REGISTERED NUMBER: 03507286 (England and Wales)

ANNUAL REPORT AND
FINANCIAL STATEMENTS
OF THE
FORBIDDEN TECHNOLOGIES plc GROUP
FOR THE YEAR ENDED
31 DECEMBER 2014

CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

COMPANY INFORMATION

DIRECTORS:	VJ Steel SB Streater GB Hirst (until 14 January 2015) PJ Madden DP Main JC Lees (from 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

It gives me great pleasure to present the fifteenth 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 2014, the Group recorded sales of £689,222 (£772,180 in 2013) which represented a reduction of 11% year on year. Almost all of this reduction is accounted for by a single North American client..

Administrative expenses in the year to 31st December 2014 were a total of £4,205,087 compared to £1,491,408 in the previous year. The loss for the year of £3,591,863 compares to a loss of £797,547 in the previous year.

The Group is debt free and had cash and cash equivalents at 31st December 2014 of £4,358,900. The increase in costs and the increased loss were the result of three significant investments in the year each made with the intention of leading to increased growth in the years ahead.

The First Investment Area was focussed on the technology of the Company and consisted of developing a new, up-to-date and friendly user interface for the Forscene brand and a Media Asset Management (MAM) system, designed to enable Forscene clients to manage production for themselves. To facilitate this development a significant increase in R&D resources was required, both in employees and a supplement of development contractors. Both the user interface and the MAM have been received with high acclaim by the editor and producer communities.

The Second Investment Area was for geographic expansion and consisted of the recruitment of an experienced and talented team in the United States and the incorporation of a USA subsidiary company. In a North American post-production market valued at ten times that of the UK, this was seen to be a significant opportunity, applying experience gained over 10 years in the UK. By December 2014, it was clear that exploitation of the opportunity was taking much longer than expected and that the cash risk to the business was too high to continue. In consequence, the management team in California was disbanded but the modest resources in Canada and the eastern US were maintained.

Post the year end the members of the West Coast management team remain committed associates of the business and have now concluded a contract agreement with the Company to become resellers of Forscene on a revenue share basis under their new company, Technicalogy.

The Third Investment Area was and continues to be the development of a unique and compelling video social network for consumers. During 2014 the Company appointed a senior and experienced leader for the commercial development of the consumer division of the Company. Aziz Musa rapidly created a concept, a brand-name ("eva") and a detailed product specification. With a high digital marketing dependency for success, Aziz was appointed as Marketing Director for all brand activities in November 2014. Consumer research into the eva plan is producing exciting results and the plan is to launch the new app in the near future.

Strategy and Organisation Changes
Following the above investment activities in 2014 the Group has adopted changes in strategy and organisation.

Strategically, the focus of development is to:

a) broaden the appeal of our technology platform through our efforts across broadcast post-production;

b) increase our penetration in Sports to take advantage of the rapid changes taking place (where cloud-based technology is forecast to produce opportunities via multi-media publication of sports events);

c) focus our effort on opportunities to license our platform to major players in the post-production markets of the world in order to grow significantly our user base and to increase our global penetration;

d) achieve a significant consumer take-up of our video-sharing brand, eva, and to follow this with the launch of an income generating version to satisfy the needs of more demanding consumers and small professional businesses which require more choice of editing and publishing tools.

Organisation changes have been made as a consequence of these commercial strategy changes and the need to manage cash. The Company has reduced a layer of senior management through the departure of our Business Development Director (Greg Hirst) to pursue other interests and the Head of R&D (Matthew Balchin).

Stephen Streater has chosen to lead R&D directly and Jason Cowan steps into the role of Director, Business Development for professional products alongside Aziz Musa in his capacity as Marketing Director and Director, Consumer Products.

The Group is now managed by a close knit Executive Committee headed by Stephen Streater and consisting of Phil Madden (Finance), Jason Cowan (Business Development) and Aziz Musa (Marketing and Consumer Products). This Executive Committee reports to the Board monthly.

Cash Management
The changes above will produce a total reduction in annual costs across R&D, USA, business development and other administrative areas of £1,000,000 and will ensure a continued positive cash balance at the 2015 year end.

Forward Prospects
2015 will be measured by a combination of continuity in post-production UK, modest post-production achievement in North America, growth in Sports in Europe and North America, successful launch of the eva consumer video sharing brand and the introduction of the income generating second consumer brand.

Forscene continues to be well received as its Broadcast user base starts to broaden into Sports and Education. The new features released at the end of last year provide a solid foundation for growth in our professional markets, and the recent contract with IMG is an early sign of our growing acceptance in Sports, a major growth opportunity for Forbidden where Forscene's exceptional cloud functionality is unrivalled.

As eva grows and our new consumer editor brand starts to generate income in a proven mass market, our prospects in both our original markets and the much wider global video market look set for significant expansion in adoption.

Vic Steel
Chairman

Introduction
Forbidden makes the leading professional cloud video post-production platform, Forscene. Incorporating our own technology, Forscene is used for making and distributing video for broadcast television, sports, education and consumer markets.

Forbidden's technology has led for many years, but our ability to extend our audience has been limited by the conservative nature of our traditional broadcast market. Historically, a shortage of working capital has restricted our ability to take the risks needed to extend into new markets.

The fund raising of 2013 has allowed us to restructure the platform, push in to the North American market and to set the scene for our first mass market consumer product, "eva".

