REGISTERED NUMBER: 03507286 (England and Wales)

REPORT OF THE DIRECTORS AND

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

FOR

FORBIDDEN TECHNOLOGIES PLC

CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2011

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 Auditor Chartered Accountants Devonshire House 60 Goswell Road London EC1M 7AD
SOLICITORS:	Blake Lapthorn Watchmaker Court 33 St John's Lane London EC1M 4D

It gives me pleasure to present this, the thirteenth annual report to shareholders of Forbidden Technologies since its flotation on the AIM market of the London Stock Exchange in February 2000.

Statement of Comprehensive Income and Statement of Financial Position

In the year to 31st December 2011 the Company achieved sales of £466,674, an increase of 25.4% over the previous year. The cost of sales, at £48,905, remained almost the same as in the previous year (£49,627) resulting in an increase in gross profit of 29.5%, with a gross profit margin of 89%.

Administrative expenses in the year to 31st December 2011 were £674,841, an increase of 30.6% compared to £516,529 in the previous year. The increase results from the Company's policy of increasing investment in R&D, marketing and sales resources as customer product interest builds and creates more sales opportunities.

The loss for the year of £186,218 compares to a loss of £129,749 in the previous year.

The Company Balance Sheet remains strong with a positive cash balance and cash equivalents of £629,494 (2010 £1,023,611) and total assets of £2,044,349 compared to £1,859,713 at the close of 2010. The Company continues to be debt free.

Strategy

The Company strategy has been reviewed recently and continues to focus on the four primary sectors where our technology has the opportunity to play a major role in shaping new work flows and to be a significant force.

1 Broadcast Post Production

Growth in 2011 in this sector has been encouraging as more production companies and facilities houses adopt the FORscene video platform and begin to employ it across a wider range of available uses. For example, we have seen specific interest in:

- use of editing functionality to support the creation of material for web sites related to individual productions;
- use of the review functionality on the iPad platform;
- use of the storage functionality for archiving purposes; and
- integration of document storage and work management facilities into the user account.

This demonstrates the increasing awareness of FORscene as a corporate, rather than just a production, solution. The reputation of FORscene is growing with its increasing penetration, and we have seen the use of FORscene expand beyond its traditional Soho base to now include South Wales, the North of England including Salford, and Scotland. In future years a strong UK business will help to create international opportunities which offer longer term growth prospects.

Forbidden offers professional customers paid-for training. Realising that FORscene offers a wide array of advanced functionality which lies behind the basic utilities, the Company recently ran a free training day in Soho attended by some 60 professionals. The users were impressed that after the training session they could operate the system more easily and discovered that FORscene offers many more uses than they had realised. Further training days are planned in a variety of formats.

2 News and Sports Innovation

This sector, where immediacy and cost are of great importance, involves using the FORscene platform to develop new routes for the manipulation and delivery of video.

The increasing use of FORscene has led the Company to develop standard interfaces (APIs) to simplify integration into wider video infrastructures. Considerable interest in FORscene is emerging from a number of geographically diverse companies. The recent appointment of Techtel as distributor in South East Asia provides an increasing spread of prospective clients in both News and Sports, with the capability of increasing sales not only in 2012 but also in the following years. In addition, discussions with other potential partners in Europe and North America are underway.

3 The Social Media Consumer

The Company has marketed consumer-orientated forms of the platform for some time under the Clesh brand name, a consumer version of the browser-based interface. The launch of an Android version in Spring 2011 brought new visibility to the extent of video editing functionality available to consumers and has kick-started a revenue stream with significant potential. The product fits well with the increasing trends toward crowd-sourced, internet published news and with the increasing drive of social media sites to improve the quality of their video offerings.

4 Education

Whereas the education sector is not expected to be a major direct contributor to Company turnover and profits, it is important for increasing awareness of FORscene among the next generation of video editors and on-line entrepreneurs. The Company has a number of educational partners in both UK and USA and plans to expand involvement more widely in future years.

External Communications

In addition to regulatory announcements and press releases, Forbidden has sought to keep investors informed with many announcements of progress, seminars and two investor shows: Master Investor 2011 and the Growth Company Investor Show 2011.

Much of the press seems to appreciate the work we are doing, with coverage almost universally supportive. In addition to the traditional City and Broadcast web sites many consumer-facing web sites are commenting on our Android consumer application. The acceptance of Cloud Workflows has also led to wide-ranging coverage in the UK trade press and increasing mentions in the UK national press.

The Company feels that, with its growth and increasing band of top global clients, it is becoming more attractive as an investment proposition. This is reflected by the multiple share purchases undertaken by directors. All five board members bought shares in 2011, and share option exercises by directors, institutions and others brought new cash into the Company during the year.

Outlook

Over the past year, and in the first quarter of 2012, the Company has achieved increased recognition of its technical excellence among a diverse group of major companies across the world, including the appointment of Techtel as distributor in South East Asia and the licensing of Forbidden's video platform to YouTube announced in December 2011.

