REGISTERED NUMBER: 03507286 (England and Wales)

ANNUAL REPORT AND

FINANCIAL STATEMENTS

OF THE

FORBIDDEN TECHNOLOGIES plc GROUP

FOR THE YEAR ENDED

31 DECEMBER 2017

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COMPANY INFORMATION

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CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

Executive Summary

We began 2017 with the ambition to accelerate our growth having started to build sales traction in 2016. This ambition was interrupted in February 2017 with the resignation of our CEO and the Board's decision to run a formal process to find a new CEO, the first time in the Company's history that it had looked to appoint an external candidate for this position. As a result, the business was without a full time CEO for six crucial months. At the time of his departure, our CEO was fulfilling the roles of both CEO and sales director and the impact on our growth prospects in the short-term was significant. Ian McDonough, our new CEO, joined the Company in September 2017, leaving little time to make a significant difference to the sales performance of the business prior to the end of the year.

As a result of this disruption, the Company experienced a small decline of 2% in recorded revenue from £774,825 in 2016 to £758,835. This relatively flat level of recorded revenue was despite a 29% reduction in invoiced sales from £1,007,074 in 2016 to £714,903. The resulting EBITDA loss for the year was £1,844,436 versus a loss of £1,787,406 in 2016. Against this performance, progress was made to increase the percentage of total invoiced sales from recurring infrastructure sales from 28% in 2016 to 48% in 2017.

Over the year we expanded our presence in the North American sports market with a minimum two-year deal through Deltatre for one of their major North American clients, increased business at Madison Square Garden and a paid for pilot with a major North American broadcaster and sports franchise, which is still ongoing. Also, during the year, we made progress with our live editing solution by breaking into the eSports market with Gfinity plc, a leading eSports content producer. In addition, we launched our patent pending Blackbird 9 codec and have made the strategic move to start adding JavaScript applications to our platform. With this new JavaScript capability, we can execute on a strategy to focus on opportunities where Forscene is part of an overall video production solution, allowing the revenue base to be increasingly subscription focused. This sales focus does have longer sales cycles, but the financial opportunity per client is much higher. This strategy plays to the unique benefits of our platform.

Ian McDonough, our new CEO, has quickly started to make key adjustments to the team, including sales and marketing team members, our US commercial presence and our product management team. He is engaging directly with prospects and resellers across North America and the UK. He has increased the focus on selling against the benefits of our core patented technology, Blackbird. To this end, he is also in the process of simplifying the branding of our technology and solutions under the Blackbird brand.

The Board believes the Company now has strong commercial leadership and combined with strengthening the sales and marketing team are starting to build an order book once more. Evidence of our return to growth is already being seen in this first quarter of 2018.

Introduction

Forbidden Technologies plc is the AIM quoted creator, owner and developer of Forscene (which will soon be rebranded under the Blackbird brand). Forscene is a cloud-based video post-production and publishing platform, which has helped its users convert over 7 million hours of professionally shot video content into edited videos for broadcast and digital distribution. The platform and its applications are based around Forbidden's flexible and light-weight Blackbird video codec.

The Company's platform applications help customers to increase audience engagement and the value of time-sensitive content by improving time-to-market, and to save time and money through the efficiency and scalability benefits of the Forscene cloud-based platform. Specific applications include:

- Enabling sports broadcasters and rights holders to engage more effectively digitally with their viewers by allowing them to provide clips and highlights packages during the event, faster than ever before.
- Enabling production houses and post production houses to remotely capture, log, edit and review their content, speeding up the post production process and saving time and money.
- Enabling sports franchises, or any brand with large numbers of consumers, to improve their fan/consumer engagement with a unique combination of tools.

Consolidated income statement and consolidated statement of financial position

In the year ended 31 December 2017, the Group recorded revenue of £758,835 (£774,825 in 2016), which represented a decline of 2% year on year. Revenue, for income statement purposes, is derived from invoiced sales of £714,903 down 29% from £1,007,074 in 2016, Deferred revenues declined year on year by 46% to £146,389 from £270,321 in 2016; however, after adjusting for an £80,000 reduction in 2016 deferred revenues relating to the full provision for an amount contracted in 2016, the comparable decline is 23%. This £80,000 provision relates to a contract with Atos against which we made a 50% provision in the interim results and have now made a full provision due to continued uncertainty over the realisability of the contract.

Consolidated income statement and consolidated statement of financial position – continued

Operating costs during the year to 31 December 2017 were £2,452,158 compared to £2,441,441 in the corresponding period in 2016. Operating costs for income statement purposes are net of capitalised development costs which reduced to £206,810 from £281,466 in 2016. The loss before interest, taxation, depreciation and amortisation was £1,844,436 (2016: £1,787,406). The net loss for the year of £2,336,000 compares to a loss of £2,340,464 in 2016.

The Group is debt free and had cash and cash equivalents at 31 December 2017 of £1,752,349 in comparison to a balance as at 31 December 2016 of £3,711,033.

Following the cash savings achieved in 2016 over prior years the Company has continued to keep operating costs at this reduced level. Net cash outflow from operating activities and investing activities were £1,955,272 compared to £1,971,763 in 2016.

Management changes

During the year, there were a few critical management changes. The primary change was the replacement of our CEO, which as noted before resulted in a six-month period without full time leadership. Ian McDonough, CEO, has brought significant media experience to the business through his time at Turner, BBC Worldwide, A&E Europe, and Viacom Asia.

In addition to a new CEO, a new sales director, Rachel Darcy, was hired to lead the sales team. Most recently with Redcentric plc, Rachel brings over ten years' experience within the IT services industry with particular knowledge in selling cloud-based infrastructure solutions.

Forscene platform

In August 2017, Forbidden announced the launch of a JavaScript video viewing application. This was the first application linked to the core strategy of moving our video applications to JavaScript. JavaScript runs on 'out of the box' devices and as such has no requirement for installation or configuration, much like Java had a number of years ago. JavaScript is increasingly requested as a requirement by prospective customers. We have subsequently made available a clipping tool. We will continue to convert existing applications to JavaScript as well as develop new ones.

During the year, we also released our 'patent pending' Blackbird 9 video codec. Blackbird lies at the heart of all our applications. We continuously develop our Blackbird codec to ensure that with all our applications we can outperform our competitors in speed to market of live video and the performance of our remote viewing and editing capabilities.

Cash management

Cash management is a constant focus of the executive management team. Our use of cash has been focused on increasing the balance of spend towards sales and marketing to drive growth in sales and reduce cash burn. We are vigilant in ensuring additional investment in research and development is targeted on projects where there is identifiable commercial benefit. We ended the year with a cash balance of £1,752,349.

Going concern

The Company incurred a loss after tax for the year of £2,336,000 (2016: loss of £2,340,464). The Company's sales activities are now clearly focused on driving recurring infrastructure sales versus the traditional project-based revenue generated from a large number of production companies and post houses in the UK broadcast post market. This change in sales strategy should result in more predictable and recurring longer-term subscription-based revenue streams with fewer customers and larger contract values. The percentage of total invoiced sales from recurring infrastructure sales in 2017 was 48% versus 28% in 2016.

With the arrival of a new CEO in September, and a refocus of our strategy to infrastructure clients, the Directors are confident that the leadership team is in place again to resume a growth path for the business. The Directors have prepared a budget for reasonable growth and have also prepared a contingent more cautious and prudent profit and loss and cash-flow forecast and business plan reflecting an adjusted cost base and reduced cash burn. Both plans ensure managements' ability to progress the growth of the business, but, with different rates of growth. The internal sales forecasts are based on forecast of three types of sales – recurring infrastructure sales from existing customers, repeat and new projects from existing customers and new sales from new customers. There are varying risks of achievement of these forecasts by sales type, however the Directors believe that the combination of these forecasts, potential cost management actions, 1st quarter 2018 performance to date and sales pipeline growth demonstrate the business is operationally capable of meeting its obligations as they fall due and are confident they have plans in place to ensure the continuity of the business for at least twelve months.