Investments in 2014
Forscene started 2014 well suited to carrying out a specific set of tasks within our traditional professional workflows in broadcast, sport and news. However, recognising an increasing demand emerging within the industry, we invested a considerable sum in the period to upgrade and evolve Forscene into a more complete video platform.

The lean working methodology of our small team worked well in delivering technological results.

With ambitious development targets for 2014, our former Head of R&D expanded the team. He also introduced professional development processes. However, the effectiveness of the much larger team did not scale in the expected way. In particular, the delivery timescales within the new team proved inaccurate. Nevertheless, considerable progress was made.

Forscene administration
The first strategic product introduced in the year was a web interface combining Forscene's platform tools. This comprised account management, control of ingest (bringing content into the platform), access to the video logging / editor software, media management, publishing and billing.

Forscene editor reskin
Forscene is moving up the value chain into editing. This has created the need for a creative-friendly look and feel with more of a focus on aesthetics. The second strategic achievement of the year was a major update to the Forscene editor look and feel.

eva
The third big advance – though this has taken longer to deliver than anticipated – is the development of eva, Forbidden's new video social network. The new eva video social network, which makes use of the Forscene video platform, is now in beta test on the iPhone.

Brand Y
Work on our planned mid-range web-based editor is already in feasibility testing and UX design. We have a brand, the name of which will be released in due course. We expect this to provide a material income stream in 2016.

Commercial
Our main commercial objective of the year was to expand in North America. To this end, we created a presence on both the West Coast and the East Coast. The West Coast explored widely the potential for high end value users, while the East Coast adopted a more conservative approach mirroring our European strategy of selling to broadcast productions.

Reorganisation
The record investment highlighted the need for internal changes to reposition Forbidden for a market starting to embrace our Cloud vision.

Forbidden started a detailed research programme early in the year to investigate possibilities in the consumer arena. By May, we had a vibrant consumer brand and marketing operation.

In August, I took temporary charge of professional marketing, allowing our then Business Development Director to focus on sales. Marketing is key to success as we move beyond our traditional markets to the global stage.

In November, Aziz Musa, who was appointed to lead our consumer team earlier in the year, was appointed Director of Marketing. He quickly delivered new Forbidden and Forscene websites to match his team's award nominated eva website and has now developed a modern digital marketing team.

Marketing metrics illustrate the improvements: the Forscene website has 297% more traffic than 2014; Google ranks us three times higher for our target keywords; web visitors engage 507% more than last year; and a 450% increase in recorded visitors to our BVE Show stand this year.

In January Greg Hirst, Forbidden's long standing Business Development Director, who had in the past helped bring us years of consecutive high percentage compound growth in turnover, moved on. Jason Cowan takes on his role as Director, Business Development. Jason has extensive management experience and a broadcast background.

Since his appointment, Jason has ensured continuity with Field 59 and our other existing North American partners, as well as with our former West Coast operation. He is maintaining both our growth in partners and our sales in broadcast. Jason is experiencing increasing success in Sports, developing our relationship with deltatre and recently signing a deal with IMG, the world's largest independent distributor of sports programming.

Following our surge in R&D investment last year, I now lead a more compact and focussed R&D team, whilst making full use of the systems successfully brought in by our erstwhile head of R&D.

A rationalised North American team is based in the East Coast, where Forscene is used for multiple productions. The leaders of our former West Coast team have set up their own Forscene reseller, which also provides US support for Forbidden and Forscene.

Product update
Following the December launch, Forscene had a major update for the BVE trade Show in February, and is set for another for the NAB Show later this month.

With the iPhone's advantages in perfecting user experience, Forbidden has prioritised the release of eva on the platform. Integration of Forbidden's libraries with iPhone has taken longer than was expected from experience of our Android apps.

eva has now started beta testing on iOS and is showing promise. We are delighted with the progress the app is making and are confident it will provide a useful pipeline of users for Brand Y once released.

Conclusion
The pace of change has accelerated. The conservative Broadcast market is being transformed by the march of IT in production; the revolution in web and mobile distribution has created new opportunities for Forscene in Sports; the mobile market is ripe for consumer video offerings; and the web-based editing market has moved beyond a specialist niche into a multi-million user market.

Forbidden's technical agility has, with the new management team, been extended across the professional sales, marketing and consumer sides of the business. The investment in the platform over the years, including the record investment in 2014, makes this coming year one of opportunity for the Company.

SB Streater
Chief Executive

REVIEW OF BUSINESS

The Group 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 Group'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 £689,222 (2013: £772,180); the loss for the year was £3,591,863 (2013: £797,547). The results of the Group are shown in more detail on page 14.

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 Group avoids an overdraft and is planned to ensure that cash resources will be sufficient to meet the Group's future needs. The balance of cash and short term investment at the year-end was £4,358,900 (2013: £7,839,109).

The Chairman's Statement sets out the corrective actions which were taken during the year when these indicators were not 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 Group's risk relating to changes in interest rates.

Liquidity risk

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

Foreign currency risk

The Group 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 Group 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 Group's working capital position.

The directors review foreign exchange movements on an ongoing basis to assess the Group's risk relating to changes in foreign currency exchange rates.

Other risks

Forbidden's Forscene, launched over ten years ago, is well established in broadcast post-production. The company has much experience in this market, and provides frequent updates to maintain and improve its platform to mitigate the risk that the market will move away from Forscene.