With increasing confidence in the pace of growth, Forbidden has recently recruited both a Digital Marketing Manager and a Producer/Director (for corporate video, training video and website video production).

In 2012 Forbidden is continuing to focus on the growth sector opportunities described above and increasing its investment in relevant resources to support and enhance that growth.

Vic Steel
Chairman

Introduction

FORscene is Forbidden's Cloud video platform. Customers use it to make videos to a professional standard for TV broadcast or web delivery. Most professionals access FORscene via a web browser.

The FORscene platform incorporates Clesh, Forbidden's consumer targeted Cloud video editing software, available from http://clesh.com/about. Consumers can use Clesh via a web browser or an Android app.

FORscene is a market leading platform in Cloud-based video post-production, having handled over 2,000,000 hours of professionally shot content to date.

FORscene Cloud architecture

Google's infrastructure is estimated to include a million servers and end users depend on this computing power. But the complexity of video demands that the client PC or mobile device shares the work. YouTube, for example, uses client computers to decode and display the video.

In video editing, the CPU demands are higher than for video playback. During editing, multiple tracks of video, audio, graphics and titles must be combined in real time and displayed at a moment's notice.

FORscene achieves scale, but without a vast server infrastructure. The efficiency stems from the ability of the technology to hand over almost all the server work to client hardware - at no cost to Forbidden. A key element of this is the tight integration between the editing software and Forbidden's Blackbird video codec (compression and decompression component), which was designed specifically for video editing over the internet.

Forbidden works continuously to increase the scale of the FORscene platform - while maintaining its low cost.

On the technical side, the speed of access to the underlying database – previously a limiting factor in terms of scaleability - was increased around 50 times during the year. Evidence from our existing Android user-base suggests that a single Cloud server could support 1,000,000 Android users once the mobile version of the professional FORscene Server is released.

FORscene design improvements and economies of scale meant the double-digit percentage increase in sales over 2011 actually cost less to serve.

The Company has also been scaling up commercially. Forbidden's trade shows and partnerships have led to traction in broadcast post-production and some valuable wins in more innovative areas including News and Sport, and the Web. Partners span North America, Europe, South and South East Asia. Increasingly, partners sell FORscene to their existing customers, and provide front line product support, freeing Forbidden to focus on development.

Whereas video editing systems as a whole have generally fallen in price, FORscene has demonstrated strong pricing power by maintaining its end user price for the eight year since its launch. This pricing power has been seen further in the areas of News and Sport, where the live aspects of FORscene are being priced at five times FORscene's traditional uses in broadcast.

Service upgrades have supported FORscene's pricing. Last year saw the first use of FORscene Multicam in a broadcast television series - supporting up to nine cameras at once is good for FORscene pricing, as the charge takes into account the amount of content. Simplifying integration with third party systems was another theme in 2011, as was support for more management-style features, including cross platform file sharing, improvements to commenting and Work Order Management System support.

Some of the largest multinationals have approached Forbidden. Last year we announced deals with Ericsson and YouTube, and partnerships with AP ENPS in News and EVS in sport. We have recently been approached on an exploratory basis by one of Japan's largest consumer electronics manufacturers.

Forbidden has an active strategy of patenting its intellectual property, giving the Company a growing international patent portfolio in the area of Internet video.

Mobile and social media

Forbidden addresses the compelling business opportunities of mobile and social media through its consumer application, Clesh.

In 2011, Forbidden added publishing directly to YouTube to the FORscene platform. We have supported publishing to Facebook since 2010.

The launch of the Clesh app for Android in February 2011 has increased awareness of Forbidden's video platform outside its traditional broadcast market. Clesh gives unrivalled access to Cloud video editing on tablets and smartphones and serious editors can also have PC access via a Web browser. The Android version has also demonstrated Clesh's suitability for large scale OEM sales to consumer-facing companies.

There are now over 4,500 Android Clesh accounts, which also work on PCs. The app is seeing an increase in sales and also improving ratings on the Google Play store. There is no major technical hurdle to developing an IOS version, should Apple support it.

Android Clesh has allowed Forbidden to push the boundaries of its knowhow, developing both touch screen interfaces and software designed for the ARM architecture. Both these technologies look set to dominate consumer electronics for some time to come. The trends towards faster processors, better cameras and faster internet connections are all positive for a Cloud video editing app.

The FORscene platform provides a path leading professional clients into the mobile and social media worlds for making programmes, promoting them and distributing them.

Finishing on the platform

Consumers have been able to finish their videos on the FORscene platform for some time. The arrival of 1080p HD cameraphones has simplified the creation of good quality source material. FORscene and Clesh support publishing in HD, and with distribution through YouTube, provide end-to-end video creation, editing and distribution from a single app.

