIM and therefore no disclosure is required.

The Company supports the principles and aims of the code and follows the code wherever it is reasonable to do so. It operates an effective board which meets on a timely basis.

The Board is aware of the requirements of the code and the need for appropriate controls and systems to safeguard the Company's assets. Wherever possible appropriate controls are in place and monitored by the Board. However, full compliance with the code is not possible because of the size and resource constraints of the Company and because of the relative cost benefit assessment in putting in place the additional procedures.

As the Company grows in size and resources the Board intends to increase its compliance.

This is not a statement of compliance as required by the Combined Code and should therefore not be relied upon to give the disclosures that would normally be made.

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 financial statements in accordance with International Financial Reporting Standards as adopted for use in the European Union. 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 company and of the profit or loss of the company for that period. 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 that the financial statements comply with IFRS;
- 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS
The auditors, Kingston Smith LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

....
V J Steel - Director

Date: 26 May 2010

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF FORBIDDEN TECHNOLOGIES PLC

We have audited the financial statements of Forbidden Technologies Plc for the year ended 31 December 2009 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has
been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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. Our audit work has been undertaken for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditors' report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and company's members as a body, for our work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 9, 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 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 the information and explanations we require for our audit.

Jon Sutcliffe (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP, Statutory Auditor
Chartered Accountants

Devonshire House
60 Goswell Road
London
EC1M 7AD

Date: 1 June 2010

FORBIDDEN TECHNOLOGIES PLC (REGISTERED NUMBER: 03507286)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 £	2008 £
CONTINUING OPERATIONS			
Revenue	2	280,826	121,199
Cost of sales		(30,170)	(23,027)
GROSS PROFIT		250,656	98,172
Other operating income	3	-	2,261
Administrative expenses		(341,192)	(207,445)
OPERATING LOSS		(90,536)	(107,012)
Finance costs	5	(2,519)	(5,292)
Finance income	5	115	1,583
LOSS BEFORE INCOME TAX	6	(92,940)	(110,721)
Income tax	7	36,261	34,320
LOSS FOR THE YEAR		(56,679)	(76,401)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(56,679)	(76,401)
Earnings per share expressed in pence per share:	8		
Basic		(0.07p)	(0.10p)
Diluted		(0.07p)	(0.10p)

The notes form part of these financial statements

FORBIDDEN TECHNOLOGIES PLC (REGISTERED NUMBER: 03507286)

STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2009

	Notes	2009 £	2008 £	01.01.2008 £
ASSETS				
NON-CURRENT ASSETS				
Intangible assets	9	381,748	177,983	-
Property, plant and equipment	10	17,882	19,746	2,175
		399,630	197,729	2,175
CURRENT ASSETS				
Trade and other receivables	11	133,885	114,783	68,532
Tax receivable		36,261	34,320	36,297
Cash and cash equivalents	12	211,225	51,424	59,657
		381,371	200,527	164,486
TOTAL ASSETS		781,001	398,256	166,661
EQUITY				
SHAREHOLDERS' EQUITY				
Called up share capital	13	632,820	609,300	609,300
Share premium	14	3,275,655	2,996,375	2,996,375
Capital redemption reserve	14	125,000	125,000	125,000
Retained earnings	14	(4,112,205)	(4,066,816)	(3,976,136)
TOTAL EQUITY		(78,730)	(336,141)	(245,461)
LIABILITIES				
NON-CURRENT LIABILITIES				
Trade and other payables	15	785,000	635,000	335,000
CURRENT LIABILITIES				
Trade and other payables	15	74,731	99,397	77,122
TOTAL LIABILITIES		859,731	734,397	412,122
TOTAL EQUITY AND LIABILITIES		781,001	398,256	166,661

The financial statements were approved by the Board of Directors on 26 May 2010 and were signed on its behalf by:

....
V J Steel - Director

....
P J Madden - Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

	Called up share capital £	Profit and loss account £	Share premium £	Capital redemption reserve £	Total equity £
Balance at 1 January 2008	609,300	(3,976,136)	2,996,375	125,000	(245,461)
Changes in equity					
Total comprehensive income	-	(90,680)	-	-	(90,680)
Balance at 31 December 2008	609,300	(4,066,816)	2,996,375	125,000	(336,141)
Changes in equity					
Issue of share capital	23,520	-	279,280	-	302,800
Share based payment	-	11,290	-	-	11,290
Total comprehensive income	-	(56,679)	-	-	(56,679)
Balance at 31 December 2009	632,820	(4,112,205)	3,275,655	125,000	(78,730)