In the Sports market, which is newer for Forbidden, there is a risk that the requirements will exceed existing estimates, requiring a larger investment than anticipated to address this market.

Where Forbidden is creating new products, such as with its eva video social network and its new mass market video editor, there are both technology risks (that the product development will take longer than expected or that the product will not meet expectations), and market risks (that the anticipated market for the product will not meet expectations). On the technology side, these risks are generally mitigated by working on the hardest and riskiest issues first, and on the market side through engagement with the potential market from an early stage.

While the platform has been running for over ten years, events of 2014 show that even the biggest companies can be attacked by cyber criminals. Forbidden addresses known risks, such as published internet vulnerabilities, by installing patches. Forbidden has brought in independent outside contractors to test Forbidden's cyber defences and to help illuminate any previously unknown risks, as well as inform the assessment of previously known risks.

PRINCIPAL RISKS AND UNCERTAINTIES - continued

As a small company, Forbidden has a high proportion of key staff, and loss of key staff is a risk. A productive working environment, respect for staff, promotional opportunities where relevant and regular awards of share options are all elements of Forbidden's staff retention risk mitigation.

The directors present their report with the consolidated financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITY

The principal activity of the Group 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 2014 (2013:£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 period from 1 January 2014 to the date of this report.

VJ Steel
SB Streater
GB Hirst (resigned 14 January 2015)
PJ Madden
DP Main
JC Lees (appointed 31 January 2014)

The directors who held office during 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	309,166
GB Hirst	Ordinary shares of 0.8 pence	384,014	384,014
DP Main	Ordinary shares of 0.8 pence	250,000	250,000
JC Lees	Ordinary shares of 0.8 pence	-	-

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	-	0.35	-	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
VJ Steel		100,000			100,000	0.215		25/04/2017	24/04/2024
VJ Steel		50,000			50,000	0.19	-	23/09/2017	22/09/2024
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
GB Hirst		100,000			100,000	0.19	-	23/09/2017	22/09/2024
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
PJ Madden		75,000			75,000	0.215	-	25/04/2017	24/04/2024
PJ Madden		100,000			100,000	0.19	-	23/09/2017	22/09/2024

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
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	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
DP Main		75,000			75,000	0.215	-	25/04/2017	24/04/2024
DP Main		100,000			100,000	0.19	-	23/09/2017	22/09/2024
JC Lees		75,000			75,000	0.215	-	25/04/2017	24/04/2024
JC Lees		25,000			25,000	0.19	-	23/09/2017	22/09/2024

The market price of the shares at the year-end was 11.75p. The highest market price during the year was 34.50p and the lowest market price 11.50p.

GROUP POLICY ON PAYMENT OF CREDITORS

The Group 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 47 days (2013: 15 days) purchases in trade creditors.

FINANCIAL INSTRUMENTS

The Group's financial instruments comprise trade debtors, trade creditors and cash. The Company has not entered into any derivative or other hedging instruments.

The Group'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
Schroders plc
Miton Group plc
Killick & Co LLP

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Group made no political or charitable donations in the year (2013: £nil).

AUDIT COMMITTEE

The members of the Audit Committee are Jonathan Lees (Chairman) and Vic Steel. In the period since the last Directors' Report it met three times.

During the financial year the Board approved the Committee's mandate to:

- Monitor the integrity of the financial statements of the Group including its annual statutory accounts and monthly management accounts;
- Review the accounting policies, treatment of unusual transactions, estimates and judgements, taking into account the views of the external auditors;

AUDIT COMMITTEE REPORT - continued

- Review and challenge the clarity and completeness of disclosure in the Group's financial reports (both narrative and financial);
- Monitor the adequacy and effectiveness of the Group's internal controls and risk management systems;
- Appraise the content and disclosure within the annual statutory accounts and make recommendations to the Board;
- Oversee the relationship with the external auditors and review their effectiveness, making recommendations to the Board in relation to their appointment, re-appointment or removal and price; and
- Communicate to shareholders the extent of the Committee's activities.

Specific actions taken by the Committee since the date of the last Directors' Report include the following.

- A review of the risk identification and risk management processes, resulting in a risk register attributing risk to new headings described in the principal risks and uncertainties section in the Strategic Report.
- A review of the Annual Report and Financial Statements of the Group for the year ended 31 December 2014 considering in particular the accounting policies on the basis of consolidation and intangible assets.
- A review of the working capital forecasts of the Group.
- A review of the disclosures in the Chairman's Statement, the Chief Executive Report and the Strategic Report to ensure that the performance of the Group in the year ended 31 December 2014 and the Group's corrective actions undertaken are adequately described and reported thereon.
- An assessment of the performance of Kingston Smith LLP as auditors of the Group. On the basis that the Committee conclude that the audit continues to be independent, objective and effective; that they have been the auditors of the Group for less than ten years; and that the lead partner has held the position for less than five years, the Committee recommends that Kingston Smith LLP continue as auditors of the Group for the next financial year, and that a tender is conducted by the Group in 2016. A resolution to reappoint Kingston Smith LLP and giving authority to the Directors to determine their remuneration will be submitted to the Shareholders at the AGM.
- A review of the findings of the auditors arising out of the audit of the Group for the year ended 31 December 2014. The Committee can report that there were no significant findings arising from the audit which could have given rise to material misstatements and reclassifications and that there were no significant matters concerning the operation of the accounting and control systems brought to the attention of the Committee.

