REGISTERED NUMBER: 03507286 (England and Wales)

REPORT OF THE DIRECTORS AND

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

FOR

FORBIDDEN TECHNOLOGIES PLC

CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

COMPANY INFORMATION

DIRECTORS:	VJ Steel SB Streater PJ Madden GB Hirst DP Main JC Lees (appointed 31 January 2014)
SECRETARY:	MC 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 4DB

CHAIRMAN'S STATEMENT

It gives me great pleasure to present the fourteenth 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 2013, the Company achieved sales of £772,180 (£812,744 FY2012), which, excluding the one-off effect of the 2012 Olympic Games, represented an increase of 33% on an organic basis. The cost of sales was 20% lower than in 2012 and the resulting gross profit margin of 86.39% showed a 2.7 percentage points improvement on 2012.

Administrative expenses in the year to 31st December 2013 were £1,491,408, an increase of 55% compared to £963,237 in the previous year. The increase is the result of Management setting the platform for growth with higher investment in people, and in higher promotional costs in the second half of the year.

The loss for the year of £797,547 compares to a loss of £216,715 in the previous year, reflecting the investment into the Company structure to facilitate growth.

Following the successful fund raising in July 2013, the balance sheet is dramatically strengthened. At the end of the 2013 year it shows positive liquid funds of £7,839,109 compared to £459,787 at the close of 2012.

Progress and Plans
The simplest description of the management culture of Forbidden Technologies today is of a team that is “Going for Growth”.

The major event in 2013 was the successful fund-raising from a wide number of new institutional investors and from existing shareholders. The money was raised to strengthen the balance sheet and to accelerate growth in the coming years, initially in the U.K. and North America and subsequently across the globe to achieve our ambition of becoming a global leader in video processing and publishing. £2,000,000 has been placed on term deposit.

North America
The North American video post- production and broadcasting market is 10 times the size of the U.K. market. Based upon Forbidden's successful penetration of the U.K. post - production market our plan is to build significant business in the North American market. In November 2013 a management team was recruited, led by a high profile business leader with many years of experience in the broadcast post-production markets. This has been followed in early 2014 by the incorporation of a U.S. subsidiary company Forbidden Technologies Inc. and the establishment of office facilities in Burbank, California.

The U.S. team has now identified a significant list of customer opportunities, in both reality T.V. and sports and is in the process of installing a number of trial servers in potential customer premises.

R&D
The Company has developed a technology platform over many years which others have attempted, unsuccessfully, to match. To help maintain the technological edge, the technology is dynamic and is regularly upgraded. Additional R&D personnel have been recruited in the second half of 2013 and in early 2014, with the intention of staying ahead of the game. (See C.E.O.'s report).

Partners
Partners are one of the Group's two routes to market, providing significant reach and marketing power. Having established relationships with EVS and deltatre in sports and news as a result of our involvement in the 2012 games, the second half of 2013 saw the integration of FORscene into Microsoft's Windows Azure cloud platform for broadcasters and production companies internationally. Also a relationship was established with Sony involving the integration of FORscene with their wireless enabled cameras. Both Microsoft and Sony will be demonstrating FORscene on their stands and on the Forbidden stand at NAB in early April. EVS and deltatre will feature on the Forbidden stand.

Public Relations
Historically, as a B2B company with very little resources, Forbidden has had to endure low awareness in its market place. With increased resources the company has embarked upon a pro-active campaign to build both awareness and reputation. In December 2013 Wall Street, a global trade P.R. company in the broadcast sector was appointed to build our reputation internationally amongst broadcasters. This is expected to help to raise the profile of Forbidden and its platform and to highlight the advantages that FORscene offers to its target market.

The Brands
In August 2013 Forbidden appointed the agency Marketing Team Direct with the intention of reviewing and revitalising the company brand (Forbidden) and its platform FORscene. This major project is now close to completion and will be released to the world at the NAB convention and shown in Las Vegas in early April.

The Consumer
Self-production and publishing plays a bigger and bigger part in consumer use of video through various devices from mobile and smartphones through to tablets and laptops/desktops. Against this background, Forbidden is examining the best way to take advantage of its market leading technology to become a significant force in this rapidly growing area at a low cost but potentially high reward.

Forbidden and Marketing Team Direct are undertaking a consumer research programme with the objective of understanding consumer motivations, behaviours and attitudes to processing, publishing and sharing video in this enormous market.

Prospects
Forbidden’s “Girding for Growth” has clearly spread through a number of facets of the company. The significant investment of people resources, continuous technology development and geographic expansion are all designed to lead to growth in business over the coming years.

The global wider scale adoption of cloud-based workflows, coupled with our technology developments are well timed for our growth ambitions. However, workflow changes in a conservative business sector take some time to come to fruition. Forbidden is well placed to pursue the opportunity with vigour and the longer term view.