Therefore, the Directors consider that the preparation of the Group financial statements on the going concern basis is appropriate.

Current trading and prospects

We start the year, with lower combined order book and deferred revenue vs. last year; however, a stronger focus and capability to build new business and grow our existing client base.

This quarter, we are on track to beat our 1st quarter invoiced sales figure recorded in 2017 and expect to build on this growth momentum as the year develops.

Finally, the Board and management team are confident that we are building the right team and have the platform and focus in place to grow our business.

David Main
Chairman

Summary

Six months into the role of CEO at Forbidden, I have overseen a myriad of changes, and what I believe is the start of sustainable momentum evolving from our new strategic direction. The direction, selling our solutions as a core part of a company's video capabilities, focuses on where Forbidden has a competitive advantage – the ingenious Blackbird codec – and through a microservices philosophy, building production and publishing tools around this. With our cloud-based solution this allows the Company to build a renewable subscription-based business.

The recent N.Y. Emmy nomination for technical achievement for our fast turnaround workflow co-designed with MSG (Madison Square Garden) Networks is a huge endorsement of our technology's abilities as a leading infrastructure platform. It serves to highlight the speed and accuracy with which content can be edited, and closed captions and other meta data added, where time is critical.

As a result of this direction, Blackbird is being elevated to be the master brand at Forbidden, subsuming Forscene. All products will be sub-branded within the overall Blackbird brand. We will be officially launching Blackbird branding and its clear, easy to understand, market-focused product set at the NAB show (National Association of Broadcasters) in Las Vegas next month.

Early adopter customers have already understood the power, speed and quality of Blackbird and we invariably now see it being adopted as an integral component of their technology infrastructure. Both Deltatre and IMG are great examples of our capability to be part of a large, international media supply chain. Both of these customers have recently renewed their contracts with us and we continue to increase the volume and variety of work we are undertaking with them. Another example of this is in the burgeoning genre of eSports where we are a key partner to Gfinity plc. Blackbird is a fundamental part of Gfinity's live arena infrastructure and allows live logging, instant replays and tournament wrap up videos.

More recently, we have grown the number of infrastructure targeted trials that we are working on and hope to convert a portion of these into growing clients.

The first of these this year is the Practising Law Institute based in New York who will use Blackbird as a vital part of their infrastructure on an ongoing basis, to live clip seminar content for a wide variety of purposes including education.

This approach to the market is a marked change for the business. The combined use of the Blackbird 9 codec and our JavaScript applications enables our technology to be a fundamental component to our clients' infrastructure and makes Forbidden a valued and key partner to their business.

We are also focusing on our traditional core business in post-production and have some impressive new wins including Two Four productions who use Blackbird as the live logging tool on a fixed camera rig production, and the platform allows the production team to access footage immediately in the cloud whether on location, at head office or elsewhere. This is our first production win on fixed camera rigs for some years and, with the benefits of our product advances, could potentially transform how fixed camera rig shows are produced.

Geographically we have also looked more to North America as our biggest opportunity for growth. Traditionally, North American media-based companies have been faster to adopt new technologies than their counterparts in Europe. In addition, the legal requirement for all US broadcast or digital output to carry closed captions makes the market very attractive. As a result, we are growing our sales capacity in North America. This includes taking on one new salesperson on the West Coast and we are also looking to add additional reseller sales capacity in the same region.

2017 results

Whilst the 2017 results were disappointing, as noted in the Chairman's statement, this can be attributed almost entirely to the disruption in leadership. With the appointment of Rachel Darcy as Sales Director and myself as CEO this leadership issue has been addressed. In addition, along with our JavaScript and Blackbird 9 development, 2017 did provide the business with the opportunity to correctly reset its strategy and focus on its points of differentiation and specific market segments that should help us drive growth going forward.

Strategy and market focus

- In late 2017, we locked in our strategy to:
  - Focus on business where we would be an integral part of the infrastructure of a video solution. As a cloud-based platform, this means a core part of our business being renewable subscription-based business
  - Emphasise 'live' solutions where we can outperform on both speed to market and remote use; although, not neglecting our base business in remote post production-based solutions
  - Shift our platform to include JavaScript based applications
  - Maintain our superior performance-based codec Blackbird
  - Elevate Blackbird to be the master brand

Strategy and market focus – continued

- 3 core segments of business
  - Live digital solutions for production companies including but not restricted to editing, closed captions, logging, metadata exchange and graphics. Customers include, IMG, Deltatre and the Practising Law Institute.
  - Sports stadium and arena-based solutions, where live digital media solutions are also key, such as Madison Square Garden Networks, Gfinity in eSports, and the Buffalo Sabres, an NHL hockey franchise.
  - Post production non-live companies such as ENVY, Two Four, and Studio Lambert.
- Geographical Market
  - An increased emphasis on the North American market with a senior commercial appointment in Barry Nulman.
  - The engagement of F2 as a reseller in Canada, and the retention of Bridge Digital in the US.

Products and solutions

The Blackbird codec and our edge computing technology are the key drivers of differentiation. Together with our comprehensive suite of tools we can provide frame accurate visibility, editing, addition of closed captions, graphics and metadata fast, remotely and under very low bandwidth conditions. We are committed to ensure that we continually improve the Blackbird codec even further. Blackbird 9 is already of high enough quality to publish directly to social media in its proxy version. Blackbird 10, due for release next year, is expected to extend the flexibility of Blackbird 9, and provide a further doubling of resolution. Our overall Blackbird solution also provides media companies with the critical cloud-based capabilities (speed, remote use, collaboration, control and scalability) without having to rebuild their core media supply chain capabilities. Within the suite of tools will be an entry level visibility and clipping tool as well as the full Blackbird suite of tools allowing professional editing and addition of closed captions.

Sales and marketing

Our shift towards a recurring revenue infrastructure sales model has led to a reappraisal of the frontline sales team. We have moved away from transactional sales to consultative long-term partnership selling. This has resulted in fewer sales people, but at a more senior level. In North America, as well as the additional sales and reseller capacity we added in 2017, post year-end we have made further increases in our North American sales capacity by appointing Barry Nulman, a highly respected executive with a proven track record. Barry has held senior management positions with several leading post production facilities and technology companies including Picture Head LLC and Avid Technologies.

Current trading and prospects

The Company is having a good first quarter with significant double-digit growth to date in invoiced sales over the same period last year. We are in dialogue with a number of interesting opportunities in the live sports, eSports, news and post production sectors. In addition, we are in discussions with multi-channel networks and social media publishers who are often building their media supply chain from scratch, and who see Blackbird as an end to end SaaS solution instead of investing in numerous pieces of specific hardware. A key area of interest is also in integrating Blackbird with OEM solution providers in the US where our technology can be deployed quickly and at scale.

Ian McDonough
Chief Executive Officer

In 2016, the Group created a leaner business, focused on the commercial development of the organisation, and built growth momentum. This focus is unchanged; although, progress was interrupted in 2017 by the six-month process to find a new CEO.

Our strategy continues to be intensively focused on growth opportunities where we can add revenue benefits to our customers. This is in addition to the core benefits of the cloud, which are remote access, scalability and lower costs. This has increased our focus in sports and other live media applications. We have concentrated on our differentiation in live applications by the speed in which we can digitally publish clips and highlights packages, which add to the revenue potential of our customers.