REMUNERATION COMMITTEE

The company's Remuneration Committee comprises Vic Steel, David Main and Stephen Streater. It is responsible both for setting salary levels and awarding Share Options to all employees of the group. It met on four occasions during the year.

SHARE OPTION SCHEMES

In the 12 months to 31 December 2014, 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 2014	1,432,000	29	21.5	25 April 2017	24 April 2024
19 May 2014	100,000	1	22.5	19 May 2017	18 May 2024
23 September 2014	1,000,000	40	19.0	23 September 2017	22 September 2024

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.

CORPORATE GOVERNANCE - continued

The Group 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 Group. The Board holds additional, one-off meetings to review and reset the Group's strategy and future direction.

The objective of the Group's corporate governance structure and processes is to create transparency in business decisions and actions so that it remains accountable to its stakeholders. The value placed on good corporate governance is reflected in the governance practices and 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 Group and because of the relative cost benefit assessment in putting in place the additional procedures.

As the Group 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") and have elected to prepare the Company financial statements on the same basis.

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 and cash flows of the Group and the Company and the financial performance of the Group 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 financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group 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:

S B Streater ....
SB Streater - Director

Date: 1 April 2015

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 2014 which comprise the Consolidated and Company Statements of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity 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 regards the parent company financial statements, 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 auditor's 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 12 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 annual report to identify material inconsistencies with the audited 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Kingston Smith LLP

1 April 2015

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

Devonshire House
60 Goswell Road
London
EC1M 7AD

CONSOLIDATED AND COMPANY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

Consolidated income statement and statement of comprehensive income

	Notes	2014 £	2013 £
CONTINUING OPERATIONS			
Revenue	2	689,222	772,180
Cost of Sales		(128,303)	(105,078)
GROSS PROFIT		560,919	667,102
Administrative expenses		(4,205,087)	(1,491,408)
OPERATING LOSS	4	(3,644,168)	(824,306)
Finance costs	5	-	-
Investment income	5	18,655	21,528
LOSS BEFORE INCOME TAX		(3,625,513)	(802,778)
Income Tax	6	33,650	5,231
LOSS FOR THE YEAR		(3,591,863)	(797,547)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(3,591,863)	(797,547)
Earnings per share expressed in pence per share:	7		
Basic – continuing and total operations		(3.34p)	(0.74p)
Fully diluted – continuing and total operations		(3.34p)	(0.74p)

Company statement of comprehensive income

	2014 £	2013 £
LOSS FOR THE YEAR	(3,591,863)	(797,547)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(3,591,863)	(797,547)

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION
31 DECEMBER 2014

		Group		Company	
		2014	2013	2014	2013
	Notes	£	£	£	£
ASSETS					
NON-CURRENT ASSETS					
Other intangible assets	8	1,364,539	1,188,960	1,364,539	1,188,960
Property, plant and equipment	9	189,675	49,366	186,479	49,366
Investments	10	-	-	641	-
		1,554,214	1,238,326	1,551,659	1,238,326
CURRENT ASSETS					
Inventories	11	41,963	3,274	17,564	3,274
Trade and other receivables	12	293,878	330,637	359,357	330,637
Current tax assets		33,650	58,834	33,650	58,834
Short-term investment	13	2,000,000	2,000,000	2,000,000	2,000,000
Cash and bank balances	13	2,358,900	5,839,109	2,305,339	5,839,109
		4,728,391	8,231,854	4,715,910	8,231,854
TOTAL ASSETS		6,282,605	9,470,180	6,627,569	9,470,180
EQUITY AND LIABILITES					
CAPITAL AND RESERVES					
Issued share capital	14	1,054,518	1,054,518	1,054,518	1,054,518
Share premium	15	13,317,572	13,317,572	13,317,572	13,317,572
Capital contribution reserve	15	125,000	125,000	125,000	125,000
Retained earnings	15	(8,716,062)	(5,206,105)	(8,716,062)	(5,206,105)
TOTAL EQUITY		5,781,028	9,290,985	5,781,028	9,290,985
LIABILITIES					
NON-CURRENT LIABILITIES					
Trade and other payables		-	-	-	-
CURRENT LIABILITIES					
Trade and other payables	16	501,577	179,195	486,541	179,195
TOTAL LIABILITIES		501,577	179,195	486,541	179,195
TOTAL EQUITY AND LIABILITIES		6,282,605	9,470,180	6,627,569	9,470,180

The financial statements were approved by the Board of Directors on 1 April 2015 and were signed on its behalf by:

SB Streater

SB Streater – Director

PJ Madden - Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	Issued share capital £	Retained earnings £	Share premium £	Capital contribution reserve £	Total equity £
Balance at 1 January 2013	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 for the year	-	(797,547)	-	-	(797,547)
Balance at 31 December 2013	1,054,518	(5,206,105)	13,317,572	125,000	9,290,985
Changes in equity					
Share based payment	-	81,906	-	-	81,906
Total comprehensive income for the year	-	(3,591,863)	-	-	(3,591,863)
Balance at 31 December 2014	1,054,518	(8,716,062)	13,317,572	125,000	5,781,028

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Issued share capital £	Retained earnings £	Share premium £	Capital contribution reserve £	Total equity £
Balance at 1 January 2013	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 for the year	-	(797,547)	-	-	(797,547)
Balance at 31 December 2013	1,054,518	(5,206,105)	13,317,572	125,000	9,290,985
Changes in equity					
Share based payment	-	81,906	-	-	81,906
Total comprehensive income for the year	-	(3,591,863)	-	-	(3,591,863)
Balance at 31 December 2014	1,054,518	(8,716,062)	13,317,572	125,000	5,781,028