Vic Steel
Chairman

Introduction
Forbidden has made good use of 2013.

Anything but not everything
The cloud as a concept is remarkably efficient at allowing companies to work together. This is good for Forbidden, because as a technology company, we can do anything, but not everything.

We started the year with our cloud video platform, FORscene, fully vindicated by its licensing and use by Google, our biggest integration client yet, in our key target area of Sports. Forbidden used this success as a springboard to bring in major new partners in Sports and internationally.

Forbidden's technology is so widely applicable that we don't seek to address all the potential end users directly. Forbidden's business model focuses on working with partners - each with specialist knowledge of their own markets - to make our cloud services widely available. The growing range of partners has reduced exposure to any one sector.

During the year, Forbidden has worked closely with key players in its chosen markets, including deltatre and EVS in the Sports market. Both these companies have integrated their services with FORscene, which they are helping to promote to their clients.

Two other significant companies we are working with are Sony and Microsoft. Sony is a leader in professional video cameras, and a Forbidden client is making their first television series using a new integration allowing footage from a Sony 4G-enabled camera to be transferred to FORscene and worked on during the shoot. The technology saves significant time on the production - further enhancing FORscene's cloud benefits.

Microsoft's Windows Azure Media Services cloud platform is also a good fit. Forbidden first showed cloud editing in FORscene integrated with the Azure platform at the IBC trade show in Amsterdam, and further developments are expected.

R&D

Forbidden has a technology that is market leading, and we constantly look at ways to enhance that position and improve our service. Forbidden's willingness to innovate and experiment is undimmed, and the scope and range of Forbidden's technologies give us flexibility to serve markets as they arise and develop.

During 2013 we increased the capacity of our cloud platform with a string of efficiency gains. FORscene's unique design gives a very responsive user interface, and a dozen or so upgrades extended this speed of response to new video tasks previously undertaken on desktop systems from other suppliers. This has moved FORscene a step further in addressing the craft editing market in broadcast, where Avid systems dominate: editors in broadcast who normally use Avid have started to use FORscene in their day-to-day work.

New features are often targeted at the most adventurous of our target markets. Upgrades in the year included support for multiple video tracks, transparency on video layers for animated logos, live voice over audio recording from the web client, improvements to the craft editing interface, and higher resolution proxy video. These are all are important in our new Sports markets where customers finish video in FORscene - giving us more of the value chain.

Patents continue to be important to Forbidden and progress was made on several patents during the year.

Vision
Since its formation Forbidden has been creating a wide range of technology components that are very forward-thinking. Some concepts (such as micropayments and our own digital currency) were years ahead of their time. Others, such as cross platform cloud storage, later formed the basis of successful
businesses. Though the technologies available to the FORscene platform are too many to list here, a number are now becoming commercially relevant for the Company.

An example of this commerciality is Live video support (launched in 2003) and browser-based cloud video editing (2004), which are becoming mainstream and form the heart of Forbidden's growth strategy into near-live clipping and highlights editing of Sports.

Mobile internet video streaming (2002) has developed into our Clesh mobile app, launched three years ago (2011). With tens of thousands of accounts and over 100 upgrades behind us, work is underway to bring out an iPad version aimed at creatives in the professional market. The growth of smartphones has created a great opportunity for Forbidden.

Fund raising
Forbidden raised over £8m after expenses during the year from a placing and open offer. Forbidden took care to protect its private investors, with an EIS qualifying open offer large enough to allow shareholders to avoid dilution. Its high take up demonstrated investor support for the company.

The use of funds is covered in the Chairman's report.

The marketplace
Technology is a cut throat business, and markets limited by technology, such as video, are in constant turmoil. Avid, historically the de facto standard for broadcast editors, has recently been delisted from NASDAQ. In broadcast, Apple's reluctance to embrace cross supplier integration has been a real barrier to their success, and Adobe's wide area network solution has met with limited commercial success so far.

When FORscene pioneered cloud video post-production, with our 2004 launch at IBC, we had no competition in this space. This technology lead extended each year as potential rivals either ignored this sector, or failed to deliver working solutions into it.

With internet doubling in speed, and storage doubling in size, every year, you might expect that ten years on, with 1000x improvement in storage and internet, other companies would have succeeded in making a cloud service to rival FORscene: frame accurate and responsive browser logging and editing with no client installation step to get in the way, with access from PCs, Macs, and mobile devices. You might think that, but you would be wrong. In fact, the stunning fact is that no company comes close to the FORscene cloud platform. The big broadcast suppliers focus on outdated client server models with installed clients. The consumer companies lack the underlying technology, such as in video codecs, to build a fully integrated low latency cross platform cloud solution.