Overall, we believe that we provide the most cost-effective solution for customers that are looking to achieve a combination of the following benefits:

- Remote viewing, collaboration and post-production of videos to improve the access and use of video and the speed of video creation
- Faster video editing and publishing from live content specifically for clips, highlight packages and re-versioning
- Simple multi-platform publishing, especially for social media
- Superior control over original content as rights holders are moving to use their content in multiple markets and in an increasing number of ways

We believe that the combination of being able to provide solutions for both live and non-live digital needs is an advantage. This positions us well to become part of our clients' overall media supply chain and positions us for ongoing recurring revenues.

To support these benefits, we have started the conversion of our web applications to JavaScript and introduced a new video codec, Blackbird 9. JavaScript runs 'out of the box' on many devices and as such has no requirement for installation or configuration, much like Java did a number of years ago. In 2017, we introduced three applications – JavaScript viewing, reviewing and clipping applications. Blackbird 9 significantly reduces the datarate and playback device speed requirements compared to earlier Blackbird codecs. With Forbidden's patented loss-free artificial intelligence ("AI") compression engine at its core, Blackbird 9 is expected to improve the experience of professional users of the Forscene platform as they move towards editing higher resolution videos, by allowing for the efficient compression and decompression of video for uploading, editing and publishing.

In addition, in 2017, we have moved our single platform strategy towards a micro-services development architecture. This is designed to simplify our development approach, time to market on new applications and ensure we are building APIs for additional interoperability with third party solutions.

To support our commercial strategy, we prioritise our development activities against clear client needs and market potential. Our development activities can be broken into three core types of activities:

- Improve and simplify the user interface and user experience of existing applications
- Develop new applications against specific customer needs and market opportunities
- Continuously improve our platform infrastructure against changing market needs including, for example, the adoption of higher definition video production and viewing, and evolving software usage requirements such as Java and JavaScript

Finally, to improve the communication of our single platform proposition we will be shortly introducing new branding for the platform under a single overall brand – Blackbird.

A detailed review of the Group's financial performance during the year ended 31 December 2017 and an outlook for the future is provided within the Chairman's statement on page 2 and the Chief Executive's review on page 5.

Key Performance Indicators

Revenue for the year was £758,835. (2016: £774,825) and the loss for the year was £2,336,000 (2016: £2,340,464) The results are shown in more detail on page 19.

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 performance.

- Invoiced Sales is our core measure for the performance of the sales and marketing team. As an alternative performance measure (APM), this is a better indicator of commercial activity than revenue presented in the Income Statement. The sales team are targeted on the basis of deals closed and invoices raised, as opposed to adjusting this number based on the timing of the delivery of the service and the matching revenues. The reconciliation of revenue per the Income Statement, and invoiced sales is as follows:

Key Performance Indicators - continued

	2017	2016	2015
	£	£	£
Revenue	758,835	774,825	708,717
(Decrease)/increase in deferred income	(123,932)	231,317	6,041
Decrease/(increase) in accrued income	-	932	(7,256)
Prior year invoice provision	80,000	-	-
Invoiced Sales	714,903	1,007,074	707,502

As discussed in the Chairman's Statement on page 2, the £80,000 provision relates to a contract with Atos against which we made a 50% provision in the interim results and have now made a full provision due to continued uncertainty over the realisability of the contract.

- Average sales value per invoice and per customer is a measure we track on a regular basis. Our sales priorities, approach and efforts are guided by the sales potential of a customer. We continuously look at ways to consolidate relationships we have in a business higher up the organisation. In the last year, our average sales value per invoice and sales value per customer declined by 12% and 23% respectively.

	2017	2016
	£	£
Sales value per invoice	1,107	1,264
Sales value per customer	7,447	9,660

- Customer retention guides our thinking on which potential new customers to focus on, as well as measuring the quality of our applications and service levels. On a monthly basis, we review our customer base to understand which customers are continuing with us or switching. There are many situations where our applications are a subset of a solution and we have limited control over the retention of the customer. In 2017 61% of our prior year customers (2016: 82%) continued to use us. Most of the decline came from our post-production clients. Many of the reasons for clients not repeating are not in our control. These uncontrollable items include the TV series being terminated, change in the production management team, or change in the post-house that is used.

- Our new strategy is clearly focused on driving recurring infrastructure sales versus the traditional project-based revenue generated from a large number of production companies and post houses in the UK broadcast post market. This change in sales strategy should result in more predictable, recurring, longer-term subscription-based revenue streams with fewer customers and larger contract values. Against this focus, the percentage of total invoiced sales from recurring infrastructure sales in 2017 was 48% versus 28% in 2016.

- Costs are categorised and monitored against budget and current needs on a monthly basis. Variable or discretionary spend is monitored weekly by management.

- Cash is managed closely to ensure that management is able to forecast accurately and reliably cash movement on a weekly basis in the short-term and on a monthly basis in the longer-term. Management uses an integrated income statement, cash flow and balance sheet working capital model for forecasting. It conducts regular sensitivity analysis to ensure that cash resources will be sufficient to meet the Group's future needs. The balance of cash at the year-end was £1,752,349 (2016: £3,711,033).

PRINCIPAL RISKS AND UNCERTAINTIES

Liquidity risk

The Board reviews future working capital requirements on a monthly basis against funds available.

Foreign currency risk

The Group enters into transactions in the UK, and internationally, and is exposed to currency fluctuations in the exchange rates for these regions although most of its 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 and financial performance. The directors review foreign exchange movements on an ongoing basis to assess the Group's risk relating to changes in foreign currency exchange rates. In light of the uncertainty over the timing and the terms of UK's exit from the European Union the Group may be exposed to foreign currency volatility arising from transactions in foreign currencies. The net impact in 2017 of the strengthening value of sterling primarily against the US$ was negative and represented approximately 1% of invoiced sales.

PRINCIPAL RISKS AND UNCERTAINTIES – continued

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. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. There is one longstanding customer that represented more than 10% of sales in 2017. Bad debt in 2017 was less than 1% of invoiced sales.

Deferred revenue risk

As part of our strategy the Group's sales activities are now clearly focused on driving recurring longer-term infrastructure sales versus the traditional project-based revenue. This change in sales strategy should result in more predictable and recurring longer-term subscription-based revenue streams with fewer customers and larger contract values. Inherent in longer-term contracts is increased payment risk. Against this risk, we are very prudent in the incurring of costs where there may be any issues of payment. In the interim results, the Group reported that the Atos training contract invoiced at the end of 2016 had been delayed by their client and stated that a 50% provision had been made against the value of this contract on the basis of a likely reduction in their budget Due to continuing uncertainty as to whether the client of Atos has the budget to complete the transaction as originally contracted the Group has now made a full provision against the value of this contract. Accordingly, we have not incurred any direct costs in the project.

Capital management

The Board'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 recent years it has exclusively focused on equity funding and has not utilised debt funding. The Board maintains a close watch over the future cash requirements of the business, and as appropriate will engage in fundraising activities.

Technology risks

Forscene is a cloud-based platform operating in several market sectors, including the conservative professional broadcast market. The Group's ability to sell its applications is affected by the rate of adoption of cloud services. The platform currently runs in Java. Whilst this is supported by its owner Oracle, sales could be impacted if Java is rejected by clients or potential clients. Forbidden is starting to build new applications, as well as upgrading existing applications and software infrastructure, in JavaScript. As such, it is dependent on JavaScript support within browsers.

Product Risks

There are risks related to new product development activities, or upgrades, which may take longer than expected to be market ready and/or the market opportunity for these products may not materialise. The Group regularly reviews its product development investment and focuses an increasing proportion of its activities against specific customer requirements.

Competitor and market risks

Competitors and new entrants could succeed in producing superior product offerings on a more timely basis, or outperform at marketing and selling their products, thereby slowing down the adoption of Forbidden's applications. In addition, competitors and new entrants could react to new market opportunities faster than Forbidden, which would result in a loss of sales opportunities. The Group continuously monitors its strategy and market focus. It regularly reviews the activities of existing and emerging competitors, and monitors the emergence of new market opportunities, and adjusts the focus of its applications development and commercial activities accordingly.