The notes form part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009

		2009	2008
		£	£
Cash flows from operating activities			
Cash generated from operations	1	(87,651)	(141,315)
Finance costs paid		(7,810)	-
Tax paid		34,320	36,297
Net cash from operating activities		(61,141)	(105,018)
Cash flows from investing activities			
Purchase of intangible fixed assets		(221,563)	(177,983)
Purchase of tangible fixed assets		(10,410)	(26,815)
Interest received		115	1,583
Net cash from investing activities		(231,858)	(203,215)
Cash flows from financing activities			
Amount introduced by directors		150,000	300,000
Share issue		302,800	-
Net cash from financing activities		452,800	300,000
Increase/(Decrease) in cash and cash equivalents		159,801	(8,233)
Cash and cash equivalents at beginning of year	2	51,424	59,657
Cash and cash equivalents at end of year	2	211,225	51,424

The notes form part of these financial statements

NOTES TO THE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009

1. RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	2009	2008
	£	£
Loss before income tax	(92,940)	(110,721)
Depreciation charges	12,274	9,244
Amortisation charges	17,798	-
Employee share option costs	11,290	(14,279)
Finance costs	2,519	5,292
Finance income	(115)	(1,583)
	(49,175)	(112,047)
Increase in trade and other receivables	(19,102)	(46,251)
(Decrease)/Increase in trade and other payables	(19,374)	16,983
Cash generated from operations	(87,651)	(141,315)

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the cash flow in respect of cash and cash equivalents are in respect of these balance sheet amounts:

Year ended 31 December 2009

	31/12/09	1/1/09
	£	£
Cash and cash equivalents	211,225	51,424

Year ended 31 December 2008

	31/12/08	1/1/08
	£	£
Cash and cash equivalents	51,424	59,657

1. ACCOUNTING POLICIES

Basis of preparation
The financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS for the first time. The financial statements have been prepared under the historical cost convention.

The financial statements have been prepared in accordance with IFRS as adopted by the European Union for the first time for the year ended 31 December 2009. Details of the effects of the adoption of IFRS are given GAAP to IFRS are given in the reconciliation of equity at the end of these accounts.

The results, assets and liabilities of the company for the year ended 31 December 2008 together with the opening position of the company at 1 January 2008, the date of transition to IFRS, have been restated in accordance with IFRS and details of the restatements are given at the end of the financial statements. The statutory financial statements for the year ended 31 December 2008 were prepared under United Kingdom Generally Accepted Accounting Practice and were reported on by the company's auditors and delivered to the Registrar of Companies. The audit report on the financial statements was not qualified and did not contain a statement under s498(2) or s498(3) of the Companies Act 2006.

Going concern
During the year the company made a loss of £56,679 and the total net liabilities exceeded total net assets at year end by £78,730. Sales have increased in the period and are projected to grow alongside continued tight controls over costs. VJ Steel and SB Streater have made available to the Company a £1,000,000 drawing facility to finance future cash flows of which £785,000 (2008: £635,000) was drawn down at the year end. The remaining balance from this loan, alongside the year end cash of £211,225, is considered by the directors to be sufficient to meet the current expenditure and working capital requirements to fund the business for the 12 months following the signing of the balance sheet. The directors therefore consider it appropriate to prepare the accounts on a going concern basis.

At the date of authorisation of these financial statements, the following IFRS and IFRIC standards and interpretations were in issue but not yet effective (an in some cases had not yet been adopted by the EU). The company intends to adopt these standards and interpretations when they become effective.

		Effective for reporting periods starting on or after
IFRS 1 Amendment	Consolidated and separate financial statements	1 January 2010
Improvements to IFRSs 2010		1 January 2010
IFRS 2 Amendment	Group cash settled share based payment transactions	1 January 2010
IFRS 3 Revised	Business combinations	1 July 2009
IAS27 Amendment	Consolidated and separate financial statements	1 July 2009
IFRIC 14	Amendments - prepayments of a minimum funding requirement	30 June 2009
IFRIC 17	Distributions of Non-cash assets to owners	1 July 2009
IFRIC 18	Transfers of assets from customers	1 July 2009
IFRIC 19	Extinguishing financial liabilities with equity instruments	1 July 2010

Revenue recognition
Revenue represents the amounts (excluding value added tax) derived from the provision of goods and services to customers. For the supply of equipment and maintenance charges, turnover is recognised at the time of invoicing and invoices are raised upon the completion of the services provided. Revenue derived from the sale of FORscene licences is recognised on an accruals basis over the life of the licence. Revenue relating to that proportion of the licence falling after the year end is treated as deferred revenue.

Property, plant and equipment
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Leasehold improvements	- over the lease term
Fixtures and fittings	- 50% on cost
Computer equipment	- 50% on cost

Property, plant and equipment are stated at purchase cost less accumulated depreciation.