There has been an upsurge in demand from professional users to finish their videos in FORscene - instead of on old-style desktop systems. We have been adding new features, such as improved titling support, to make this possible.

Forbidden believes finishing on FORscene is a major potential growth area.

Conclusion

Forbidden is well positioned to address major market opportunities. Our core technologies and Cloud services fit everywhere from consumer to professional, niche to mass market, low cost to high added value, long form broadcast to low latency news and sport, desktop to mobile.

It would take a much larger company than Forbidden to take advantage of every opportunity directly, but as a small growth company we are finding it easy to recruit partners to promote the FORscene platform in the markets they know best.

SB Streater
Chief Executive

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their report with the financial statements of the company for the year ended 31 December 2011.

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 £466,674 (2010: £372,139); the loss for the year was £186,218 (2010: £129,749). 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 £692,494 (2010: £1,023,611).

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 2011 (2010:£Nil).

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 AND DIRECTORS' INTERESTS
The directors shown below have held office during the whole of the period from 1 January 2011 to the date of this report.

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

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:

	Class of share	Interest at end of year	Interest at start of year
SB Streater	Ordinary shares of 0.8 pence	62,700,000	62,660,000
VJ Steel	Ordinary shares of 0.8 pence	999,500	962,500
DP Main	Ordinary shares of 0.8 pence	50,000	-
GB Hirst	Ordinary shares of 0.8 pence	128,100	60,000
PJ Madden	Ordinary shares of 0.8 pence	221,378	177,492

DIRECTORS AND DIRECTORS' INTERESTS – continued
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	50,000			50,000	-	0.625	-	30/03/2004	29/03/2011
VJ Steel	100,000				100,000	0.475	-	04/04/2005	03/04/2012
VJ Steel	100,000				100,000	0.215	-	04/10/2005	03/10/2012
VJ Steel	100,000				100,000	0.31	-	08/05/2006	07/05/2013
VJ Steel	100,000				100,000	0.65	-	06/10/2006	05/10/2013
VJ Steel	100,000				100,000	0.35	-	04/05/2007	03/05/2014
VJ Steel	100,000				100,000	0.39	-	30/09/2007	29/09/2014
VJ Steel	100,000				100,000	0.22	-	29/04/2008	28/04/2015
VJ Steel	100,000				100,000	0.26	-	06/09/2008	05/09/2015
VJ Steel	100,000				100,000	0.085	-	18/06/2011	17/06/2018
VJ Steel	20,000				20,000	0.24	-	25/08/2012	24/08/2019
VJ Steel	100,000				100,000	0.16	-	05/07/2013	04/07/2020
VJ Steel	150,000				150,000	0.36	-	05/11/2013	04/11/2020
VJ Steel		110,000			110,000	0.1275	-	06/10/2014	05/10/2021
DP Main	50,000			50,000	-	0.625	-	19/04/2004	18/04/2011
DP Main	25,000		25,000		-	0.255	0.235	21/09/2004	20/09/2011
DP Main	25,000		25,000		-	0.215	0.235	04/10/2005	03/10/2012
DP Main	30,000				30,000	0.65	-	06/10/2006	05/10/2013
DP Main	50,000				50,000	0.35	-	04/05/2007	03/05/2014
DP Main	50,000				50,000	0.39	-	30/09/2007	29/09/2014
DP Main	20,000				20,000	0.22	-	29/04/2008	28/04/2015
DP Main	50,000				50,000	0.26	-	06/09/2008	05/09/2015
DP Main	50,000				50,000	0.085	-	18/06/2011	17/06/2018
DP Main	20,000				20,000	0.24	-	25/08/2012	24/08/2019
DP Main	50,000				50,000	0.16	-	05/07/2013	04/07/2020
DP Main	50,000				50,000	0.36	-	05/11/2013	04/11/2020
DP Main		55,000			55,000	0.1275	-	06/10/2014	05/10/2021
GB Hirst	50,000		50,000		-	0.255	0.31	21/09/2004	20/09/2011
GB Hirst	20,000				20,000	0.475	-	04/04/2005	03/04/2012
GB Hirst	50,000				50,000	0.215	-	04/10/2005	03/10/2012
GB Hirst	40,000				40,000	0.31	-	08/05/2006	07/05/2013
GB Hirst	40,000				40,000	0.65	-	06/10/2006	05/10/2013
GB Hirst	50,000				50,000	0.35	-	04/05/2007	03/05/2014
GB Hirst	50,000				50,000	0.39	-	30/09/2007	29/09/2014
GB Hirst	75,000				75,000	0.22	-	29/04/2008	28/04/2015
GB Hirst	50,000				50,000	0.26	-	06/09/2008	05/09/2015
GB Hirst	15,000				15,000	0.23	-	09/05/2009	08/05/2016
GB Hirst	35,000				35,000	0.085	-	18/06/2011	17/06/2018
GB Hirst	30,000				30,000	0.24	-	25/08/2012	24/08/2019
GB Hirst	150,000				150,000	0.36	-	05/07/2013	04/07/2020
GB Hirst	150,000				150,000	0.36	-	05/11/2013	04/11/2020
GB Hirst		150,000			150,000	0.1275	-	06/10/2014	05/10/2021
PJ Madden	50,000				50,000	0.26	-	06/09/2008	05/09/2015
PJ Madden	25,000				25,000	0.23	-	09/05/2009	08/05/2016
PJ Madden	25,000				25,000	0.135	-	27/07/2010	26/07/2017
PJ Madden	65,000				65,000	0.085	-	18/06/2011	17/06/2018
PJ Madden	30,000				30,000	0.24	-	25/08/2012	24/08/2019
PJ Madden	50,000				50,000	0.16	-	05/07/2013	04/07/2020
PJ Madden	75,000				75,000	0.36	-	05/11/2013	04/11/2020
PJ Madden		55,000			55,000	0.1275	-	06/10/2014	05/10/2021