Forbidden has never rested on its laurels. And now, with growing client awareness pushing suppliers to try to address this market, Forbidden is determined to use its first mover advantage in what is fast becoming a land grab far beyond the market for broadcast post production. Weakened or poorly positioned participants in the market means that an opportunity is there for Forbidden, offering a service backed by market leading technology. As part of the strategy we are investing in the business, including a new US subsidiary, to target that market opportunity.

In the professional market, we are increasing the number of concurrent users we can support and reducing the administration overhead of supporting them. Higher resolution video, increasingly advanced editing features, and an iPad client now under development, are all targeted at bringing the global professional video editing community on board.

In the consumer space, Forbidden is undertaking market research programme to supplement the experience gained from our Android Clesh app (now aimed squarely at ‘prosumers’). We are also building the R&D infrastructure to support a consumer offer. The modern mobile platforms are perfectly placed for Forbidden to enter the mass market.

Looking forward
Forbidden has a globally important cloud solution backed by market leading technology, a market place that has limited peers, a balance sheet that provides security, some of the largest partners in the industry, and a very scalable model that can generate significant returns.

By tackling the discerning broadcast post-production market, FORscene has many features which are difficult to retrofit on more simplistic solutions. Our mobile app has given us considerable technical and market knowledge, and positioned us for the coming mobile era, with the app culture itself opening up the mass market for "non-standard" software technologies, such as Forbidden's codecs.

Like-for-like price destruction in technology puts Forbidden in a position of relative advantage with our ability to innovate and create our own high technology on demand - and to meet higher volumes in new markets through our unique architecture.

The dynamic world we are entering is at the heart of our technology and product sweet spot. We are entering it both well financed and highly motivated. With our new marketing resources, our leadership has every chance of being much more visible going forwards.

SB Streater
Chief Executive

REVIEW OF BUSINESS
The Company has continued the development of its video technology, extending both its functionality and its ability to take advantage of emerging opportunities, markets and partnerships. 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.

During the course of the year, the company undertook both a placing and an Open Offer to existing shareholders to subscribe in the shares of the company at the same price as the placing. The effect of these activities were to raise net funds of £8,363,517 on the issue of 44,557,778 new shares.

The funds raised are being used to strengthen our staffing, to increase our marketing and PR profile and more actively to expand our business into the Americas by the creation of a US subsidiary. Not all the funds available to us will be required in the short term and the directors took the decision to place £2,000,000 on fixed term deposit in an attempt to obtain a higher rate of interest than that available through more normal bank deposit channels.

Key Performance Indicators

Turnover for the year was £772,180 (2012: £812,744); the loss for the year was £797,547 (2012: £216,715). 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 categorised and monitored against plan and current needs on a monthly basis.

- Cash is managed closely to ensure that the company avoids an overdraft and is planned to ensure that cash resources will be sufficient to meet the Company’s future needs. The balance of cash and short term investment at the year-end was £7,839,109 (2012: £459,787).

Corrective actions would have been taken during the year if these indicators had not been satisfactory.

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.

The directors present their report with the financial statements of the company for the year ended 31 December 2013.

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

DIVIDENDS
No dividends will be declared for the year ended 31 December 2013 (2012:£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 following directors have held office during the whole of the period from 1 January 2013 to the date of this report.

VJ Steel
SB Streater
PJ Madden
GB Hirst
DP Main

JC Lees was appointed to the Board on 31 January 2014. His appointment will be put to the 2014 AGM for ratification.

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
VJ Steel	Ordinary shares of 0.8 pence	1,099,500	1,099,500
SB Streater	Ordinary shares of 0.8 pence	62,700,000	62,700,000
PJ Madden	Ordinary shares of 0.8 pence	309,166	221,378
GB Hirst	Ordinary shares of 0.8 pence	384,014	253,100
DP Main	Ordinary shares of 0.8 pence	250,000	50,000

DIRECTORS AND DIRECTORS' INTERESTS – continued

According to the register of directors' interests, 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	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
VJ Steel	100,000				100,000	0.245	-	12/05/2015	11/05/2022
VJ Steel	40,000				40,000	0.26	-	20/08/2015	19/08/2022
VJ Steel	-	50,000			50,000	0.275	-	25/04/2016	24/04/2023
VJ Steel	-	200,000			200,000	0.255	-	25/07/2016	24/07/2023
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	0.265	29/04/2008	28/04/2015
DP Main	50,000		50,000		-	0.26	0.265	06/09/2008	05/09/2015
DP Main	50,000		50,000		-	0.085	0.265	18/06/2011	17/06/2018
DP Main	20,000		20,000		-	0.24	0.265	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
DP Main	75,000				75,000	0.245	-	12/05/2015	11/05/2022
DP Main	40,000				40,000	0.26	-	20/08/2015	19/08/2022
DP Main	-	50,000			50,000	0.275	-	25/04/2016	24/04/2023
DP Main	-	100,000			100,000	0.255	-	25/07/2016	24/07/2023
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	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
GB Hirst	100,000				100,000	0.245	-	12/05/2015	11/05/2022
GB Hirst	40,000				40,000	0.26	-	20/08/2015	19/08/2022
GB Hirst	-	50,000			50,000	0.275	-	25/04/2016	24/04/2023
GB Hirst	-	250,000			250,000	0.255	-	25/07/2016	24/07/2023