1. **ACCOUNTING POLICIES - continued**

Financial instruments
Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Cash and cash equivalents

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at, or close to, their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year and a corporate bond.

Trade and other receivables

Trade and other receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrevocable amounts.

Trade and other payables

Trade and other payables are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. The amounts are unsecured, non interest bearing and are stated at cost.

Financial liabilities and equity

Financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.
To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.
At the balance sheet date the Company had no such financial instruments.
Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Taxation
Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date.

1. **ACCOUNTING POLICIES - continued**

Research and development
Expenditure on research is written off in the year in which it is incurred.

Development costs are also charged to the income statement in the year of expenditure except when individual projects satisfy the following criteria:

- the project is clearly defined,
- related expenditure is separately identifiable,
- the project is technically feasible and commercially viable,
- current and future costs will be exceeded by future sales,
- adequate resources exist for the project to be completed.

In such circumstances the costs are carried forward and each year's costs will be amortised on a straight line basis over a period of 10 years.

Foreign currencies
Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments
Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Share based payments
The share option programme allows employees to acquire shares of the Company. The fair value of equity settled though the options is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Government grants
Grants from the government are recognised at their face value where there is a reasonable assurance that the grant will be received and the company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

2. SEGMENTAL REPORTING

Turnover represents externally generated amounts (excluding value added tax) derived from the principal activity and has been earned from the following geographic areas:

	2009	2008
	£	£
UK	61,659	53,311
North America	216,637	67,888
Asia	2,530	-
Total	280,826	121,199

An analysis of the Company's significant categories of revenue is as follows:

	2009	2008
	£	£
Software	255,611	100,230
Support	3,098	3,404
Hardware	19,320	6,015
Consultancy	2,797	11,550
	280,826	121,199

During the year, sales to one customer accounted for more than 10% of the total turnover.

The Company's products are delivered through an integrated web-based platform and the Board manages the business as a single business segment. Because of the nature of the Company's business the directors do not consider it to be meaningful to analyse the loss before tax or the Company's net assets between countries on an operational basis.

3. OTHER OPERATING INCOME

During the year the company received a government grant of £1,000 which subsidised the cost of attendance at an international trade fair.

4. EMPLOYEES AND DIRECTORS

	2009	2008
	£	£
Wages and salaries	135,995	104,408
Social security costs	12,242	9,977
	148,237	114,385

The average monthly number of employees during the year was as follows:

	2009	2008
Management	4	4
Technical	6	5
Marketing	2	2
	12	11

4. **EMPLOYEES AND DIRECTORS - continued**

	2009	2008
	£	£
Directors' and key management personnel remuneration		
VJ Steel	10,000	10,000
PJ Madden	16,667	17,500
GB Hirst	42,508	35,045
DP Main	1,200	1,200
	70,375	63,745

5. NET FINANCE COSTS

	2009	2008
	£	£
Finance income:		
Deposit account interest	115	1,583
Finance costs:		
Other interest payable	2,519	5,292
Net finance costs	2,404	3,709

6. LOSS BEFORE INCOME TAX

The loss before income tax is stated after charging/(crediting):

	2009	2008
	£	£
Cost of inventories recognised as expense	30,170	23,027
Other operating leases	15,516	13,378
Depreciation - owned assets	12,274	9,244
Development costs amortisation	17,798	-
Auditors' remuneration	15,550	13,201
Foreign exchange differences	6,959	(2,261)
Research and development	20,589	15,746
Auditor's remuneration - non audit - taxation	2,000	1,900
Auditor's remuneration - non audit - all other services	3,142	1,551

7. INCOME TAX

Analysis of the tax credit

	2009	2008
	£	£
Current tax:		
Tax	(36,261)	(34,320)
Total tax credit in income statement	(36,261)	(34,320)

7. **INCOME TAX - continued**

Factors affecting the tax charge
The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2009	2008
	£	£
Loss on ordinary activities before tax	(92,940)	(76,401)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21% (2008 - 21%)	(19,517)	(16,044)
Effects of:		
Expenses not deductible for tax	790	355
Adjustment for provisions	(974)	1,111
Capital allowances in excess of depreciation	(3,708)	(4,785)
Tax losses	-	37,173
Additional relief for R&D expenditure	(33,352)	(17,987)
Differences in R&D credit relief	-	13,439
Capitalised development costs	18,130	(44,583)
Employee share option cost	2,370	(2,999)
Total income tax	(36,261)	(34,320)

Tax effects relating to effects of other comprehensive income

		2009	
	Gross	Tax	Net
Employee share option cost	(11,290)	-	(11,290)
Ordinary share issue	279,280	-	279,280
	267,990	-	267,990

		2008	
	Gross	Tax	Net
Employee share option credit	14,280	-	14,280
	14,280	-	14,280

7. INCOME TAX - continued

Tax losses of approximately £3,800,000 (2008: £3,800,000) are available to relieve against future profits of the Company.