The market value of the shares at the year end was 45.0p. The highest market value during the year was 48.0p and the lowest market value 12.0p.

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 8 days (2010: 48 days) purchases in trade creditors.

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 practice has been to finance its operations and expansion through the issue of equity share capital.
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.
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

The Company reviews future working capital requirements on a monthly basis.

Foreign currency risk

The Company enters into transactions in the UK and North America and is exposed to currency fluctuations in the exchange rates for these regions although most of its overseas transactions are denominated in sterling. 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.

SUBSTANTIAL SHAREHOLDERS

At the year end no-one, other than directors, held an interest of 3% or more in the Company's ordinary share capital.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Company made no political or charitable donations in the year (2010: £nil).

SHARE OPTION SCHEMES

Under the Company's approved share option scheme, options over 320,000 ordinary shares of 0.8p in the Company were granted to 5 employees on 6 October 2011, exercisable at 12.75p per share within the period 6 October 2014 to 5 October 2021, on condition of employment with the Company.
The Company also has an unapproved share option scheme under which options over 780,000 ordinary shares of 0.8p in the Company were granted in total to 9 directors and employees on 6 October 2011, exercisable at 12.75p per share within the period 6 October 2014 to 5 October 2021, on condition of employment with the Company.
On termination of employment, employees lose their share options unless the Board exercises its discretion to allow an employee to 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

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 UK Corporate Governance Code and identify and give reasons for any area of non-compliance. The UK Corporate Governance Code is published by the Financial Reporting Council and is periodically reviewed and updated. 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.

CORPORATE GOVERNANCE - continued
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 UK Corporate Governance 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. The directors are required by the AIM Rules of the London Stock Exchange to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

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 the financial performance and cashflows of the company for that year. 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 in preparation of the financial statements the company has complied with IFRS as adopted by the EU, subject to any material departures disclosed and explained in the financial statements; and
- prepare the accounts 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware and they have taken all the steps that they ought to have taken as directors in order to make themselves 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:

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SB Streater - Director

Date: 23 March 2012

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

We have audited the financial statements of Forbidden Technologies Plc for the year ended 31 December 2011 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 and as applied in accordance with the provisions of the Companies Act 2006.

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 auditor

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 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 (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. In addition we read all the financial and non-financial information in the 2011 Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2011 and of the company's loss for the year then ended;
- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company 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.

Jonathan 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: 23 March 2012

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 £	2010 £
CONTINUING OPERATIONS			
Revenue	2	466,674	372,139
Cost of Sales		(48,905)	(49,627)
GROSS PROFIT		417,769	322,512
Other operating income	3	4,443	1,965
Administrative expenses		(674,841)	(516,529)
OPERATING LOSS		(252,629)	(192,052)
Finance costs	5	-	(4,443)
Finance income	5	8,122	665
LOSS BEFORE INCOME TAX	6	(244,507)	(195,830)
Income Tax	7	58,289	66,081
LOSS FOR THE YEAR		(186,218)	(129,749)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(186,218)	(129,749)
Earnings per share expressed in pence per share:	8		
Basic – continuing and total operations		(0.22p)	(0.16p)
Fully diluted		(0.22p)	(0.16p)

STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2011

	Notes	2011 £	2010 £
ASSETS **NON-CURRENT ASSETS**			
Intangible assets	9	749,894	557,294
Property, plant and equipment	10	9,425	17,491
		759,319	574,785
CURRENT ASSETS			
Trade and other receivables	11	534,247	210,856
Tax receivable		58,289	50,461
Cash and cash equivalents	12	692,494	1,023,611
		1,285,030	1,284,928
TOTAL ASSETS		2,044,349	1,859,713
EQUITY **SHAREHOLDERS' EQUITY**			
Called up share capital	13	692,636	689,356
Share premium	14	5,199,999	5,106,479
Capital contribution reserve	14	125,000	125,000
Retained earnings	14	(4,359,855)	(4,214,109)
TOTAL EQUITY		1,657,780	1,706,726
LIABILITIES **NON-CURRENT LIABILITIES**			
Trade and other payables	15	-	-
CURRENT LIABILITIES			
Trade and other payables	15	386,569	152,987
TOTAL LIABILITIES		386,569	152,987
TOTAL EQUITY AND LIABILITIES		2,044,349	1,859,713