Security risks

Forbidden protects itself against cyber-attack by addressing known risks, such as published internet vulnerabilities, by installing patches. Periodically the Group appoints independent contractors to do penetration tests of our cloud solution. The most recent testing occurred in December 2017. A Certificate of Security Compliance was issued on 5th February 2018.

Data Protection and GDPR

Forbidden takes very seriously the needs of customers for data protection. It is currently implementing processes and procedures to ensure that it is in full compliance with the new GDPR legislative requirements.

PRINCIPAL RISKS AND UNCERTAINTIES – continued

Organisational risks

As a small Group, Forbidden has a high proportion of key staff, and loss of key staff is a risk. A productive working environment, respect for staff, regular Company-wide communication meetings, regular compensation reviews, promotion opportunities where relevant, and regular awards of share options are all elements of Forbidden's staff retention risk mitigation. The Group has over time built a strong network of organisations that can respond to key resourcing challenges effectively.

ON BEHALF OF THE BOARD:

David Main
Chairman

The directors present their report with the consolidated financial statements of the Group for the year ended 31 December 2017.

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 2017 (2016:£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 2017 to the date of this report.

SB Streater
DP Main
JC Lees
AM Musa (resigned 22 February 2017)
I McDonough (appointed 1 September 2017)
JS Irving
A Bentley

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
SB Streater	Ordinary shares of 0.8 pence	63,985,714	63,985,714
DP Main	Ordinary shares of 0.8 pence	535,714	535,714
JC Lees	Ordinary shares of 0.8 pence	-	-
AM Musa	Ordinary shares of 0.8 pence	-	-
I McDonough	Ordinary shares of 0.8 pence	762,862	-
JS Irving	Ordinary shares of 0.8 pence	-	-
A Bentley	Ordinary shares of 0.8 pence	30,000	30,000

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
SB Streater	-	250,000			250,000	0.06		31/03/2020	30/03/2027
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
DP Main	100,000				100,000	0.05875	-	18/11/2018	17/11/2025
DP Main	250,000				250,000	0.085	-	07/06/2019	06/06/2026
DP Main		500,000			500,000	0.06		31/03/2020	30/03/2027
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
JC Lees	500,000				500,000	0.09	-	25/06/2018	24/06/2025
JC Lees	350,000				350,000	0.05875	-	18/11/2018	17/11/2025
JC Lees	120,000				120,000	0.085	-	07/06/2019	06/06/2026
JC Lees		250,000			250,000	0.06		31/03/2020	30/03/2027
AM Musa	100,000			100,000	-	0.225	-	19/05/2017	18/05/2024
AM Musa	100,000			100,000	-	0.19	-	23/09/2017	22/09/2024
AM Musa	600,000			600,000	-	0.0825	-	11/05/2018	10/05/2025
AM Musa	600,000			600,000	-	0.05875	-	18/11/2018	17/11/2025
AM Musa	500,000			500,000	-	0.085	-	07/06/2019	06/06/2026
I McDonough		2,000,000			2,000,000	0.05375	-	15/09/2020	14/09/2027
JS Irving	100,000				100,000	0.05875	-	18/11/2018	17/11/2025
JS Irving	100,000				100,000	0.085	-	07/06/2019	06/06/2026
JS Irving		200,000			200,000	0.06		31/03/2020	30/03/2027
A Bentley	100,000				100,000	0.05875	-	18/11/2018	17/11/2025
A Bentley	100,000				100,000	0.085	-	07/06/2019	06/06/2026
A Bentley		200,000			200,000	0.06		31/03/2020	30/03/2027

The market price of the shares at the year-end was 4p. The highest closing market price during the year was 11.75p and the lowest closing market price was 3.875p.

FINANCIAL INSTRUMENTS

The Group's financial instruments comprise trade debtors, trade creditors and cash. The Group 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
Miton Group plc
Schroders plc

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Group made £nil in charitable donations in the year (2016: £85).

AUDIT COMMITTEE

The Audit Committee comprises David Main (Chairman) and Andrew Bentley. In the period since the last Directors' Report it met four times.

The Committee's mandate is 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;
- 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 Interim accounts of the Group as at 30 June 2017 and the Annual Report and Statutory Accounts of the Group for the year ended 31 December 2017.
- During the year-end audit planning process, a review of the key audit matters to be disclosed in the Extended Audit Report.
- A regular review of the three year working capital forecasts of the Group and contingency plans with particular focus on sensitivities impacting cash burn and the ability of the Group to trade for a minimum of twelve months and meet its liabilities as they fall due.
- A review of the development costs' capitalisation and amortisation policies and a post-year end impairment review.
- A review of the disclosures in the Chairman's Statement, Chief Executive's Review and Strategic Report, to ensure that the performance and risks of the Group for the year ended 31 December 2017 are adequately described and reported thereon.
- An assessment of the performance and continuing independence of Kingston Smith LLP as auditors of the Group, approval of the terms of their engagement and their remuneration. On the basis that the Committee conclude that the audit continues to be independent, objective and effective and that the lead partner who has held the position for five years has been replaced in 2017, the Committee recommends that Kingston Smith LLP continue as auditors of the Group for the next financial year. A resolution to reappoint Kingston Smith LLP and give 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 2017. 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 Remuneration Committee comprises David Main (Chairman), James Irving and Stephen Streater. It is responsible both for setting salary levels and incentive programs at the senior management level, reviewing and approving material changes to salaries and incentive programs across the Group, and awarding Share Options to all employees of the Group. In the period since the last Directors' Report it met four times. Specific actions taken by the Committee since the date of the last Directors' Report include the following:-

- Approval of the terms of the resignation of Aziz Musa and approval of the appointment of David Main as interim CEO in February 2017.
- Approval of the appointments of Ian McDonough as CEO and Rachel Darcy as Sales Director, and the associated terms of their service contracts including the grant of share options in September 2017.
- Approval of the employee-wide grant of share options in March 2017.
- Approval of the 2017 sales commission plans.

SHARE OPTION SCHEMES

In the 12 months to 31 December 2017, options over ordinary shares of 0.8p in the Company were granted under the Company's Enterprise Management Incentive Share Option Scheme and Unapproved 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
31 March 2017	3,360,000	24	6.000	31 March 2020	30 March 2027
15 September 2017	2,250,000	2	5.375	15 September 2020	14 September 2027

On termination of employment, employees and directors lose their share options unless the Board exercises its discretion to allow an employee or director to retain their share options for a limited period. 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. The Directors are permitted to determine that options which might otherwise lapse may remain exercisable for a period up to ten years from the date of grant. This confers discretion on the Directors to agree extended dates for exercise of options in certain limited circumstances, where the option-holder would otherwise cease to be eligible to exercise the options, if the Directors consider it to be in the best interests of the Company to do so.
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 quoted on 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 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 approximately once a month 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

STATEMENT OF DIRECTORS' RESPONSIBILITIES – continued

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:

....
JC Lees Director

Date: 14 March 2018

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

Opinion
We have audited the financial statements of Forbidden Technologies plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Cash Flows, the Group and Parent Company Statements of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. 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.
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 2017 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.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Material uncertainty related to Going Concern
We draw your attention to the Going Concern section of the accounting policies set out in note 1 to the financial statements which indicates that the group incurred a loss of £2,336,000 in the year (2016: £2,340,464) and also states that the Board have prepared detailed budgets and cashflow forecasts based on existing cash resources, an increase in revenues, and operating expenses at the current level. These forecasts rely on growth in revenues anticipated from the group's existing sales pipeline. The cashflow forecast indicates the group will be able to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of the financial statements.