Unrecognised deferred tax assets

	2009	2008
	£	£
Depreciation in excess of capital allowances	15,306	19,902
Tax losses carried forward	799,215	799,304
	814,521	819,206

In accordance with IAS 12 the deferred tax assets have not been recognised due to the uncertainty of the timing of future taxable profits to enable recovery of these assets.

8. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year, excluding equity shares held by the company's Employee Share Ownership Plan.

	2009	2008
Profit attributable to equity holders of the company (£)	(56,679)	(76,401)
Weighted average number of ordinary shares in issue	77,396,541	76,165,500
Basic earnings per share (pence per share)	(0.07p)	(0.10p)

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume the conversion of all dilutive potential ordinary shares. The company's dilutive potential ordinary shares arise from share options. The share options calculation is performed to determine the number of shares that could have been acquired at fair value, based upon the monetary value of the subscription rights attached to the outstanding share options.

	2009	2008
Loss used to determine diluted earnings per share (£)	(56,679)	(76,401)
Weighted average number of ordinary shares in issue	77,396,541	76,165,500
Share options	8,636,250	6,256,250
Weighted average number of ordinary shares used to determine diluted earnings per share	86,032,791	82,421,500
Diluted earnings per share (pence per share)	(0.07p)	(0.09p)

As can be seen from the above table during the year ended 31 December 2009 the potentially dilutive ordinary shares were anti-dilutive because the company was loss-making. The basic and diluted earnings per share as presented on the face of the income statement are therefore identical.

9. INTANGIBLE ASSETS

	Development costs
COST	£
At 1 January 2009	177,983
Additions	221,563
At 31 December 2009	399,546
AMORTISATION	
Amortisation for year	17,798
At 31 December 2009	17,798
NET BOOK VALUE	
At 31 December 2009	381,748

	Development Costs
COST	£
At 1 January 2008	-
Additions	177,983
At 31 December 2008	177,983
AMORTISATION	
Amortisation for year	-
At 31 December 2008	-
NET BOOK VALUE	
At 31 December 2008	177,983

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Fixtures and fittings	Computer equipment	Totals
COST	£	£	£	£
At 1 January 2009	21,127	24,075	184,615	229,817
Additions	-	-	10,410	10,410
At 31 December 2009	21,127	24,075	195,025	240,227
DEPRECIATION				
At 1 January 2009	4,225	24,075	181,771	210,071
Charge for year	4,225	-	8,049	12,274
At 31 December 2009	8,450	24,075	189,820	222,345
NET BOOK VALUE				
At 31 December 2009	12,677	-	5,205	17,882
At 31 December 2008	16,902	-	2,844	19,746

10. PROPERTY, PLANT AND EQUIPMENT - continued

	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Totals £
COST				
At 1 January 2008	-	24,075	178,927	203,002
Additions	21,127	-	5,688	26,815
At 31 December 2008	21,127	24,075	184,615	229,818
DEPRECIATION				
At 1 January 2008	-	24,075	176,752	200,827
Charge for year	4,225	-	5,019	9,244
At 31 December 2008	4,225	24,075	181,771	210,072
NET BOOK VALUE				
At 31 December 2008	16,902	-	2,844	19,746
At 31 December 2007	-	-	2,175	2,175

11. TRADE AND OTHER RECEIVABLES

	2009 £	2008 £
Current:		
Trade debtors	93,610	92,274
Other debtors	16,233	15,900
VAT	7,574	1,363
Prepayments and accrued income	16,468	5,246
	133,885	114,783

Included in other debtors is a rental deposit of £15,900 (2008: £15,900) which is subject to a charge.

12. CASH AND CASH EQUIVALENTS

	2009 £	2008 £
Bank accounts	211,225	51,424

13. CALLED UP SHARE CAPITAL

	2009 £	2008 £
Authorised:		
125,000,000 ordinary shares of 0.8p each (2008: 125,000,000 ordinary shares of 0.8p each)	1,000,000	1,000,000
Allotted, called up and fully paid		
79,102,500 ordinary shares of 0.8p each (2008: 76,162,500 ordinary shares of 0.8p each)	632,820	609,300

During the year 2,940,000 ordinary shares of £0.008 were allotted as fully paid at an average premium of £0.094993 per share.

During the year, the Company issued no ordinary shares under the terms of the share option schemes.

During the year the Company issued share options under the terms of the share option schemes.