DIRECTORS AND DIRECTORS' INTERESTS – continued

	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
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
PJ Madden	75,000				75,000	0.245	-	12/05/2015	11/05/2022
PJ Madden	40,000				40,000	0.26	-	20/08/2015	19/08/2022
PJ Madden	-	50,000			50,000	0.275	-	25/04/2016	24/04/2023
PJ Madden	-	100,000			100,000	0.255	-	25/07/2016	24/07/2023

The market price of the shares at the year-end was 31p. The highest market price during the year was 36.75p and the lowest market price 18.5p.

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 15 days (2012: 3 days) purchases in trade creditors.

FINANCIAL INSTRUMENTS
The Company's financial instruments comprise trade debtors, trade creditors and cash. 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. 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.

SUBSTANTIAL SHAREHOLDERS
At the year end the following shareholders held an interest of 3% or more in the Company's ordinary share capital

SB Streater	47.57%
Schroders plc	15.54%
Miton Group plc	5.31%
Killick & Co LLP	3.36%

POLITICAL AND CHARITABLE CONTRIBUTIONS
The Company made no political or charitable donations in the year (2012: £nil).

SHARE OPTION SCHEMES
In the 12 months to 31 December 2013, options over ordinary shares of 0.8p in the Company were granted under the Company's Enterprise Management Incentive Share Option Scheme as follows.

Date granted	No of shares over which options granted	No of Directors & employees to whom options granted	Exercise price (pence)	Date from which exercisable	Date to which exercisable
25 April 2013	460,000	14	27.5	25 April 2016	24 April 2023
25 July 2013	1,450,000	16	25.5	25 July 2016	24 July 2023
2 September 2013	100,000	1	24.75	2 September 2016	1 September 2023

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 price 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 their report and accounts whether they comply with the UK Corporate Governance Code ("the Code") and identify and give reasons for any area of non-compliance. The 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 normally meets at least 11 times a year to consider the progress of the Company. The Board holds additional, one-off meetings to review and reset the Company's strategy and future direction.

The objective of our corporate governance structure and processes is to create transparency in business decisions and actions so that we remain accountable to all our stakeholders. The value we place on good corporate governance is reflected in our governance practices and our everyday working processes. 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.

During the year, the Board reviewed its corporate governance arrangements and is in the process of implementing a range of steps to increase its compliance with the Code, in line with the guidelines of the Quoted Companies' Alliance.

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

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 cash flows 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 the 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: 14 March 2014

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 2013 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 10 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. In addition we read all the financial and non-financial information in the 2013 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 company's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of the company's 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 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.

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

Devonshire House
60 Goswell Road
London
EC1M 7AD

Date: 14 March 2014

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £	2012 £
CONTINUING OPERATIONS			
Revenue	2	772,180	812,744
Cost of Sales		(105,078)	(132,230)
GROSS PROFIT		667,102	680,514
Other operating income	3	-	6,431
Administrative expenses		(1,491,408)	(963,237)
OPERATING LOSS	5	(824,306)	(276,292)
Finance costs	6	-	-
Finance income	6	21,528	5,974
LOSS BEFORE INCOME TAX		(802,778)	(270,318)
Income Tax	7	5,231	53,603
LOSS FOR THE YEAR		(797,547)	(216,715)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(797,547)	(216,715)
Earnings per share expressed in pence per share:	8		
Basic – continuing and total operations		(0.74)	(0.25p)
Fully diluted – continuing and total operations		(0.74)	(0.25p)

STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2013

	Notes	2013 £	2012 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9	1,188,960	953,856
Property, plant and equipment	10	49,366	13,182
		1,238,326	967,038
CURRENT ASSETS			
Inventories	11	3,274	24,156
Trade and other receivables	12	330,637	205,117
Tax receivable		58,834	53,603
Short-term investment	13	2,000,000	-
Cash and cash equivalents	13	5,839,109	459,787
		8,231,854	742,663
TOTAL ASSETS		9,470,180	1,709,701
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	14	1,054,518	696,936
Share premium	15	13,317,572	5,311,637
Capital contribution reserve	15	125,000	125,000
Retained earnings	15	(5,206,105)	(4,505,365)
TOTAL EQUITY		9,290,985	1,628,208
LIABILITIES			
NON-CURRENT LIABILITIES			
Trade and other payables		-	-
CURRENT LIABILITIES			
Trade and other payables	16	179,195	81,493
TOTAL LIABILITIES		179,195	81,493
TOTAL EQUITY AND LIABILITIES		9,470,180	1,709,701