The Board of Directors is confident it can achieve this growth in revenues, and are currently on target, but there can be no certainty that the sufficient sales growth will be achieved within 12 months of the date of approval of the financial statements. The Group's sales growth in the next 12 months along with other matters as set out in note 1, indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the 'Material uncertainty related to going concern' paragraph we have determined the matter described below to be the key audit matter to be communicated in our report.

Audit Area and Description
Development costs carrying value
Due to the low level of historical growth in revenues of the Group we considered there to be a risk that the development costs capitalised as intangible assets may require a provision for impairment.

Audit Approach
We assessed, in conjunction with our work on the Going Concern, the ability of the Group to fully realise the carrying value of capitalised development costs by generating future revenues and cash flows, to determine whether an impairment provision was required.
This included a critical assessment of the current sales pipeline and the company's forecast growth targets, together with discussions with the Chief Executive Officer, Sales Director and Finance Director on the sales strategy and opportunities that underpin the assumptions within this assessment and the growth targets within the forecasts.

Our application of materiality
The scope and focus of our audit was influenced by our assessment and application of materiality. We define materiality as the magnitude of misstatement that could reasonably be expected to influence the readers and the economic decisions of the users of the financial statements. We use materiality to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements both individually and on the financial statements as a whole.

Due to the nature of the Group we considered assets to be the main focus for the readers of the financial statements; accordingly this consideration influenced our judgement of materiality. Based on our professional judgement, we determined materiality for the Group to be £43,437, based on a percentage of assets.

On the basis of our risk assessments, together with our assessment of the overall control environment, our judgement was that performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group was 60% of materiality, namely £26,062.
We agreed to report to the Audit Committee all audit differences in excess of £2,172, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also reported to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit
The scope of our audit of the group and parent company financial statements involved obtaining an understanding of the Group and parent company and its environment, including controls, and assessing the risks of material misstatement at the Group and parent company level. The Group is audited by one audit team, led by the Senior Statutory Auditor. Our approach in respect of key audit matters is set out in the Key Audit Matters Section above.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- 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 parent company financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.
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.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

14 March 2018

Jonathan Sutcliffe (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP, Statutory Auditor

Devonshire House
60 Goswell Road
London
EC1M 7AD

CONSOLIDATED INCOME STATEMENT AND STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

Consolidated income statement and statements of comprehensive income

	Notes	2017 £	2016 £
CONTINUING OPERATIONS			
Revenue	2	758,835	774,825
Cost of Sales		(151,113)	(120,790)
GROSS PROFIT		607,722	654,035
Operating costs		(2,452,158)	(2,441,441)
EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION, AMORTISATION AND EMPLOYEE SHARE OPTION COSTS		(1,844,436)	(1,787,406)
Depreciation		(47,091)	(50,053)
Amortisation		(512,549)	(456,298)
Employee share option costs	18	42,137	(73,250)
		(517,503)	(579,601)
OPERATING LOSS	4	(2,361,939)	(2,367,007)
Finance income	5	671	3,014
LOSS BEFORE INCOME TAX		(2,361,268)	(2,363,993)
Income tax	6	25,268	23,529
LOSS FOR THE YEAR		(2,336,000)	(2,340,464)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(2,336,000)	(2,340,464)
Earnings per share expressed in pence per share			
Basic – continuing and total operations	7	(1.29p)	(1.63p)
Fully diluted – continuing and total operations		(1.29p)	(1.63p)

Company statement of comprehensive income

		2017 £	2016 £
LOSS FOR THE YEAR		(2,335,045)	(2,340,586)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	(2,335,045)	(2,340,586)

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION
31 DECEMBER 2017

	Notes	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
ASSETS					
NON-CURRENT ASSETS					
Other intangible assets	8	1,038,095	1,343,834	1,038,095	1,343,834
Property, plant and equipment	9	59,750	48,448	59,750	48,448
Investments	10	-	-	641	641
		1,097,845	1,392,282	1,098,486	1,392,923
CURRENT ASSETS					
Trade and other receivables	11	221,095	418,774	226,748	417,272
Current tax assets		25,268	23,529	25,268	23,529
Cash and bank balances		1,752,349	3,711,033	1,746,113	3,710,927
		1,998,712	4,153,336	1,998,129	4,151,728
TOTAL ASSETS		3,096,557	5,545,618	3,096,615	5,544,651
EQUITY AND LIABILITES					
CAPITAL AND RESERVES					
Issued share capital	12	1,443,890	1,443,890	1,443,890	1,443,890
Share premium		16,935,301	16,935,301	16,935,301	16,935,301
Capital contribution reserve		125,000	125,000	125,000	125,000
Retained earnings		(15,833,053)	(13,454,916)	(15,832,255)	(13,455,073)
TOTAL EQUITY		2,671,138	5,049,275	2,671,936	5,049,118
CURRENT LIABILITIES					
Trade and other payables	13	425,419	496,343	424,679	495,533
TOTAL LIABILITIES		425,419	496,343	424,679	495,533
TOTAL EQUITY AND LIABILITIES		3,096,557	5,545,618	3,096,615	5,544,651

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the Parent Company is not presented as part of these financial statements. The loss dealt with in the accounts of the Parent Company is £2,335,045 (2016: £2,340,586). There is no other Comprehensive Income in the Parent Company.

The financial statements were approved by the Board of Directors on 14 March 2018 and were signed on its behalf by:

....
DP Main – Director

....
JC Lees - Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Issued share capital £	Retained earnings £	Share premium £	Capital contribution reserve £	Total equity £
Balance at 1 January 2016	1,054,518	(11,187,702)	13,317,572	125,000	3,309,388
Changes in equity					
Issue of share capital (net of expenses)	389,372	-	3,617,729	-	4,007,101
Share based payment	-	73,250	-	-	73,250
Total comprehensive income for the year	-	(2,340,464)	-	-	(2,340,464)
Balance at 31 December 2016	1,443,890	(13,454,916)	16,935,301	125,000	5,049,275
Changes in equity					
Share based payment	-	(42,137)	-	-	(42,137)
Total comprehensive income for the year	-	(2,336,000)	-	-	(2,336,000)
Balance at 31 December 2017	1,443,890	(15,833,053)	16,935,301	125,000	2,671,138

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Issued share capital £	Retained earnings £	Share premium £	Capital contribution reserve £	Total equity £
Balance at 1 January 2016	1,054,518	(11,187,737)	13,317,572	125,000	3,309,353
Changes in equity					
Issue of share capital (net of expenses)	389,372	-	3,617,729	-	4,007,101
Share based payment	-	73,250	-	-	73,250
Total comprehensive income for the year	-	(2,340,586)	-	-	(2,340,586)
Balance at 31 December 2016	1,443,890	(13,455,073)	16,935,301	125,000	5,049,118
Changes in equity					
Share based payment	-	(42,137)	-	-	(42,137)
Total comprehensive income for the year	-	(2,335,045)	-	-	(2,335,045)
Balance at 31 December 2017	1,443,890	(15,832,255)	16,935,301	125,000	2,671,936

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Cash flows from operating activities					
Cash used in operations	A	(1,725,967)	(1,748,825)	(1,732,097)	(1,747,873)
Tax received		23,529	79,059	23,529	79,059
Net cash from operating activities		(1,702,438)	(1,669,766)	(1,708,568)	(1,668,814)
Cash flows from investing activities					
Payments for intangible fixed assets		(206,810)	(281,466)	(206,810)	(281,466)
Payments for property, plant and equipment		(46,695)	(23,545)	(46,695)	(23,545)
Interest received		671	3,014	671	3,014
Net cash from investing activities		(252,834)	(301,997)	(252,834)	(301,997)
Cash flows from financing activities					
Share issue (net of expenses)		-	4,007,101	-	4,007,101
Repayment of finance leases		(3,412)	-	(3,412)	-
Net cash from financing activities		(3,412)	4,007,101	(3,412)	4,007,101
(Decrease)/increase in cash and cash equivalents		(1,958,684)	2,035,338	(1,964,814)	2,036,290
Cash and cash equivalents at beginning of year	B	3,711,033	1,675,695	3,710,927	1,674,637
Cash and cash equivalents at end of year	B	1,752,349	3,711,033	1,746,113	3,710,927