The directors held the following options to subscribe for shares in the Company:

	Class of share	At start of year	At end of year
VJ Steel	Ordinary shares of 0.8 pence	1,300,000	1,320,000
DP Main	Ordinary shares of 0.8 pence	350,000	370,000
GB Hirst	Ordinary shares of 0.8 pence	475,000	505,000
PJ Madden	Ordinary shares of 0.8 pence	165,000	195,000

14. RESERVES

	Retained earnings £	Share premium £	Capital redemption reserve £	Totals £
At 1 January 2009	(4,066,816)	2,996,375	125,000	(945,441)
Deficit for the year	(56,679)			(56,679)
Cash share issue	-	279,280	-	279,280
Employee share option costs	11,290	-	-	11,290
At 31 December 2009	(4,112,205)	3,275,655	125,000	(711,550)

The capital contribution is a distributable reserve which was created prior to the Company's flotation.

15. TRADE AND OTHER PAYABLES

	2009 £	2008 £
Current:		
Trade creditors	24,830	20,041
Social security and other taxes	7,973	13,424
Other creditors	974	10,520
Accruals and deferred income	40,954	50,120
Directors' current accounts	-	5,292
	74,731	99,397
Non-current:		
Director's loans	785,000	635,000

16. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2009 £	2008 £
Between one and five years	25,200	25,200

17. FINANCIAL INSTRUMENTS

The Company's financial instruments comprise trade debtors, trade creditors, cash and liquid assets.
The Company has not entered into any derivative or other hedging instruments.
The Company's policy is to finance its operation and expansion through the issue of equity share capital and directors' loans. The Company has made arrangements with two of its directors for the availability of a loan to meet its working capital requirements.
Financial assets comprise cash at bank and in hand and current asset investments. Financial assets and financial liabilities exclude short-term debtors and creditors. The fair value of the financial assets and financial liabilities are not materially different from their carrying values.

Interest rate risk
Cash balances attract a floating rate of interest. At the year end, the Company's borrowings were restricted to the amount drawn down from the funds made available by SB Streater and VJ Steel as referred to in Note 18 of these accounts.
The directors review interest payable and receivable on an ongoing basis to assess the Company's risk relating to changes in interest rates.

Liquidity risk
With the exception of the loan facility made available by two of the Directors, all financial liabilities at the year end fall due in one year or less. The Directors' loan may be repaid by the Company at any time, before or after the expiry of one year after the year end. At the year end £215,000 (2008: £365,000) of the Directors' loan remained to be drawn down, as referred to in Note 18 of these accounts. Otherwise, the Company had no material undrawn committed borrowing facilities.
The Company reviews its future working capital requirements on a monthly basis.

Foreign currency risk
The Company enters into transactions in the UK, Europe and North America and is exposed to currency fluctuations in the exchange rates for these regions. The Company does not currently hedge against foreign currency risk since the directors feel that at current levels of income and expenditure, the risk is low and its effect does not materially influence the Company's working capital position.
The directors review foreign exchange movements on an ongoing basis to assess the Company's risk relating to changes in foreign currency exchange rates

Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation and arises principally from trade debtors.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. There are 2 customers that individually represent more than 10% of the trade debtor balance. In order to manage credit risk the ageing of the balances is reviewed regularly by the credit controller and limits are set for customers with a poor payment history.

18. RELATED PARTY DISCLOSURES

Fees of £Nil (2008: £1,602) in respect of security fittings being made by MyGard, a company of which VJ Steel was a director, were paid in the year. No amounts (2008: £nil) were due to MyGard by Forbidden Technologies plc at the year end. Directors' loans (see note 15) included the following balances:

	31 December 2009	31 December 2008
	£	£
SB Streater	706,500	571,500
VJ Steel	78,500	63,500
	785,000	635,000

On 5 June 2007, the Company entered into an agreement with two of its directors (SB Streater and VJ Steel) to provide additional funding in order to meet its short-term working capital requirements. The credit facility made available by the directors allows a drawing of funds by the Company of up to a maximum of £1 million between 1 June 2007 and 30 June 2010. The directors have made funds available in the following proportions:
SB Streater: £900,000
VJ Steel: £100,000
The facility allows the Company to make one drawing per month. On 31 December 2009 the amount of the loan which had been drawn down was £785,000 (2008: £635,000) . This outstanding amount remains available in full until 31 December 2011 and can be drawn down at the rate of £15,000 per month, starting in May 2010. In the event that any part of the monthly maximum is not drawn down, it becomes available to supplement the monthly maximum in any future months. The effect is that the cumulative draw down at the end of any month cannot exceed the cumulative draw down which would have been made if the full £15,000 had been drawn down in each month. The lenders shall transfer the monthly advances in proportion to the funds originally made available by each (i.e. 90% by SB Streater and 10% by VJ Steel).