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

		Group		Company	
		2014	2013	2014	2013
	Notes	£	£	£	£
Cash flows from operating activities					
Cash used in operations	A	(2,657,616)	(581,785)	(2,717,569)	(581,785)
Finance costs paid		-	-	-	-
Tax received		58,834	-	58,834	-
Net cash from operating activities		(2,598,782)	(581,785)	(2,658,735)	(581,785)
Cash flows from investing activities					
Payments for intangible fixed assets		(573,371)	(351,106)	(573,371)	(351,106)
Payments for property, plant and equipment		(326,711)	(72,832)	(320,319)	(72,832)
Purchase of fixed term deposits		-	(2,000,000)	-	(2,000,000)
Interest received		18,655	21,528	18,655	21,528
Net cash from investing activities		(881,427)	(2,402,410)	(875,035)	(2,402,410)
Cash flows from financing activities					
Share issue (net of expenses)		-	8,363,517	-	8,363,517
Net cash from financing activities		-	8,363,517	-	8,363,517
(Decrease)/Increase in cash and cash equivalents		(3,480,209)	5,379,322	(3,533,770)	5,379,322
Cash and cash equivalents at beginning of year	B	5,839,109	459,787	5,839,109	459,787
Cash and cash equivalents at end of year	B	2,358,900	5,839,109	2,305,339	5,839,109

NOTES TO THE CONSOLIDATED AND PARENT COMPANY STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

A. RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH (USED IN)/GENERATED FROM OPERATIONS

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Loss before income tax	(3,625,513)	(802,778)	(3,625,513)	(802,778)
Depreciation charges	152,283	36,648	149,087	36,648
Loss on disposal of fixed assets	34,119	-	34,119	-
Amortisation charges	397,792	116,002	397,792	116,002
Employee share option costs	81,906	96,807	81,906	96,807
Finance costs	-	-	-	-
Finance income	(18,655)	(21,528)	(18,655)	(21,528)
	(2,978,068)	(574,849)	(2,981,264)	(574,849)
Movements in working capital:				
Decrease /(Increase) in trade and other receivables	36,759	(125,520)	50,615	(125,520)
(Increase)/Decrease in inventories	(38,689)	20,882	(14,290)	20,882
Increase/(Decrease) in trade and other payables	322,382	97,702	227,370	97,702
Cash (used in)/generated from operations	(2,657,616)	(581,785)	(2,717,569)	(581,785)

B. 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:

	Group		Company	
Year ended 31 December 2014	31/12/14	1/1/14	31/12/14	1/1/14
Cash and cash equivalents	2,358,900	5,839,109	2,305,339	5,839,109

Year ended 31 December 2013	31/12/13	1/1/13	31/12/13	1/1/13
	£	£	£	£
Cash and cash equivalents	5,839,109	459,787	5,839,109	459,787

1. ACCOUNTING POLICIES

Basis of preparation
The financial statements of the Group and of the Parent 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.

The Parent Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form part of the financial statements.

Basis of consolidation
The Group financial statements incorporate the financial statements of the Parent Company and entities controlled by the Parent Company (its subsidiaries) made up to 31 December 2014. Control is achieved where the Parent Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

New and Revised Standards
Standards in effect in 2014 adopted by the Group
The following standards, interpretations, and amendments to standards have been adopted for the first time in the 2014 financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities
The Group has applied the amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities for the first time in the current year. The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services.
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities. As the Group is not an investment entity (assessments based on the criteria set out in IFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosure of the amounts recognised in the Group's consolidated financial statements.

Standards in effect in 2014
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 2018
- IFRS 15, 'Revenue from contracts with customers', effective date 1 January 2017
- Amendments to IFRS 11, 'Accounting for acquisitions of interests in joint operations', effective date 1 January 2016
- Amendments to IAS 16 and IAS 38, 'Clarification of acceptable methods of depreciation and amortisation', effective date 1 January 2016.

1. ACCOUNTING POLICIES - continued

A number of IFRS and IFRIC interpretations are also currently in issue which are not relevant for the Group'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 Group'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 net assets of the Group or the Parent Company 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
Client-facing equipment	-	50% on cost
Fixtures and fittings	-	50% on cost
Computer equipment	-	50% on cost

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 Group or 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 within 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 irrecoverable 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 Group. The amounts are unsecured, non interest bearing and are stated at cost.

1. **ACCOUNTING POLICIES - continued**

Financial liabilities and equity
Financial instruments issued by the Group 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 Group 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 Group; and
b) where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.
c) 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 Group'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 Group 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 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.

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.

The development work undertaken during the year focussed, in part, on using the additional funds available to the Group to strengthen the underlying infrastructure of the Group's technology and to develop a consumer version of the product. In reviewing the value of the asset at the year end, the Directors decided that an element of the work which had previously been capitalised had now been replaced and the unamortised cost of the work has been written back to the income statement. In addition, the Directors decided that the speed of change in the sector was increasing. In the light of this, with effect from and including the year ended 31 December 2014 development costs are capitalised in three categories: development of the underlying infrastructure, which is amortised over 10 years; development of the professional product, which is amortised over five years; and development of the consumer product which is amortised over three years.