The financial statements were approved by the Board of Directors on 23 March 2012 and were signed on its behalf by:

....
SB Streater - Director

....
PJ Madden - Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

	Called up share capital £	Profit and loss account £	Share premium £	Capital contribution reserve £	Total equity £
Balance at 1 January 2010	632,820	(4,112,205)	3,275,655	125,000	(78,730)
Changes in equity					
Issue of share capital	56,536	-	1,830,824	-	1,887,360
Purchase of options	-	5,000	-	-	5,000
Share based payment	-	22,845	-	-	22,845
Total comprehensive income	-	(129,749)	-	-	(129,749)
Balance at 31 December 2010	689,356	(4,214,109)	5,106,479	125,000	1,706,726
Changes in equity					
Issue of share capital	3,280	-	93,520	-	96,800
Share based payment	-	40,472	-	-	40,472
Total comprehensive income	-	(186,218)	-	-	(186,218)
Balance at 31 December 2011	692,636	(4,359,855)	5,199,999	125,000	1,657,780

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

		2011	2010
		£	£
Cash flows from operating activities			
Cash generated from operations	1	(221,998)	(109,499)
Finance costs paid		-	(4,443)
Tax received		50,461	51,881
Net cash from operating activities		(171,537)	(62,061)
Cash flows from investing activities			
Purchase of intangible fixed assets		(254,105)	(215,500)
Purchase of tangible fixed assets		(10,397)	(18,078)
Interest received		8,122	665
Net cash from investing activities		(256,380)	(232,913)
Cash flows from financing activities			
Amount (repaid to) / introduced by directors		-	(785,000)
Share issue		96,800	1,887,360
Sale of share options		-	5,000
Net cash from financing activities		96,800	1,107,360
Increase/(Decrease) in cash and cash equivalents		(331,117)	812,386
Cash and cash equivalents at beginning of year	2	1,023,611	211,225
Cash and cash equivalents at end of year	2	692,494	1,023,611

NOTES TO THE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011

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

	2011 £	2010 £
Loss before income tax	(244,507)	(195,830)
Depreciation charges	18,463	18,469
Amortisation charges	61,505	39,954
Employee share option costs	40,472	22,845
Finance costs	-	4,443
Finance income	(8,122)	(665)
	(132,189)	(110,784)
Increase in trade and other receivables	(323,391)	(76,971)
(Decrease)/Increase in trade and other payables	233,582	78,256
Cash generated from operations	(221,998)	(109,499)

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 2011

	31/12/11 £	1/1/11 £
Cash and cash equivalents	692,494	1,023,611

Year ended 31 December 2010

	31/12/10 £	1/1/10 £
Cash and cash equivalents	1,023,611	211,225

1. ACCOUNTING POLICIES

Basis of preparation
The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC interpretations and the Companies Act 2006 as applicable to companies reporting under IFRS. These accounts have been prepared under the historical cost convention.

New and Revised Standards

Standards in effect in 2011 adopted by the Company
The following standards, interpretations, and amendments to standards have been adopted in the financial statements.

Standards in effect in 2011
The following standards, interpretations, and amendments to standards have been adopted in the financial statements for the first time. None had any impact on the Company results or financial position:
- Revised IAS 24 (revised), ‘Related party disclosures’, effective 1 January 2011
- ‘Classification of rights issues’ (amendment to IAS 32), effective 1 February 2010
- IFRIC 19, ‘Extinguishing financial liabilities with equity instruments’, effective 1 July 2010
- ‘Prepayments of a minimum funding requirement’ (amendments to IFRIC 14), effective 1 January 2011
- Improvements to IFRSs (May 2010)

IFRS in issue but not applied in the current financial statements
The following IFRS and IFRIC Interpretations have been issued but have not been applied by the Company in preparing these financial statements as they are not as yet effective. The Company intends to adopt these Standards and Interpretations when they become effective, rather than adopt them early.
- IFRS 9, ‘Financial instruments’, effective 1 January 2013

A number of IFRS and IFRIC interpretations are also currently in issue which are not relevant for the Company’s activities and which have not therefore been adopted in preparing these financial statements.

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 or the delivery of equipment. 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.

Segmental reporting
The Company's products are delivered through an integrated web-based platform and the Board manages the business as a single business segment. In accordance with IFRS 8, information is presented based on the way in which financial information is reported internally to the chief operating decision maker and therefore the directors do not consider it to be meaningful to analyse the loss before tax or the Company's net assets further.