The financial statements were approved by the Board of Directors on 14 March 2014 and were signed on its behalf by:

....
SB Streater - Director

....
PJ Madden - Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Called up share capital £	Retained earnings £	Share premium £	Capital contribution reserve £	Total equity £
Balance at 1 January 2012	692,636	(4,359,855)	5,199,999	125,000	1,657,780
Changes in equity					
Issue of share capital	4,300	-	111,638	-	115,938
Share based payment	-	71,205	-	-	71,205
Total comprehensive income	-	(216,715)	-	-	(216,715)
Balance at 31 December 2012	696,936	(4,505,365)	5,311,637	125,000	1,628,208
Changes in equity					
Issue of share capital (net of expenses)	357,582	-	8,005,935	-	8,363,517
Share based payment	-	96,807	-	-	96,807
Total comprehensive income	-	(797,547)	-	-	(797,547)
Balance at 31 December 2013	1,054,518	(5,206,105)	13,317,572	125,000	9,290,985

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £	2012 £
Cash flows from operating activities			
Cash generated from operations	1	(581,785)	(95,667)
Finance costs paid		-	-
Tax received		-	58,289
Net cash from operating activities		(581,785)	(37,378)
Cash flows from investing activities			
Purchase of intangible fixed assets		(351,106)	(290,878)
Purchase of tangible fixed assets		(72,832)	(26,363)
Purchase of fixed term deposits		(2,000,000)	-
Interest received		21,528	5,974
Net cash from investing activities		(2,402,410)	(311,267)
Cash flows from financing activities			
Share issue (net of expenses)		8,363,517	115,938
Net cash from financing activities		8,363,517	115,938
Increase/(Decrease) in cash and cash equivalents		5,379,322	(232,707)
Cash and cash equivalents at beginning of year	2	459,787	692,494
Cash and cash equivalents at end of year	2	5,839,109	459,787

NOTES TO THE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

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

	2013 £	2012 £
Loss before income tax	(802,778)	(270,318)
Depreciation charges	36,648	22,606
Amortisation charges	116,002	86,916
Employee share option costs	96,807	71,205
Finance costs	-	-
Finance income	(21,528)	(5,974)
	(574,849)	(95,565)
(Increase)/Decrease in trade and other receivables	(125,520)	329,130
(Increase)/Decrease in inventories	20,882	(24,156)
Increase/(Decrease) in trade and other payables	97,702	(305,076)
Cash generated from operations	(581,785)	(95,667)

2. CASH AND CASH EQUIVALENTS

The amounts disclosed in the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these balance sheet amounts:

Year ended 31 December 2013

	31/12/13	1/1/13
Cash and cash equivalents	5,839,109	459,787

Year ended 31 December 2012

	31/12/12 £	1/1/12 £
Cash and cash equivalents	459,787	692,494

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, as modified by the revaluation of land and buildings and certain financial instruments.

New and Revised Standards
Standards in effect in 2013 adopted by the Company
The following standards, interpretations, and amendments to standards have been adopted in the financial statements.

IFRS 13, Fair Value Measurement
IFRS 13 has been applied for the first time in the current year. IFRS 13 provides a definition of fair value and sets out in a single IFRS a framework for measuring fair value. It also introduces new disclosure requirements. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions.

IFRS 13 requires prospective application for periods beginning on or after 1 January 2013. As such the requirements have not been applied for comparative periods. Other than additional disclosures, the application of IFRS 13 has not had any material impact on the amounts presented in the consolidated financial statements.

Standards in effect in 2013
There were no other new standards, amendments and interpretations issued that would be expected to have a material effect on the group.

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 Group in preparing these financial statements as they are not as yet effective. The Group intends to adopt these Standards and Interpretations when they become effective, rather than adopt them early.

- IFRS 9, ‘Financial instruments’, effective date 1 January 2015
- IFRS 10, ‘Consolidated financial statements’, effective date 1 January 2014
- IFRS 11, ‘Joint arrangements’, effective date 1 January 2014
- IFRS 12, ‘Disclosures of interests in other entities’, effective date 1 January 2014
- IAS 27 (revised 2011), ‘Separate financial statements’, effective date 1 January 2014
- IAS 28 (revised 2011), ‘Associates and joint ventures’, effective date 1 January 2014

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

1. **ACCOUNTING POLICIES - continued**

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

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price of the stocks less any applicable costs to sell.