1. **ACCOUNTING POLICIES - continued**

In each case amortisation takes place on a straight line basis, starting from the following year, 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.

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**

The Group operates and is managed as a single business unit. Further information is presented in respect of the geographical areas in which the Group operates. The operations of each of the Group's geographical areas are separately disclosed because of the different economic environments in which they operate but do not constitute separate reportable segments under IFRS 8. This information is reviewed by the CEO who is the chief operating decision maker and is used to make strategic decisions.

2. SEGMENTAL REPORTING - continued

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

	2014 £	2013 £
UK	485,867	508,880
Europe, Middle East & Africa	18,287	18,393
North America	185,068	244,907
Total	689,222	772,180

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

	2014 £	2013 £
UK Broadcast Post Production	453,526	472,689
News and Sport	217,666	287,385
Education, Prosumer and Consumer	18,030	12,106
	689,222	772,180

During the year, sales to a single customer accounted for more than 10% of the total turnover. Total sales to the customer amounted to £153,950.

3. EMPLOYEES AND DIRECTORS

	2014 £	2013 £
Wages and salaries	1,927,217	781,442
Social security costs	278,053	91,408
	2,205,270	872,850

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

	2014 £	2013 £
Wages and salaries	1,312,301	495,766
Social security costs	209,596	58,633
	1,521,897	554,399

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

	2014	2013
Management	5	5
Technical	21	8
Marketing	5	5
	31	18

Directors' and key management personnel remuneration

	2014 £	2013 £
VJ Steel	55,811	26,667
SB Streater	169,602	62,500
PJ Madden	95,640	60,417
GB Hirst	137,114	95,149
DP Main	33,051	16,667
	491,218	261,400

4. OPERATING LOSS

The operating loss is stated after (charging)/crediting:

	2014 £	2013 £
Cost of inventories recognised as an expense	-	(21,137)
Other operating leases	(86,208)	(42,441)
Foreign exchange differences	(2,421)	(3,900)
Research and development	(369,262)	(35,817)
Auditor's remuneration	(20,200)	(17,721)
Auditor's remuneration – non audit – taxation	(1,000)	(1,000)
Auditor' s remuneration – non audit – all other services	(4,700)	(3,993)
Earnings before interest, taxation, depreciation and amortisation	(3,059,974)	(671,656)
Depreciation – owned assets	(152,283)	(36,648)
Loss on disposal of fixed assets	(34,119)	-
Development costs impairment	(200,000)	-
Development costs amortisation	(197,792)	(116,002)
Operating loss (before interest and taxation)	(3,644,168)	(824,306)

5. NET FINANCE COSTS

	2014 £	2013 £
Finance income:		
Deposit account interest	18,655	21,528
Finance costs:		
Other interest payable	-	-
Net finance costs/(income)	(18,655)	(21,528)

6. INCOME TAX

Analysis of the tax credit

	2014 £	2013 £
Current tax:		
Tax credit	33,650	5,231
Additional tax receipt related to prior year	-	-
Total tax credit in income statement	33,650	5,231

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:

	2014 £	2013 £
Loss on ordinary activities before tax	(3,625,513)	(802,778)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2013 – 20%)	(725,103)	(160,556)
Effects of:		
Expenses not deductible for tax	99,429	864
Depreciation in excess of capital allowances	(22,220)	14,392
UK Tax losses	644,677	194,063
Additional relief for R&D expenditure	(27,440)	(5,284)
Effect of tax rate on credit	15,742	4,280
Capitalised development costs	(35,116)	(70,221)
Share scheme deduction	-	(2,130)
Employee share option cost	16,381	19,361
Total income tax	(33,650)	(5,231)

6. **INCOME TAX - continued**

Tax effects relating to effects of other comprehensive income

		2014 £	
	Gross	Tax	Net
Employee share option cost	(81,906)	-	(81,906)
	(81,906)	-	(81,906)

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

UK Tax losses of approximately £8,700,000 (2013: £5,600,000) are available to relieve against future profits of the Company.

Unrecognised deferred tax assets

	2014 £	2013 £
Depreciation in excess of capital allowances	21,411	2,411
Tax losses carried forward	1,729,832	921,552
	1,751,243	923,963

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.

7. **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.

	2014 £	2013 £
Loss attributable to equity holders of the company (£)	(3,591,863)	(797,547)
Weighted average number of ordinary shares in issue	107,397,651	107,397,651
Basic earnings per share (pence per share)	(3.34p)	(0.74p)

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.

7. EARNINGS PER SHARE - continued

	2014	2013
Loss used to determine diluted earnings per share (£)	(3,591,863)	(797,547)
Weighted average number of ordinary shares in issue	107,397,651	107,397,651
Share options	9,832,500	8,727,500
Weighted average number of ordinary shares used to determine diluted earnings per share	117,230,151	116,125,151
Diluted earnings per share (pence per share)	(3.06p)	(0.69p)

As can be seen from the above table during the year ended 31 December 2014 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.