NOTES TO THE CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

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

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Loss before income tax	(2,361,268)	(2,363,993)	(2,360,313)	(2,364,115)
Depreciation	47,091	50,053	47,091	50,053
Amortisation charges	512,549	456,298	512,549	456,298
Employee share option costs	(42,137)	73,250	(42,137)	73,250
Finance income	(671)	(3,014)	(671)	(3,014)
Earnings before interest, taxation, depreciation and amortisation	(1,844,436)	(1,787,406)	(1,843,481)	(1,787,528)
Movements in working capital:				
Decrease/(increase) in trade and other receivables	197,679	(184,929)	190,524	(184,061)
(Decrease)/increase in trade and other payables	(79,210)	223,510	(79,140)	223,716
Cash (used in)/generated from operations	(1,725,967)	(1,748,825)	(1,732,097)	(1,747,873)

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 2017	31/12/17	1/1/17	31/12/17	1/1/17
Cash and cash equivalents	1,752,349	3,711,033	1,746,113	3,710,927
Year ended 31 December 2016	31/12/16 £	1/1/16 £	31/12/16 £	1/1/16 £
Cash and cash equivalents	3,711,033	1,675,695	3,710,927	1,674,637

1. ACCOUNTING POLICIES

Company information
Forbidden Technologies plc is a public company limited by shares, incorporated in England and Wales. The registered office is Tuition House, 27-37 St George's Road, Wimbledon, London, SW19 4EU.

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.

Basis of consolidation
The Group financial statements are consolidated in accordance with IFRS 10. It is established under IFRS10 that Forbidden Technologies plc (the parent) controlled the activities of Forbidden Technologies Inc (the subsidiary) up to 31 December 2017 on the basis that the parent is exposed, or has rights, to variable losses or returns from its involvement with the subsidiary and has the ability to affect those losses or returns through its power over the subsidiary. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Going concern
The group incurred a loss after tax for the year of £2,336,000 (2016: loss of £2,340,464). The Group's sales activities are now clearly focused on driving recurring infrastructure sales versus the traditional project-based revenue generated from a large number of production companies and post houses in the UK broadcast post market. This change in sales strategy should result in more predictable and recurring longer-term subscription-based revenue streams with fewer customers and larger contract values. The percentage of total invoiced sales from recurring infrastructure sales in 2017 was 48% versus 28% in 2016.

With the arrival of a new Chief Executive Officer in September, and a refocus of our strategy to infrastructure clients, the Directors are confident that the leadership team is in place again to resume a growth path for the business. The Directors have prepared a budget for reasonable growth and have also prepared a contingent more cautious and prudent profit and loss and cash-flow forecast and business plan reflecting an adjusted cost base and reduced cash burn. Both plans ensure managements' ability to progress the growth of the business, but, with different rates of growth.

The internal sales forecasts are based on forecast of three types of sales – recurring infrastructure sales from existing customers, repeat and new projects from existing customers and new sales from new customers. There are varying risks of achievement of these forecasts by sales type, however the Directors believe that the combination of these forecasts, potential cost management actions, 1st quarter 2018 performance to date and sales pipeline growth demonstrate the business is operationally capable of meeting its obligations as they fall due and are confident they have plans in place to ensure the continuity of the business for at least twelve months. Therefore, the Directors consider that the preparation of the Group financial statements on the going concern basis is appropriate.

New and Revised Standards

Standards in effect in 2017 adopted by the Group

There were no new standards in effect that have had an effect on the financial statements. There have been improvements to standards which provide clarifications rather than substantive changes to requirements.

New and Revised Standards

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, and in some cases have not yet been adopted by the EU. The Company intends to adopt these Standards and Interpretations when they become effective, rather than adopt them early.

- IFRS 9, 'Financial Instruments'
- IFRS 15, 'Revenue from Contracts with Customers'
- IFRS 16 'Leases'
- IFRS 10 and IAS 28 (amendments), 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'
- Amendments to IFRS 2, 'Classification and Measurement of Share-based Payment Transactions'
- Amendments to IAS 7, 'Disclosure Initiative'
- Amendments to IAS 12, 'Recognition of Deferred Tax Assets for Unrealised Losses'

ACCOUNTING POLICIES - continued

The directors do not expect that the adoption of the Standards listed above will have a material impact on the Group in future periods except that IFRS 9 will impact both the measurement and disclosure of financial instruments and IFRS 15 may have an impact on revenue recognition and related disclosures. Beyond this, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 and IFRS 15 until a detailed review has been completed.

IFRS 16 is a significant change to lease accounting and all leases will require balance sheet recognition of a liability and a right-of-use asset except short term leases and leases of low value assets. The effect on the Group is expected to be the recognition of a liability and corresponding asset for the total outstanding lease payments of £86,408 discounted to present value and depreciated over the remaining lease term.

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

The primary source of revenue is in respect of the sale of professional video editing software. The product is sold using a software licensing and delivery model in which the software is licensed on a subscription basis. The subscription or 'usage fee' pays for the licence, usage and support. Invoicing is done in three ways:

- invoiced monthly in arrears.
- user fee subscriptions charged in advance over the duration of a production or event.
- annual or multi-year licences sold to certain customers in addition to the subscriptions charged.

In respect of the Sports segment in which there are some longer-term arrangements, the license, usage and support is un-bundled, invoiced separately, either in advance or phased in arrears, and charged on an annual basis or to reflect the length of an event or season.

In all types of sales transaction described above, revenue is recognised on a straight-line accruals basis over the life of the production, licence, event or season. The other material category of revenue is in respect of the sale of hardware, which is recognised on delivery.

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. In addition, revenue segments utilised internally have been disclosed distinguishing between target market and revenue type.

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 & software	-	50% on cost
Client-facing equipment	-	50% on cost

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

Financial instruments

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

Cash and cash equivalents

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

ACCOUNTING POLICIES - continued

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 and services received, whether or not billed to the Group. The amounts are unsecured, non-interest bearing and are stated at cost.

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

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.

Finance payments associated with financial liabilities are dealt with as part of interest payable and finance lease repayments. 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 does not affect either the accounting or 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; and
- adequate resources exist for the project to be completed.

In such circumstances the costs are carried forward. Development costs are carried forward in three categories; development of the underlying infrastructure which is amortised over ten years, development of professional products, which is amortised over five years; and development of consumer products and business applications derived from these products which is amortised over three years. The periods of amortisation for each of the categories has been calculated to reflect the relative speed of change in technology and market anticipated in each of the categories, and to reflect the periods of enhanced economic benefit to the Group as it moves into its growth phase. In each case amortisation takes place on a straight-line basis, starting from the date at which the product is available for use.

ACCOUNTING POLICIES – continued

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.

Carrying value of the intangible asset
The carrying value of the intangible asset of £1,038,095 comprises development costs capitalised on the basis described in the accounting policy note on page 27. These costs are amortised over the periods of enhanced benefit to the Group as it moves into growth phase, from when the product is made available for use. The Board have conducted an impairment review with a view to identifying any redundancy and to ensure that the intangible is recoverable through the profit and loss account within a reasonable time-frame, and is fully amortised by the time there are no future economic benefits expected to arise from its use or disposal. The Board have concluded that no impairment of the asset is required.