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.

Short-term investments
These comprise funds placed on term-deposit where the funds are not convertible to cash with 30 days without the potential payment of an early redemption penalty. This penalty aside, the terms of the deposit are such that the funds repaid on maturity will always exceed the initial deposit.

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 substantively enacted by the balance sheet date.

1. **ACCOUNTING POLICIES - continued**

Deferred tax is provided in full, using the liability method on temporary differences arising between the tax base of assets and liabilities and their carrying values in the financial statements. The deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates which have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

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, starting from the following year, 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.

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 through 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.

1. **ACCOUNTING POLICIES - continued**

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:

	2013 £	2012 £
UK	508,880	332,927
Europe, Middle East & Africa	18,393	-
North America	244,907	479,817
Total	772,180	812,744

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:

	2013 £	2012 £
UK Broadcast Post Production	472,689	336,083
News and Sport	287,385	465,422
Education, Prosumer and Consumer	12,106	11,239
	772,180	812,744

During the year, sales to a single customer accounted for more than 10% of the total turnover. Total sales to the customer amounted to £230,482.

3. **OTHER OPERATING INCOME**

During the year the company received no other operating income (2012: £6,431).

4. **EMPLOYEES AND DIRECTORS**

	2013 £	2012 £
Wages and salaries	781,442	606,711
Social security costs	91,408	63,683
	872,850	670,394

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

	2013 £	2012 £
Wages and salaries	495,766	374,661
Social security costs	58,633	38,079
	554,399	412,740

4. **EMPLOYEES AND DIRECTORS - continued**

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

	2013	2012
Management	5	4
Technical	8	7
Marketing	5	5
	18	16

Directors' and key management personnel remuneration

	2013 £	2012 £
VJ Steel	26,667	10,000
SB Streater	62,500	-
PJ Madden	60,417	36,667
GB Hirst	95,149	95,492
DP Main	16,667	1,933
	261,400	144,092

5. **LOSS BEFORE INCOME TAX**

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

	2013 £	2012 £
Cost of inventories recognised as an expense	(21,137)	(3,020)
Other operating leases	(42,441)	(21,200)
Foreign exchange differences	(3,900)	(6,149)
Research and development	(35,817)	(28,693)
Auditors' remuneration	(17,721)	(17,233)
Auditor's remuneration – non audit – taxation	(1,000)	(1,400)
Auditors' remuneration – non audit – all other services	(3,993)	-
Earnings before interest, taxation, depreciation and amortisation	(678,306)	(166,770)
Depreciation – owned assets	(36,648)	(22,606)
Development costs amortisation	(116,002)	(86,916)
Operating loss (before interest and taxation)	(830,956)	(276,292)

The notes form part of these financial statements

6. NET FINANCE COSTS

	2013 £	2012 £
Finance income:		
Deposit account interest	21,528	5,974
Finance costs:		
Other interest payable	-	-
Net finance costs/(income)	(21,528)	(5,974)

7. INCOME TAX

Analysis of the tax credit

	2013 £	2012 £
Current tax:		
Tax credit	5,231	53,603
Additional tax receipt related to prior year	-	-
Total tax credit in income statement	5,231	53,603

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:

	2013 £	2012 £
Loss on ordinary activities before tax	(802,778)	(270,318)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2012 – 20%)	(160,556)	(54,064)
Effects of:		
Expenses not deductible for tax	864	331
Adjustment for provisions	-	-
Capital allowances in excess of depreciation	14,392	14,783
Tax losses	194,063	41,627
Additional relief for R&D expenditure	(5,284)	(51,308)
Effect of tax rate on credit	4,280	41,213
Capitalised development costs	(70,221)	(58,176)
Share scheme deduction	(2,130)	-
Employee share option cost	19,361	11,991
Total income tax	(5,231)	(53,603)

Tax effects relating to effects of other comprehensive income

	Gross	2013 Tax	Net
Employee share option cost	(96,807)	-	(96,807)
	(96,807)	-	(96,807)

	Gross	2012 Tax	Net
Employee share option cost	(71,205)	-	(71,205)
	(71,205)	-	(71,205)

Tax losses of approximately £5,600,000 (2012: £4,600,000) are available to relieve against future profits of the Company.

7. INCOME TAX - continued

Unrecognised deferred tax assets

	2013 £	2012 £
Depreciation in excess of capital allowances	2,411	5,945
Tax losses carried forward	921,552	927,734
	923,636	933,679

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.

	2013	2012
Loss attributable to equity holders of the company (£)	(797,547)	(216,715)
Weighted average number of ordinary shares in issue	107,397,651	87,043,348
Basic earnings per share (pence per share)	(0.74p)	(0.25p)

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.