8. INTANGIBLE ASSETS

Development costs

	2014 £	2013 £
COST		
At beginning of year	1,511,135	1,160,029
Additions	573,371	351,106
At end of year	2,084,506	1,511,135
AMORTISATION		
At beginning of year	322,175	206,173
Impairment	200,000	-
Amortisation for year	197,792	116,002
At end of year	719,967	322,175
NET BOOK VALUE		
At end of year	1,364,539	1,188,960

The capitalised development costs represent the value attributable by the company to the asset created by development of the core technology. The cloud nature of the product means that these costs do not represent the investment in developing individually identifiable elements of the technology. Rather they constitute improvements in the overall technical base on which, in its entirety, the operation of the company's product rests. The funding raised by the company in 2013 enabled the directors to increase investment in this technology, strengthening the infrastructure, modernising the interfaces and improving the framework for future development. As a result, some of the costs which had previously been capitalised but not yet fully amortised, related to elements of the technology which have now been replaced. The impairment value shown above represents the directors' best estimate of the brought forward net book value of the aspects of the technology which have been replaced. The directors remain of the view that the carrying value of the intangible asset remains recoverable against future revenue from the sale of the product, given the directors' estimate of the value in use of this asset, of the size of the global market and of the potential market share which the company's products will achieve.

9. PROPERTY, PLANT AND EQUIPMENT

For the Group

COST	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Client-facing IT equipment £	Totals £
At 1 January 2014	42,340	25,346	240,899	35,896	344,481
Disposals	(42,340)	-	-	-	(42,340)
Additions	87,729	33,095	70,527	135,360	326,711
At 31 December 2014	87,729	58,441	311,426	171,256	628,852
DEPRECIATION					
At 1 January 2014	8,221	25,124	227,480	34,290	295,115
Depreciation on disposals	(8,221)	-	-	-	(8,221)
Charge for year	17,546	16,769	48,682	69,286	152,283
At 31 December 2014	17,546	41,893	276,162	103,576	439,177
NET BOOK VALUE					
At 31 December 2014	70,183	16,548	35,264	67,680	189,675
At 31 December 2013	34,119	222	13,419	1,606	49,366

COST	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Client-facing IT equipment £	Totals £
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 1 January 2013	-	414	5,736	7,032	13,182

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

For the Parent Company

	Leasehold improvements	Fixtures and fittings	Computer equipment	Client-facing IT equipment	Totals
COST	£	£	£	£	£
At 1 January 2014	42,340	25,346	240,899	35,896	344,481
Disposals	(42,340)	-	-	-	(42,340)
Additions	87,729	32,690	64,540	135,360	320,319
At 31 December 2014	87,729	58,036	305,439	171,256	622,460
DEPRECIATION					
At 1 January 2014	8,221	25,124	227,480	34,290	295,115
Depreciation on disposals	(8,221)	-	-	-	(8,221)
Charge for year	17,546	16,567	45,688	69,286	149,087
At 31 December 2014	17,546	41,691	273,168	103,576	435,981
NET BOOK VALUE					
At 31 December 2014	70,183	16,345	32,271	67,680	186,479
At 31 December 2013	34,119	222	13,419	1,606	49,366

	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 1 January 2013	-	414	5,736	7,032	13,182

10. **INVESTMENT**

During the course of the year, Forbidden Technologies plc acquired 100% of the share capital of Forbidden Technologies Inc, a company registered in Delaware, USA, for the purposes of acting as sales agent for the Group's products in the Americas.

11. INVENTORIES

For the Group

	2014 £	2013 £
Finished goods	41,963	3,274
	41,963	3,274

The cost of inventories recognised as an expense and included in Cost of Sales amounted to £nil (2013: £21,137).

For the Parent Company

	2014 £	2013 £
Finished goods	17,564	3,274
	17,564	3,274

The cost of inventories recognised as an expense and included in Cost of Sales amounted to £nil (2013: £21,137).

12. TRADE AND OTHER RECEIVABLES

For the Group

Current:	2014 £	2013 £
Trade debtors	176,971	225,498
Less: provision for doubtful receivables	(20,838)	-
Other debtors	86,628	64,085
Prepayments and accrued income	51,117	41,054
	293,878	330,637

Included in other debtors is a rental deposit of £19,175 (2013: £9,709) which is subject to a charge.

For the Parent Company

Current:	2014 £	2013 £
Trade debtors	166,875	225,498
Less: provision for doubtful receivables	(20,838)	-
Other debtors	86,627	64,085
Amount owed by group undertaking	79,335	-
Prepayments and accrued income	47,358	41,054
	359,357	330,637

Included in other debtors is a rental deposit of £19,175 (2013: £9,709) which is subject to a charge.

13. CASH AND CASH EQUIVALENTS

For the Group

	2014 £	2013 £
Short-term investment	2,000,000	2,000,000
Bank and cash	2,358,900	5,839,109

For the Parent Company

	2014 £	2013 £
Short-term investment	2,000,000	2,000,000
Bank and cash	2,305,339	5,839,109

14. CALLED UP SHARE CAPITAL

	2014 £	2013 £
Authorised:		
200,000,000 ordinary shares of 0.8p each (2013: 200,000,000 ordinary shares of 0.8p each)	1,600,000	1,600,000
Allotted, called up and fully paid:		
131,814,778 ordinary shares of 0.8p each (2013: 131,814,778 ordinary shares of 0.8p each)	1,054,518	1,054,518

During the year Nil (2013 - 44,697,778) ordinary shares of £0.008 were allotted as fully paid at an average premium of Nil (2013 - £0.192) per share.