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.

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

	2017 £	2016 £
UK	599,803	621,216
North America	142,517	120,665
Rest of World	16,515	32,944
Total	758,835	774,825

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:

2. **SEGMENTAL REPORTING – continued**

	2017 £	2016 £
Broadcast Post Production	426,548	448,120
Sport	250,541	246,520
News	35,565	45,747
eSports	15,000	-
Other	31,181	34,438
Total	758,835	774,825

In addition by revenue type:	2017 £	2016 £
Usage fees	467,471	549,679
License fees	216,339	100,238
Hardware	38,383	76,375
Support	36,642	47,883
Other	-	650
Total	758,835	774,825

During the year, sales to one customer accounted for more than 10% of the total turnover. Total sales to this customer amounted to £139,500.

3. **EMPLOYEES AND DIRECTORS**

	2017 £	2016 £
Wages and salaries	1,487,027	1,471,428
Social security costs	171,507	169,268
	1,658,534	1,640,696

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

	2017 £	2016 £
Wages and salaries	1,337,824	1,273,143
Social security costs	154,299	146,508
	1,492,123	1,419,651

3. EMPLOYEES AND DIRECTORS - continued

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

	2017	2016
Directors	3	4
Research and development	5	7
Sales	5	3
Customer support	6	3
Marketing and product design	3	6
Admin and finance	1	2
	23	25

Directors' and key management personnel remuneration

	2017	2016
	£	£
SB Streater	102,587	122,300
DP Main	91,514	35,833
JC Lees	102,441	104,167
AM Musa	41,294	142,742
JH Cowan	-	108,736
JS Irving	20,861	20,000
A Bentley	21,858	20,000
I McDonough	83,876	-
	464,431	553,778

During the year termination benefits of £20,000 (2016: £nil) were paid to key management personnel.

4. OPERATING LOSS

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

	2017	2016
	£	£
Operating leases	(65,800)	(77,512)
Foreign exchange differences	(8,352)	4,077
Research and development	(204,672)	(212,269)
Auditor's remuneration	(26,481)	(23,954)
Auditor's remuneration – non audit – taxation	(1,700)	(3,500)
Auditor's remuneration – non audit – all other services	(4,273)	(8,921)
Earnings before interest, taxation, depreciation and amortisation	(1,844,436)	(1,787,406)
Depreciation – owned assets	(47,091)	(50,053)
Development costs amortisation	(512,549)	(456,298)
Employee share option costs	42,137	(73,250)
Operating loss (before interest and taxation)	(2,361,939)	(2,367,007)

5. NET FINANCE INCOME

	2017 £	2016 £
Finance income:		
Deposit account interest	671	3,014
Finance costs:		
Other interest payable	-	-
Net finance income	671	3,014

6. INCOME TAX

	2017 £	2016 £
Current tax:		
Tax credit	25,268	23,529
Total tax credit in income statement	25,268	23,529

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:

	2017 £	2016 £
Loss on ordinary activities before tax	(2,360,313)	(2,364,115)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.25% (2016 – 20%)	(454,360)	(472,823)
Effects of:		
Expenses not deductible for tax	2,372	1,754
Depreciation in excess of capital allowances	(1,654)	5,014
UK Tax losses	416,611	373,595
Additional relief for R&D expenditure	(18,960)	(18,344)
Effect of tax rate on credit	-	8,925
Timing difference on capitalised development costs	38,834	63,700
Employee share option cost	(8,111)	14,650
Total income tax	(25,268)	(23,529)

6. **INCOME TAX - continued**

Tax effects relating to effects of other comprehensive income

	2017		
		£	
	Gross	Tax	Net
Employee share option income/(cost)	42,137	-	42,137
	42,137	-	42,137

		2016	
	Gross	Tax	Net
Employee share option income/(cost)	(73,250)	-	(73,250)
	(73,250)	-	(73,250)

UK Tax losses of approximately £14,600,000 (2015: £12,600,000) are available to relieve against future profits of the Company.

Unrecognised deferred tax assets	2017 £	2016 £
Depreciation in excess of capital allowances	141	1,185
Tax losses carried forward	2,826,922	2,540,457
	2,827,063	2,541,642

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.

	2017	2016
Loss attributable to equity holders of the company (£)	(2,336,000)	(2,340,464)
Weighted average number of ordinary shares in issue	180,486,199	143,364,510
Basic earnings per share (pence per share)	(1.29p)	(1.63p)

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

	2017	2016
Loss used to determine diluted earnings per share (£)	(2,336,000)	(2,340,464)
Weighted average number of ordinary shares in issue	180,486,199	143,364,510
Share options	13,630,000	13,065,000
Weighted average number of ordinary shares used to determine diluted earnings per share	194,116,199	156,429,510
Diluted earnings per share (pence per share)	(1.20p)	(1.50p)

As can be seen from the above table for both years 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

For the Group and Parent Company

	2017	2016
COST	£	£
At beginning of year	2,654,701	2,373,235
Additions	206,810	281,466
At end of year	2,861,511	2,654,701
AMORTISATION		
At beginning of year	1,310,867	854,569
Amortisation for year	512,549	456,298
At end of year	1,823,416	1,310,867
NET BOOK VALUE AT END OF YEAR	1,038,095	1,343,834

9. **PROPERTY, PLANT AND EQUIPMENT**
For the Group

	Leasehold improvements	Fixtures and fittings	Computer Equipment & Software	Client-facing IT equipment	Totals
COST	£	£	£	£	£
At 1 January 2017	90,778	62,175	326,933	210,758	690,644
Additions	9,560	-	31,013	17,820	58,393
At 31 December 2017	100,338	62,175	357,946	228,578	749,037
DEPRECIATION					
At 1 January 2017	53,079	59,605	319,727	209,785	642,196
Charge for year	20,068	2,570	17,555	6,898	47,091
At 31 December 2017	73,147	62,175	337,282	216,683	689,287
NET BOOK VALUE					
At 31 December 2017	27,191	-	20,664	11,895	59,750
At 31 December 2016	37,699	2,570	7,206	973	48,448

	Leasehold improvements	Fixtures and fittings	Computer equipment & Software	Client-facing IT equipment	Totals
COST	£	£	£	£	£
At 1 January 2016	87,729	58,036	312,524	208,810	667,099
Additions	3,049	4,139	14,409	1,948	23,545
At 31 December 2016	90,778	62,175	326,933	210,758	690,644
DEPRECIATION					
At 1 January 2016	35,092	58,036	308,980	190,035	592,143
Charge for year	17,987	1,569	10,747	19,750	50,053
At 31 December 2016	53,079	59,605	319,727	209,785	642,196
NET BOOK VALUE					
At 31 December 2016	37,699	2,570	7,206	973	48,448
At 31 December 2015	52,637	-	3,544	18,775	74,956

Included in computer equipment are assets under finance leases which had a net book value of £8,773 (2016: £nil). Depreciation charged on these assets was £2,925 (2016: £nil).

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 2017	90,778	62,175	326,933	210,758	690,644
Additions	9,560	-	31,013	17,820	58,393
At 31 December 2017	100,338	62,175	357,946	228,578	749,037
DEPRECIATION					
At 1 January 2017	53,079	59,605	319,727	209,785	642,196
Charge for year	20,068	2,570	17,555	6,898	47,091
At 31 December 2017	73,147	62,175	337,282	216,683	689,287
NET BOOK VALUE					
At 31 December 2017	27,191	-	20,664	11,395	59,750
At 31 December 2016	37,699	2,570	7,206	973	48,448

	Leasehold improvements	Fixtures and fittings	Computer equipment	Client-facing IT equipment	Totals
COST	£	£	£	£	£
At 1 January 2016	87,729	58,036	312,524	208,810	667,099
Additions	3,049	4,139	14,409	1,948	23,545
At 31 December 2016	90,778	62,175	326,933	210,758	690,644
DEPRECIATION					
At 1 January 2016	35,092	58,036	308,980	190,035	592,143
Charge for year	17,987	1,569	10,747	19,750	50,053
At 31 December 2016	53,079	59,605	319,727	209,785	642,196
NET BOOK VALUE					
At 31 December 2016	37,699	2,570	7,206	973	48,448
At 31 December 2015	52,637	-	3,544	18,775	74,956

Included in computer equipment are assets under finance lease which had a net book value of £8,773 (2016: £nil). Depreciation charged on these assets was £2,925 (2016: £nil).