Information regarding geographical revenues is disclosed in note 2 to the financial statements.

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.

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.

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.

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

Intangible assets
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. Each year's costs are amortised on a straight line basis over a period of 10 years and are charged to Administrative Expenses in the Statement of Comprehensive income.

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.

1. **ACCOUNTING POLICIES - continued**

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.

Critical accounting judgements and key sources of estimation and uncertainty
The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the Statement of Financial Position date and the reported amounts of revenues and expenses during the reporting period

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates have been used principally when determining the probable economic benefits to be derived from development expenditure and therefore whether those costs should be capitalised or whether there is subsequent evidence of impairment.

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:

	2011 £	2010 £
UK	213,768	138,339
Europe	281	-
North America	252,491	233,800
Asia	134	-
Total	466,674	372,139

An analysis of the Company's significant categories of revenue, all of which relate to the company's sole activity of the sale of internet-based video tools, is as follows:

	2011 £	2010 £
Software	375,566	313,184
Support	3,150	6,350
Hardware	30,675	41,230
Consultancy	57,283	11,375
	466,674	372,139

During the year, sales to one customer accounted for more than 10% of the total turnover. Total sales to the customer amounted to £199,963

3. **OTHER OPERATING INCOME**

During the year the company received government grants of £3,105 (2010: £1,915) which subsidised the cost of attendance at an international trade fair. Other income of £1,338 was also received.

4. **EMPLOYEES AND DIRECTORS**

	2011 £	2010 £
Wages and salaries	475,505	334,065
Social security costs	49,574	31,900
	525,079	365,965

After capitalisation in respect of development costs the following amounts were charged directly to the Statement of Comprehensive income:

	2011 £	2010 £
Wages and salaries	279,989	170,144
Social security costs	28,195	14,676
	308,184	184,820

The notes form part of these financial statements

4. EMPLOYEES AND DIRECTORS - continued

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

	2011	2010
Management	4	4
Technical	6	6
Marketing	4	3
	14	13

Directors' and key management personnel remuneration

	2011 £	2010 £
VJ Steel	10,000	10,000
SB Streater	-	-
PJ Madden	15,292	16,667
GB Hirst	96,190	52,749
DP Main	1,200	1,200
	122,682	80,616

5. NET FINANCE COSTS

	2011 £	2010 £
Finance income:		
Deposit account interest	8,122	665
Finance costs:		
Other interest payable	-	4,443
Net finance costs/(income)	(8,122)	3,778

The notes form part of these financial statements

6. LOSS BEFORE INCOME TAX

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

	2011 £	2010 £
Other operating leases	(21,200)	(21,200)
Foreign exchange differences	(2,021)	5,050
Research and development	(25,091)	(20,166)
Auditors' remuneration	(14,754)	(14,500)
Auditor's remuneration – non audit – taxation	(910)	(2,225)
Auditors' remuneration – non audit – all other services	-	(5,750)
Earnings before interest, taxation, depreciation and amortisation	(172,661)	(133,629)
Depreciation – owned assets	(18,463)	(18,469)
Development costs amortisation	(61,505)	(39,954)
Operating loss (before interest and taxation)	(252,629)	(192,052)

7. INCOME TAX

Analysis of the tax credit

	2011 £	2010 £
Current tax:		
Tax credit	58,289	50,461
Additional tax receipt related to prior year	-	15,620
Total tax credit in income statement	58,289	66,081

The notes form part of these financial statements

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:

	2011 £	2010 £
Loss on ordinary activities before tax	(244,507)	(195,830)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.25% (2010 – 21%)	(49,513)	(41,124)
Effects of:		
Expenses not deductible for tax	(1,198)	925
Adjustment for provisions	1,032	(243)
Capital allowances in excess of depreciation	12,022	5,192
Tax losses	33,595	32,455
Additional relief for R&D expenditure	(44,485)	(32,439)
Effect of tax rate on credit	33,519	25,231
Capitalised development costs	(51,456)	(45,255)
Employee share option cost	8,195	4,797
Total income tax	(58,289)	(50,461)

Tax effects relating to effects of other comprehensive income

	Gross	2011 Tax	Net
Employee share option cost	(40,472)	-	(40,472)
Ordinary share issue	96,800	-	96,800
	56,328	-	56,328

	Gross	2010 Tax	Net
Employee share option cost	(22,845)	-	(22,845)
Ordinary share issue	1,830,824	-	1,830,824
	1,807,979		1,807,979

Tax losses of approximately £4,400,000 (2010: £4,200,000) are available to relieve against future profits of the Company.

7. INCOME TAX - continued

Unrecognised deferred tax assets

	2011 £	2010 £
Depreciation in excess of capital allowances	9,644	11,221
Tax losses carried forward	880 ,000	889,910
	889,644	901,131

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.