The agreement stipulates that, in the event of a rights issue to shareholders where the issue is proposed to raise more than £1 million, the current outstanding proportion of the directors' loan relating to VJ Steel shall be convertible to ordinary shares at the average price per share of the issue in satisfaction of the outstanding balance at the lender's request.

The loan may be repaid by the Company at any time, and must be repaid up to the amount by which the outstanding balance of the loan exceeds £250,000 where the forecast cash and liquid assets of the Company exceed £250,000. Each repayment shall be apportioned to the lenders in proportion with the total amounts made available by each in the loan agreement.

The loan and all interest payable upon it shall become fully payable in the event that the Company raises a minimum of £1 million by way of issuance of shares.
Interest on the loan shall be payable at the following rates:

1 December 2009 - 30 November 2010 20%
1 December 2010 - 30 November 2011 30%
Interest of £2,519 (2008: £5,292) was included in the accounts for the year.
Increasing at 10% per annum thereafter until repayment is made in full.

During the period in which the loan is outstanding, the Company shall not create security over any of its assets without the prior written consent of the lenders.

19. **POST BALANCE SHEET EVENTS**

Since the balance sheet date the following movement of the non-employee share options has taken place.

	Granted	Exercised	Lapsed	Date	Exercise price £	Market price on date of exercise £	Balance	Expiry Date
t1ps	-	-	-	01/01/2010	-	-	2,060,000	28/07/2010
t1ps	-	175,000	-	05/05/2010	0.12	0.20	1,885,000	28/07/2010
t1ps	-	75,000	-	11/05/2010	0.12	0.18	1,810,000	28/07/2010
t1ps	-	125,000	-	25/05/2010	0.12	0.20	1,685,000	28/07/2010
t1ps	-	100,000	-	26/05/2010	0.12	0.20	1,585,000	28/07/2010

20. **ULTIMATE CONTROLLING PARTY**

The ultimate controlling party of the Company is SB Streater by virtue of his shareholding.

21. SHARE-BASED PAYMENT TRANSACTIONS

The Company believes that share ownership by executive directors and key staff strengthens the link between their personal interests and those of the shareholders. It therefore operates both an approved and an unapproved share option scheme under which options have been granted.

For all options, the exercise price is the market value of the share at the date of the grant. On each occasion, options are granted ad hominem to selected employees and directors. Options vest three years after the date of grant on condition that the recipient is still an employee or director of the Company. Options are exercisable within seven years of vesting. All options are equity settled.

Exercise price(pounds)	Date granted	Range of dates exercisable	Number of shares for which rights are exercisable at 31/12/2009	Number of share for which rights are exercisable at 31/12/2008
Unapproved				
2.175	02/10/2000	02/10/2003-02/10/2010	200,000	200,000
0.625	30/03/2001	30/03/2004-30/03/2011	50,000	50,000
0.625	19/04/2001	19/04/2004-19/04/2011	50,000	50,000
0.255	21/09/2001	21/09/2004-21/09/2011	643,750	643,750
0.475	04/04/2002	04/04/2005-04/04/2012	412,500	412,500
0.215	04/10/2002	04/10/2005-04/10/2012	487,500	487,500
0.31	08/05/2003	08/05/2006-08/05/2013	306,534	306,534
0.65	06/10/2003	06/10/2006-06/10/2013	447,884	447,884
0.35	04/05/2004	04/05/2007-04/05/2014	512,500	512,500
0.39	30/09/2004	30/09/2007-30/09/2014	534,359	534,359
0.22	29/04/2005	29/04/2008-29/04/2015	577,728	577,728
0.26	06/09/2005	06/09/2008-06/09/2015	612,500	612,500
0.23	09/05/2006	09/05/2009-09/05/2016	362,500	362,500
0.135	27/07/2007	27/07/2010-27/07/2017	65,000	65,000
0.085	18/06/2008	18/06/2011-18/06/2018	355,000	355,000
0.24	25/08/2009	25/08/2012-25/08/2019	165,000	-
Approved				
0.255	21/09/2001	21/09/2004-21/09/2001	50,000	50,000
0.475	04/04/2002	04/04/2005-04/04/2012	20,000	20,000
0.215	04/10/2002	04/10/2005-04/10/2012	5,000	5,000
0.31	08/05/2003	08/05/2006-08/05/2013	155,966	155,966
0.65	06/10/2003	06/10/2006-06/10/2013	44,616	44,616
0.35	04/05/2004	04/05/2007-04/05/2014	70,000	70,000
0.39	30/09/2004	30/09/2007-30/09/2014	58,141	58,141
0.22	29/04/2005	29/04/2008-29/04/2015	29,772	29,772
0.26	06/09/2005	06/09/2008-06/09/2015	15,000	15,000
0.23	09/05/2006	09/05/2009-09/05/2016	5,000	5,000
0.135	27/07/2007	27/07/2010-27/07/2017	40,000	40,000
0.085	18/06/2008	18/06/2011-18/06/2018	145,000	145,000
0.24	25/08/2009	25/08/2012-25/08/2019	155,000	-