	2013	2012
Loss used to determine diluted earnings per share (£)	(797,547)	(216,715)
Weighted average number of ordinary shares in issue	107,397,651	87,043,348
Share options	8,727,500	8,082,500
Weighted average number of ordinary shares used to determine diluted earnings per share	116,125,151	95,125,848
Diluted earnings per share (pence per share)	(0.69p)	(0.23p)

As can be seen from the above table during the year ended 31 December 2013 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 Statement of Comprehensive Income as diluting basic earnings per share.

9. INTANGIBLE ASSETS

Development costs

	2013	2012
COST	£	£
At beginning of year	1,160,029	869,151
Additions	351,106	290,878
At end of year	1,511,135	1,160,029
AMORTISATION		
At beginning of year	206,173	119,257
Amortisation for year	116,002	86,916
At end of year	322,175	206,173
NET BOOK VALUE		
At end of year	1,188,960	953,856

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Fixtures and fittings	Computer equipment	Client-facing IT equipment	Totals
COST	£	£	£	£	£
At 1 January 2013	23,417	24,902	214,062	32,685	295,066
Disposals	(23,417)	-	-	-	(23,417)
Additions	42,340	444	26,837	3,211	72,832
At 31 December 2013	42,340	25,346	240,899	35,896	344,481
DEPRECIATION					
At 1 January 2013	23,417	24,488	208,326	25,653	281,884
Depreciation on disposals	(23,417)	-	-	-	(23,417)
Charge for year	8,221	636	19,154	8,637	36,648
At 31 December 2013	8,221	25,124	227,480	34,290	295,115
NET BOOK VALUE					
At 31 December 2013	34,119	222	13,419	1,606	49,366
At 31 December 2012	-	414	5,736	7,032	13,182

10. PROPERTY, PLANT AND EQUIPMENT - continued

	Leasehold improvements	Fixtures and fittings	Computer equipment	Client-facing IT equipment	Totals
COST	£	£	£	£	£
At 1 January 2012	23,417	24,075	202,590	18,621	268,703
Additions	-	827	11,472	14,064	26,363
At 31 December 2012	23,417	24,902	214,062	32,685	295,066
DEPRECIATION					
At 1 January 2012	18,046	24,075	201,354	15,803	259,278
Charge for year	5,371	413	6,972	9,850	22,606
At 31 December 2012	23,417	24,488	208,326	25,653	281,884
NET BOOK VALUE					
At 31 December 2012	-	414	5,736	7,032	13,182
At 1 January 2012	5,371	-	1,236	2,818	9,425

11. INVENTORIES

	2013	2012
	£	£
Finished goods	3,274	24,156
	3,274	24,156

The cost of inventories recognised as an expense and included in Cost of Sales amounted to £21,137 (2012: £3,020).

12. TRADE AND OTHER RECEIVABLES

	2013	2012
Current:	£	£
Trade debtors	225,498	166,168
Less: provision for doubtful receivables	-	(43,277)
Other debtors	64,085	16,509
Prepayments and accrued income	41,054	65,717
	330,637	205,117

Included in other debtors is a rental deposit of £9,709 (2012: £15,900) which is subject to a charge.

13. CASH AND CASH EQUIVALENTS

	2013 £	2012 £
Short-term investment	2,000,000	-
Bank and cash	5,839,109	459,787

14. CALLED UP SHARE CAPITAL

	2013 £	2012 £
Authorised:		
200,000,000 ordinary shares of 0.8p each (2012: 125,000,000 ordinary shares of 0.8p each)	1,600,000	1,000,000
Allotted, called up and fully paid:		
131,814,778 ordinary shares of 0.8p each (2013: 87,117,000 ordinary shares of 0.8p each)	1,054,518	696,936

During the year 44,697,778 ordinary shares of £0.008 were allotted as fully paid at an average premium of £0.192 per share.

During the year the Company issued 2,010,000 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	31/12/2013	31/12/2012
VJ Steel	Ordinary shares of 0.8 pence	1,270,000	1,220,000
DP Main	Ordinary shares of 0.8 pence	660,000	540,000
GB Hirst	Ordinary shares of 0.8 pence	1,195,000	900,000
PJ Madden	Ordinary shares of 0.8 pence	640,000	490,000

15. RESERVES

	Retained earnings £	Share premium £	Capital contribution reserve £	Totals £
At 1 January 2013	(4,505,365)	5,311,637	125,000	931,272
Deficit for the year	(797,547)	-	-	(802,778)
Cash share issue	-	8,005,935	-	8,005,935
Employee share option costs	96,807	-	-	96,807
At 31 December 2013	(5,206,105)	13,317,572	125,000	8,236,467

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

16. TRADE AND OTHER PAYABLES

Current:	2013 £	2012 £
Trade creditors	34,994	1,861
Social security and other taxes	38,480	34,535
Other creditors	54,376	-
Accruals and deferred income	51,345	45,097
	179,195	81,493

17. LEASING AGREEMENTS

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

	2013 £	2012 £
In the next 12 months	38,375	-
Between one and five years	115,125	-

18. 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 is 1 longstanding customer that individually represents 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.