	2011	2010
Loss attributable to equity holders of the company (£)	(186,218)	(129,749)
Weighted average number of ordinary shares in issue	86,521,747	81,205,612
Basic earnings per share (pence per share)	(0.22p)	(0.16p)

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume the conversion of all potential ordinary shares. The company's 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.

	2011	2010
Loss used to determine diluted earnings per share (£)	(186,218)	(129,749)
Weighted average number of ordinary shares in issue	86,521,747	81,205,612
Share options	7,797,500	8,176,250
Weighted average number of ordinary shares used to determine diluted earnings per share	94,319,247	89,381,862
Diluted earnings per share (pence per share)	(0.20p)	(0.15p)

As can be seen from the above table during the year ended 31 December 2011 the potential ordinary shares were anti-dilutive because the company was loss-making. As a result, they are not treated on the face of the Income Statement as diluting basic earnings per share.

9. INTANGIBLE ASSETS

Development costs

	2011	2010
COST	£	£
At beginning of year	615,046	399,546
Additions	254,105	215,500
At end of year	869,151	615,046
AMORTISATION		
At beginning of year	57,752	17,798
Amortisation for year	61,505	39,954
At end of year	119,257	57,752
NET BOOK VALUE		
At end of year	749,894	557,294

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Fixtures and fittings	Computer equipment	Client-facing IT equipment	Totals
COST	£	£	£	£	£
At 1 January 2011	21,127	24,075	200,118	12,986	258,306
Additions	2,290	-	2,472	5,635	10,397
At 31 December 2011	23,417	24,075	202,590	18,621	268,703
DEPRECIATION					
At 1 January 2011	12,676	24,075	197,571	6,493	240,815
Charge for year	5,370	-	3,783	9,310	18,463
At 31 December 2011	18,046	24,075	201,354	15,803	259,278
NET BOOK VALUE					
At 31 December 2011	5,371	-	1,236	2,818	9,425
At 31 December 2010	8,451	-	2,547	6,493	17,491

10. **PROPERTY, PLANT AND EQUIPMENT - continued**

	Leasehold improvements	Fixtures and fittings	Computer equipment	Client-facing IT equipment	Totals
COST	£	£	£	£	£
At 1 January 2010	21,127	24,075	195,025	-	240,227
Additions	-	-	5,093	12,986	18,079
At 31 December 2010	21,127	24,075	200,118	12,986	258,306
DEPRECIATION					
At 1 January 2010	8,450	24,075	189,820	-	222,345
Charge for year	4,225	-	7,751	6,493	18,469
At 31 December 2010	12,676	24,075	197,571	6,493	240,814
NET BOOK VALUE					
At 31 December 2010	8,451	-	2,547	6,493	17,491
At 31 December 2009	12,677	-	5,205	-	17,882

11. **TRADE AND OTHER RECEIVABLES**

Current:	2011 £	2010 £
Trade debtors	370,046	126,599
Less: provision for doubtful receivables	(1,500)	(1,500)
Other debtors	18,900	58,223
Taxation and social security	-	2,840
Prepayments and accrued income	146,801	24,694
	534,247	210,856

Included in other debtors is a rental deposit of £15,900 (2010: £15,900) which is subject to a charge.

12. **CASH AND CASH EQUIVALENTS**

	2011 £	2010 £
Bank and cash	692,494	1,023,611

13. CALLED UP SHARE CAPITAL

	2011 £	2010 £
Authorised:		
125,000,000 ordinary shares of 0.8p each (2010: 125,000,000 ordinary shares of 0.8p each)	1,000,000	1,000,000
Allotted, called up and fully paid:		
86,579,500 ordinary shares of 0.8p each (2010: 86,169,500 ordinary shares of 0.8p each)	692,636	689,356

During the year 410,000 ordinary shares of £0.008 were allotted as fully paid at an average premium of £0.2281 per share.

During the year the Company issued 1,100,000 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	1,220,000	1,280,000
DP Main	Ordinary shares of 0.8 pence	470,000	425,000
GB Hirst	Ordinary shares of 0.8 pence	805,000	905,000
PJ Madden	Ordinary shares of 0.8 pence	320,000	375,000

14. RESERVES

	Retained earnings £	Share premium £	Capital contribution reserve £	Totals £
At January 2011	(4,214,109)	5,106,479	125,000	1,017,370
Deficit for the year	(186,218)	-	-	(186,218)
Cash share issue	-	93,520	-	93,520
Employee share option costs	40,472	-	-	40,472
At 31 December 2011	(4,359,855)	5,199,999	125,000	965,144

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

15. **TRADE AND OTHER PAYABLES**

Current:	2011 £	2010 £
Trade creditors	5,878	28,529
Social security and other taxes	138,150	75,263
Other creditors	437	7,573
Accruals and deferred income	242,104	41,622
	386,569	152,987

16. **LEASING AGREEMENTS**

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

	2011 £	2010 £
In the next 12 months	21,200	
Between one and five years	-	42,400

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.
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. 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
All financial liabilities at the year end fall due in one year or less. At the year end 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 although most of its overseas transactions are denominated in sterling. 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**

There were no related party transactions (2010: £nil)

19. **POST BALANCE SHEET EVENTS**

No reportable events have taken place since the balance sheet date.