The number and weighted average exercise prices of share options are as follows:

	2009 Weighted average exercise price	2009 Number of options	2008 Weighted average exercise price	2008 Number of options
Outstanding at the beginning of the period	0.37	6,256,250	0.393	6,021,250
Granted during the period	0.240	320,000	0.085	500,000
Forfeited during the period	-	-	0.319	265,000
Exercised during the period	-	-	-	-
Lapsed during the period	-	-	-	-
Outstanding at the end of the period	0.365	6,576,250	0.371	6,256,250
Exercisable at the end of the period	0.401	5,651,250	0.413	5,283,750

The options outstanding at the year end have an exercise price in the range of £2.175 to £0.085 and a weighted average contractual life of ten years.
The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a Black-Scholes approximation model.
The management estimate for time from grant to exercise is four years, based on the volatility of shares. The contractual life of options in issue is ten years. Management also estimate that 50% of the options will lapse. Volatility is based on daily share prices since floatation, excluding the first month of trading, and compared to the volatility of companies conducting broadly comparable activities.

Details of the valuation of the share options granted in the current and prior year are as follows:

	2009 Approved	2008 Approved	2009 Unapproved	2008 Unapproved
		18 June		18 June
Expected volatility (expressed as % used in the modelling under Black-Scholes model)	92%	67%	92%	67%
Option life (expressed as weighted average life used in the modelling under Black-Scholes model)	4	4	4	4
Expected dividends	0%	0%	0%	0%
Risk free interest rate (based on national government bonds)	3.69%	5.10%	3.69%	5.10%
Weighted average fair value of options granted	0.1506	0.0434	0.1506	0.0434
Weighted average share price	0.24	0.081	0.24	0.081
Exercise price	0.24	0.085	0.24	0.085

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.
Share options are granted under a service condition. Such conditions are not taken into account in the grant date fair value measurement of the services received. There are no market conditions associated with the share option grants.
The total expenses recognised for the period arising from share based payments are as follows:

	2009 £	2008 £
Equity settled share based payments	11,290	(14,280)

Directors' Interests

According to the register of directors' interest, no rights to subscribe for shares in or debentures of the Company were granted to any of the directors or their immediate families, or exercised by them, during the financial year except as indicated below:

	At start of year	Granted	Exercised	Lapsed	At end of year	Exercis e price£	Market price on date of exercise £	Date from which exercisable	Expiry date
VJ Steel	200,000				200,000	2.175	-	02/10/2003	02/10/2010
VJ Steel	50,000				50,000	0.625	-	30/03/2004	30/03/2011
VJ Steel	150,000				150,000	0.255	-	21/09/2004	21/09/2011
VJ Steel	100,000				100,000	0.475	-	04/04/2005	04/04/2012
VJ Steel	100,000				100,000	0.215	-	04/10/2005	04/10/2012
VJ Steel	100,000				100,000	0.31	-	08/05/2006	08/05/2013
VJ Steel	100,000				100,000	0.65	-	06/10/2006	06/10/2013
VJ Steel	100,000				100,000	0.35	-	04/05/2007	04/05/2014
VJ Steel	100,000				100,000	0.39	-	30/09/2007	30/09/2014
VJ Steel	100,000				100,000	0.22	-	29/04/2008	29/04/2015
VJ Steel	100,000				100,000	0.26	-	06/09/2008	06/09/2015
VJ Steel	100,000				100,000	0.085	-	18/06/2011	18/06/2018
VJ Steel		20,000			20,000	0.24	-	25/08/2012	25/08/2019
DP Main	50,000				50,000	0.625	-	19/04/2004	19/04/2011
DP Main	25,000				25,000	0.255	-	21/09/2004	21/09/2011
DP Main	25,000				25,000	0.215	-	04/10/2005	04/10/2012
DP Main	30,000				30,000	0.65	-	06/10/2006	06/10/2013
DP Main	50,000				50,000	0.35	-	04/05/2007	04/05/2014
DP Main	50,000				50,000	0.39	-	30/09/2007	30/09/2014
DP Main	20,000				20,000	0.22	-	29/04/2008	29/04/2015
DP Main	50,000				50,000	0.26	-	06/09/2008	06/09/2015
DP Main	50,000				50,000	0.085	-	18/06/2011	18/06/2018
DP Main		20,000			20,000	0.24	-	25/08/2012	25/08/2019
GB Hirst	50,000				50,000	0.255	-	21/09/2004	21/09/2011
GB Hirst	20,000				20,000	0.475	-	04/04/2005	04/04/2012
GB Hirst	50,000				50,000	0.215	-	04/10/2005	04/10/2012
GB Hirst	40,000				40,000	0.31	-	08/05/2006	08/05/2013
GB Hirst	40,000				40,000	0.65	-	06/10/2006	06/10/2013
GB Hirst	50,000				50,000	0.35	-	04/05/2007	04/05/2014
GB Hirst	50,000				50,000	0.39	-	30/09/2007	30/09/2014
GB Hirst	75,000				75,000	0.22	-	29/04/2008	29/04/2015
GB Hirst	50,000				50,000	0.26	-	06/09/2008	06/09/2015
GB Hirst	15,000				15,000	0.23	-	09/05/2009	09/05/2016
GB Hirst	35,000				35,000	0.085	-	18/06/2011	18/06/2018
GB Hirst		30,000			30,000	0.24	-	25/08/2012	25/08/2019
PJ Madden	50,000				50,000	0.26	-	06/09/2008	06/09/2015
PJ Madden	25,000				25,000	0.23	-	09/05/2009	09/05/2016
PJ Madden	25,000				25,000	0.135	-	27/07/2010	27/07/2017
PJ Madden	65,000				65,000	0.085	-	18/06/2011	18/06/2018
PJ Madden		30,000			30,000	0.24	-	25/08/2012	25/08/2019