During the year the Company issued 2,532,000 (2013 - 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	31/12/2014	31/12/2013
VJ Steel	Ordinary shares of 0.8 pence	1,220,000	1,270,000
DP Main	Ordinary shares of 0.8 pence	595,000	525,000
GB Hirst	Ordinary shares of 0.8 pence	1,120,000	1,120,000
PJ Madden	Ordinary shares of 0.8 pence	815,000	640,000
JC Lees	Ordinary shares of 0.8 pence	100,000	-

GB Hirst resigned as a director on 14 January 2015. The board have exercised its discretion and have allowed GB Hirst's share options to remain valid for the maximum period allowance under each of the two schemes in which he holds options.

15. RESERVES

	Retained earnings £	Share premium £	Capital contribution reserve £	Totals £
At 1 January 2014	(5,206,105)	13,317,572	125,000	8,236,467
Deficit for the year	(3,591,863)	-	-	(3,591,863)
Employee share option costs	81,906	-	-	81,906
At 31 December 2014	(8,716,062)	13,317,572	125,000	4,726,510

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

16. TRADE AND OTHER PAYABLES

For the Group

	2014 £	2013 £
Current:		
Trade creditors	345,838	34,994
Social security and other taxes	63,587	38,480
Other creditors	105	54,376
Accruals and deferred income	92,047	51,345
	501,577	179,195

For the Parent Company

	2014 £	2013 £
Current:		
Trade creditors	330,802	34,994
Social security and other taxes	63,587	38,480
Other creditors	105	54,376
Accruals and deferred income	92,047	51,345
	486,541	179,195

17. LEASING AGREEMENTS

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

	2014 £	2013 £
In the next 12 months	79,000	38,375
Between one and five years	346,500	115,125

18. FINANCIAL INSTRUMENTS

The Group's financial instruments comprise trade debtors, trade creditors, cash and liquid assets.

The Group has not entered into any derivative or other hedging instruments.

The Group'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. 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 Group'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 Group had no material undrawn committed borrowing facilities.

The Group reviews its future working capital requirements on a monthly basis.

Foreign currency risk
The Group 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 Group 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 Group's working capital position.

The directors review foreign exchange movements on an ongoing basis to assess the Group's risk relating to changes in foreign currency exchange rates.

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

The Group'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.

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 in order to reduce the cost of capital. In order to maintain or adjust the capital structure the Company may issue further shares or share options. In 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 £13,630 were paid to relatives of PJ Madden (2013: £1,404).
JC Lees is director and 33% shareholder of Duet Partners Limited. During the year Duet Partners Limited provided services to the company to the value of £26,266 under normal commercial terms.

20. ULTIMATE CONTROLLING PARTY

At 31 December 2014 there was no ultimate controlling party of the Company.

21. POST BALANCE SHEET EVENTS

After the balance sheet date a decision has been taken to close the office located in the West Coast of the United States of America. The company's North American activities will continue but under a different structure. The Chairman's Statement contains more details.

22. SHARE-BASED PAYMENT TRANSACTIONS

For the Group

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 31/12/2014	Number of shares for which rights are exercisable at 31/12/2013
Non-tax advantaged				
0.35	04/05/2004	04/05/2007-03/05/2014	-	512,500
0.39	30/09/2004	30/09/2007-29/09/2014	-	534,359
0.22	29/04/2005	29/04/2008-28/04/2015	482,728	482,728
0.26	06/09/2005	06/09/2008-05/09/2015	562,500	562,500
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	305,000
0.24	25/08/2009	25/08/2012-24/08/2019	145,000	145,000
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				
0.35	04/05/2004	04/05/2007-03/05/2014	-	70,000
0.39	30/09/2004	30/09/2007-29/09/2014	-	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	220,000	270,000
EMI				
0.245	12/05/2012	12/05/2015-11/05/2022	770,000	770,000
0.26	20/08/2012	20/08/2015-19/08/2022	370,000	370,000
0.275	25/04/2013	25/04/2016-24/04/2023	435,000	435,000
0.255	25/07/2013	25/07/2016-24/07/2023	1,325,000	1,375,000
0.2475	02/09/2013	02/09/2016-01/09/2023	100,000	100,000
0.215	25/04/2014	25/04/2017-24/04/2024	1,305,000	-
0.225	19/05/2014	19/05/2017-18/05/2024	100,000	-
0.19	23/09/2014	23/09/2017-22/09/2024	975,000	-

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

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

	2014 Weighted average exercise price (£)	2014 Number of options	2013 Weighted average exercise price (£)	2013 Number of options
Outstanding at the beginning of the period	0.245	8,727,500	0.268	8,082,500
Granted during the period	0.206	2,532,000	0.259	2,010,000
Forfeited during the period	0.203	252,000	0.230	270,000
Exercised during the period	-	-	0.189	140,000
Lapsed during the period	0.370	1,175,000	0.485	955,000
Outstanding at the end of the period	0.221	9,832,500	0.245	8,727,500
Exercisable at the end of the period	0.206	4,452,500	0.265	4,627,500

The options outstanding at the year end have an exercise price in the range of £0.16 to £0.36 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:

	2014	2013
Expected volatility (expressed as % used in the modelling under Black-Scholes model)	46.29%	75.08%
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)	2.60%	2.23%
Weighted average fair value of options granted	0.147	0.147
Weighted average share price	£0.206	£0.259
Exercise price	£0.206	£0.259

22. **SHARE-BASED PAYMENT TRANSACTIONS - continued**
For the Parent Company

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:

	2014 £	2013 £
Equity settled share based payments	81,906	96,807