10. **INVESTMENTS**

Investments comprise 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. The company is not currently trading. The cost of investment was £641.

11. TRADE AND OTHER RECEIVABLES

For the Group

Current:	2017 £	2016 £
Trade debtors	138,317	297,621
Less: provision for doubtful receivables	(3,000)	(7,000)
Trade debtors net of provision for doubtful receivables	135,317	290,621
Other debtors	25,718	35,525
Accrued income	6,324	6,324
Prepayments	53,736	86,304
	221,095	418,774

Included in other debtors is a rental deposit of £19,175 (2016: £19,175) which is subject to a charge. Included within trade debtors are balances totalling £2,964 (2016: £10,682) which are beyond agreed credit terms but are not subject to impairment.

For the Parent Company

Current:	2017 £	2016 £
Trade debtors	138,317	297,622
Less: provision for doubtful receivables	(3,000)	(7,000)
Trade debtors net of provision for doubtful receivables	135,317	290,622
Other debtors	25,718	28,855
Amount owed by group undertaking	5,653	5,167
Accrued income	6,324	6,324
Prepayments	53,736	86,304
	226,748	417,272

Included in other debtors is a rental deposit of £19,175 (2016: £19,175) which is subject to a charge. Included within trade debtors are balances totalling £2,964 (2016: £10,682) which are beyond agreed credit terms but are not subject to impairment.

12. CALLED UP SHARE CAPITAL

	2017 £	2016 £
Authorised:		
200,000,000 ordinary shares of 0.8p each (2016: 200,000,000 ordinary shares of 0.8p each)	1,600,000	1,600,000
Allotted, called up and fully paid:		
180,486,199 ordinary shares of 0.8p each	1,443,890	1,443,890

During the year the Company issued 5,610,000 (2016 – 1,950,000) share options under the terms of the share option schemes. The total share options outstanding as at 31 December 2017 was 13,630,000 (2016: 13,065,000).

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

	Class of share	31/12/2017	31/12/2016
SB Streater	Ordinary shares of 0.8 pence	250,000	-
DP Main	Ordinary shares of 0.8 pence	1,445,000	945,000
JC Lees	Ordinary shares of 0.8 pence	1,320,000	1,070,000
I McDonough	Ordinary shares of 0.8 pence	2,000,000	-
JS Irving	Ordinary shares of 0.8 pence	400,000	200,000
A Bentley	Ordinary shares of 0.8 pence	400,000	200,000

13. TRADE AND OTHER PAYABLES

For the Group

	2017 £	2016 £
Current:		
Trade creditors	118,610	91,526
Social security and other taxes	62,815	63,011
Finance lease	8,286	-
Other creditors	-	2,681
Deferred income	146,389	270,321
Accruals	89,319	68,804
	425,419	496,343

13. TRADE AND OTHER PAYABLES – continued

For the Parent Company

Current:	2017 £	2016 £
Trade creditors	118,610	91,526
Social security and other taxes	62,815	63,011
Finance lease	8,286	-
Other creditors	-	2,681
Deferred income	146,389	270,321
Accruals	88,579	67,994
	424,679	495,533

14. LEASING AGREEMENTS

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

	2017 £	2016 £
In the next 12 months	65,800	78,725
Between one and five years	20,608	86,408

Minimum lease payments under a finance lease fall due as follows:

	2017 £	2016 £
In the next 12 months	5,844	nil
Between one and five years	2,442	nil

15. 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. The fair value of the financial assets and financial liabilities are not materially different from their carrying values.
Further details of the Board’s assessment of its risks are included in the strategic report on pages 8 and 9.

16. RELATED PARTY DISCLOSURES

Salary amounting to £7,000 (2016: £3,622) was paid to L Musa employed as marketing executive from 13 October 2016, the wife of AM Musa, a director of the company until his resignation on 22 February 2017.

17. ULTIMATE CONTROLLING PARTY

At 31 December 2017 there was no ultimate controlling party of the Company.

18. SHARE-BASED PAYMENT TRANSACTIONS

For the Group and Parent Company

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. The Directors are permitted to determine that options which might otherwise lapse may remain exercisable for a period up to 10 years from the date of grant. This confers discretion on the Directors to agree extended dates for exercise of options in certain limited circumstances, where the option-holder would otherwise cease to be eligible to exercise the options, if the Directors consider it to be in the best interests of the Company to do so. 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 31/12/2017	Number of shares for which rights are exercisable at 31/12/2016
Non-tax advantaged				
0.135	27/07/2007	27/07/2010-26/07/2017	-	65,000
0.085	18/06/2008	18/06/2011-17/06/2018	205,000	205,000
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				
0.135	27/07/2007	27/07/2010-26/07/2017	-	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	-	200,000
EMI				
0.245	12/05/2012	12/05/2015-11/05/2022	540,000	715,000
0.26	20/08/2012	20/08/2015-19/08/2022	285,000	335,000
0.275	25/04/2013	25/04/2016-24/04/2023	325,000	400,000
0.255	25/07/2013	25/07/2016-24/07/2023	1,025,000	1,175,000
0.215	25/04/2014	25/04/2017-24/04/2024	725,000	850,000
0.225	19/05/2014	19/05/2017-18/05/2024	-	100,000
0.19	23/09/2014	23/09/2017-22/09/2024	535,000	680,000
0.0825	11/05/2015	11/05/2018-10/05/2025	240,000	1,440,000
0.09	25/06/2015	25/06/2018-24/06/2025	500,000	500,000
0.05875	18/11/2015	18/11/2018-17/11/2025	975,000	2,075,000
0.085	07/06/2016	07/06/2019-06/06/2026	1,040,000	1,920,000
0.06	31/03/2017	31/03/2020-30/03/2027	2,600,000	-
0.05375	15/09/2017	15/09/2020-14/09/2027	2,250,000	-

SHARE-BASED PAYMENT TRANSACTIONS – Continued

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

	2017 Weighted average exercise price (£)	2017 Number of options	2016 Weighted average exercise price (£)	2016 Number of options
Outstanding at the beginning of the period	0.154	13,065,000	0,166	12,432,500
Granted during the period	0.057	5,610,000	0.085	1,950,000
Forfeited during the period	0.101	4,960,000	0.144	850,000
Exercised during the period	-	-	0.085	100,000
Lapsed during the period	0.135	85,000	0.23	367,500
Outstanding at the end of the period	0.134	13,630,000	0.154	13,065,000
Exercisable at the end of the period	0.222	6,025,000	0.224	5,500,000

The options outstanding at the year end have an exercise price in the range of £0.05375 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:

	2017	2016
Expected volatility (expressed as % used in the modelling under Black-Scholes model)	92.80%	85.41%
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)	1.17%	1.18%
Weighted average fair value of options granted	£0.0373	£0.0524
Weighted average share price	£0.056875	£0.085
Exercise price	£0.056875	£0.085

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 (credit)/ expense recognised for the period arising from share-based payments are as follows:

	2017	2016
	£	£
Equity settled share based (credits)/payments	(42,137)	73,250