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 (£)	Date granted	Range of dates exercisable	Number of shares for which rights are exercisable at 31/12/2011	Number of shares for which rights are exercisable at 31/12/2010
Unapproved				
0.625	30/03/2001	30/03/2004-29/03/2011	-	50,000
0.625	19/04/2001	19/04/2004-18/04/2011	-	50,000
0.255	21/09/2001	21/09/2004-20/09/2011	-	493,750
0.475	04/04/2002	04/04/2005-03/04/2012	412,500	412,500
0.215	04/10/2002	04/10/2005-03/10/2012	462,500	487,500
0.31	08/05/2003	08/05/2006-07/05/2013	306,534	306,534
0.65	06/10/2003	06/10/2006-05/10/2013	447,884	447,884
0.35	04/05/2004	04/05/2007-03/05/2014	512,500	512,500
0.39	30/09/2004	30/09/2007-29/09/2014	534,359	534,359
0.22	29/04/2005	29/04/2008-28/04/2015	577,728	577,728
0.26	06/09/2005	06/09/2008-05/09/2015	612,500	612,500
0.23	09/05/2006	09/05/2009-08/05/2016	362,500	362,500
0.135	27/07/2007	27/07/2010-26/07/2017	65,000	65,000
0.085	18/06/2008	18/06/2011-17/06/2018	355,000	355,000
0.24	25/08/2009	25/08/2012-24/08/2019	165,000	165,000
0.16	05/07/2010	05/07/2013-04/07/2020	670,000	700,000
0.36	05/11/2010	05/11/2013-04/11/2020	682,431	762,431
0.1275	06/10/2011	06/10/2014-05/10/2021	780,000	-
Approved				
0.255	21/09/2001	21/09/2004-20/09/2011	-	50,000
0.475	04/04/2002	04/04/2005-03/04/2012	20,000	20,000
0.215	04/10/2002	04/10/2005-03/10/2012	5,000	5,000
0.31	08/05/2003	08/05/2006-07/05/2013	155,966	155,966
0.65	06/10/2003	06/10/2006-05/10/2013	44,616	44,616
0.35	04/05/2004	04/05/2007-03/05/2014	70,000	70,000
0.39	30/09/2004	30/09/2007-29/09/2014	58,141	58,141
0.22	29/04/2005	29/04/2008-28/04/2015	29,772	29,772
0.26	06/09/2005	06/09/2008-05/09/2015	15,000	15,000
0.23	09/05/2006	09/05/2009-08/05/2016	5,000	5,000
0.135	27/07/2007	27/07/2010-26/07/2017	40,000	40,000
0.085	18/06/2008	18/06/2011-17/06/2018	65,000	145,000
0.24	25/08/2009	25/08/2012-24/08/2019	25,000	105,000
0.36	05/11/2010	05/11/2013-04/11/2020	17,569	47,569
0.1275	06/10/2011	06/10/2014-05/10/2021	320,000	-

21. **SHARE-BASED PAYMENT TRANSACTIONS - continued**

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

	2011 Weighted average exercise price (£)	2011 Number of options	2010 Weighted average exercise price (£)	2010 Number of options
Outstanding at the beginning of the period	0.301	7,686,250	0.365	6,576,250
Granted during the period	0.128	1,100,000	0.261	1,610,000
Forfeited during the period	0.23	300,000	0.19	150,000
Exercised during the period	0.23	120,000	0.26	150,000
Lapsed during the period	0.32	568,750	2.175	200,000
Outstanding at the end of the period	0.279	7,797,500	0.301	7,686,250
Exercisable at the end of the period	0.318	5,137,500	0.334	5,406,250

The options outstanding at the year end have an exercise price in the range of £2.175 to £0.085 and a 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:

	2011 Approved	2010 Approved	2011 Unapproved	2010 Unapproved
Expected volatility (expressed as % used in the modelling under Black-Scholes model)	68.81%	92%	68.81%	92%
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)	2.49%	3.69%	2.49%	3.69%
Weighted average fair value of options granted	0.068	0.1506	0.068	0.1506
Weighted average share price	0.1275	0.24	0.1275	0.24
Exercise price	0.1275	0.24	0.1275	0.24

21. SHARE-BASED PAYMENT TRANSACTIONS - continued

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:

	2011 £	2010 £
Equity settled share based payments	40,472	22,845

Disclosure of movement in non-employee share options

	At start of year	Granted	Exercised	Lapsed	At end of year	Exercise price £	Average market price on date of exercise £	Expiry date
RSV Ltd	490,000	-	290,000	200,000	-	0.24	0.335	26/07/11