Capital management
The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure the company may issue further shares or share options. It recent years it has not utilised debt therefore it does not need to consider debt/ gearing ratios.

19. RELATED PARTY DISCLOSURES

During the year salaries as casual employees amounting to £1,404 were paid to relatives of PJ Madden (2012: £350).

20. ULTIMATE CONTROLLING PARTY

At 31 December 2012 the ultimate controlling party of the Company was SB Streater by virtue of his shareholding.

At 31 December 2013 there was no ultimate controlling party of the Company.

21. POST BALANCE SHEET EVENTS

On 31 January 2014 the company appointed to the Board JC Lees in a non-executive capacity. This appointment will be put to the 2013 AGM for ratification.

On 5 March 2014 the company consolidated a recently formed US subsidiary into the Forbidden Technologies plc group structure.

22. 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. Until 2012 it operated both a tax-advantaged and a non-tax-advantaged share option scheme under which options were granted and remain exercisable. Since 2012 it has operated an Enterprise Management Incentive (EMI) share option scheme under which both tax advantaged and non-tax advantaged options have been granted.

For all options, the exercise price is the market value of the share at the date of the grant. Options are granted to individual 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 31/12/2013	Number of shares for which rights are exercisable at 31/12/2012
Non-tax advantaged				
0.31	08/05/2003	08/05/2006-07/05/2013	-	306,534
0.65	06/10/2003	06/10/2006-05/10/2013	-	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	482,728	502,728
0.26	06/09/2005	06/09/2008-05/09/2015	562,500	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	305,000	355,000
0.24	25/08/2009	25/08/2012-24/08/2019	145,000	165,000
0.16	05/07/2010	05/07/2013-04/07/2020	670,000	670,000
0.36	05/11/2010	05/11/2013-04/11/2020	682,431	682,431
0.1275	06/10/2011	06/10/2014-05/10/2021	780,000	780,000
Approved				
0.31	08/05/2003	08/05/2006-07/05/2013	-	155,966
0.65	06/10/2003	06/10/2006-05/10/2013	-	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	20,000	20,000
0.085	18/06/2008	18/06/2011-17/06/2018	65,000	65,000
0.24	25/08/2009	25/08/2012-24/08/2019	25,000	25,000
0.36	05/11/2010	05/11/2013-04/11/2020	17,569	17,569
0.1275	06/10/2011	06/10/2014-05/10/2021	270,000	320,000
EMI				
0.245	12/05/2012	12/05/2015-11/05/2022	770,000	870,000
0.26	20/08/2012	20/08/2015-19/08/2022	370,000	390,000
0.275	25/04/2013	25/04/2016-24/04/2023	435,000	-
0.255	25/07/2013	25/07/2016-24/07/2023	1,375,000	-
0.2475	02/09/2013	02/09/2016-01/09/2023	100,000	-

22. SHARE-BASED PAYMENT TRANSACTIONS - continued

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

	2013 Weighted average exercise price (£)	2013 Number of options	2012 Weighted average exercise price (£)	2012 Number of options
Outstanding at the beginning of the period	0.268	8,082,500	0.279	7,797,500
Granted during the period	0.259	2,010,000	0.250	1,300,000
Forfeited during the period	0.230	270,000	0.249	40,000
Exercised during the period	0.189	140,000	0.216	537,500
Lapsed during the period	0.485	955,000	0.472	437,500
Outstanding at the end of the period	0.245	8,727,500	0.268	8,082,500
Exercisable at the end of the period	0.265	4,627,500	0.312	4,352,500

The options outstanding at the year end have an exercise price in the range of £0.65 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. The expected volatility is based on the daily fluctuation in the share price in the two years preceding the date of grant.

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

	2013	2012
Expected volatility (expressed as % used in the modelling under Black-Scholes model)	75.08%	79.52%
Option life (expressed as weighted average life used in the modelling under Black-Scholes model)	4	4
Expected dividends	0%	0%
Risk free interest rate (based on national government bonds)	2.23%	1.94%
Weighted average fair value of options granted	0.147	0.147
Weighted average share price	£0.259	£0.250
Exercise price	£0.259	£0.250

22. SHARE-BASED PAYMENT TRANSACTIONS - continued

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:

	2013 £	2012 £
Equity settled share based payments	96,807	71,205