The market value of the shares at the year end was 19.5p. The highest market value during the year was 28p and the lowest market value 7p.

Disclosure of movement in non-employee share options

	At start of year	Granted	Exercised	Lapsed	At end of year	Exercise price £	Market price on date of exercise £	Expiry date
t1ps	Nil	2,500,000	440,000	Nil	2,060,000	0.12	0.22	28/07/2010

RECONCILIATION OF EQUITY
1 JANUARY 2008
(Date of Transition to IFRSs)

	UK GAAP £	Effect of transition to IFRSs £	IFRSs £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	2,175	-	2,175
CURRENT ASSETS			
Trade and other receivables	104,829	-	104,829
Cash and cash equivalents	59,657	-	59,657
	164,486	-	164,486
TOTAL ASSETS	166,661	-	166,661
SHAREHOLDERS' EQUITY			
Called up share capital	609,300	-	609,300
Share premium	2,996,375	-	2,996,375
Capital redemption reserve	125,000	-	125,000
Profit and loss account	(3,976,136)	-	(3,976,136)
TOTAL EQUITY	(245,461)	-	(245,461)
LIABILITIES			
NON-CURRENT LIABILITIES			
Financial liabilities - borrowings			
Interest bearing loans and borrowings	335,000	-	335,000
CURRENT LIABILITIES			
Trade and other payables	77,122	-	77,122
TOTAL LIABILITIES	412,122	-	412,122
TOTAL EQUITY AND LIABILITIES	166,661	-	166,661

RECONCILIATION OF EQUITY - continued
31 DECEMBER 2008

	UK GAAP £	Effect of transition to IFRSs £	IFRSs £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	-	177,983	177,983
Property, plant and equipment	19,746	-	19,746
	19,746	177,983	197,729
CURRENT ASSETS			
Trade and other receivables	114,783	-	114,783
Tax receivable	34,320	-	34,320
Cash and cash equivalents	51,424	-	51,424
	200,527	-	200,527
TOTAL ASSETS	220,273	-	398,256
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	609,300	-	609,300
Share premium	2,996,375	-	2,996,375
Capital redemption reserve	125,000	-	125,000
Profit and loss account	(4,244,799)	177,983	(4,066,816)
TOTAL EQUITY	(514,124)	177,983	(336,141)
LIABILITIES			
NON-CURRENT LIABILITIES			
Trade and other payables	635,000	-	635,000
CURRENT LIABILITIES			
Trade and other payables	99,397	-	99,397
TOTAL LIABILITIES	734,397	-	734,397
TOTAL EQUITY AND LIABILITIES	220,273	177,983	398,256

RECONCILIATION OF LOSS
FOR THE YEAR ENDED 31 DECEMBER 2008

	UK GAAP £	Effect of transition to IFRSs £	IFRSs £
Revenue	121,199	-	121,199
Cost of sales	(23,027)	-	(23,027)
GROSS PROFIT	98,172	-	98,172
Other operating income	2,261	-	2,261
Administrative expenses	(385,428)	177,983	(207,445)
Finance costs	(5,292)	-	(5,292)
Finance income	1,583	-	1,583
LOSS BEFORE TAX	(288,704)	177,983	(110,721)
Income tax	34,320	-	34,320
LOSS FOR THE YEAR	(254,384)	177,983	(76,401)