Dissemination of a Regulatory Announcement that contains inside information according to REGULATION (EU) No 596/2014 (MAR)

14 September 2017

# Forbidden Technologies plc

## (“Forbidden” or the “Company”)

## Interim results

Forbidden Technologies plc (AIM: FBT) announces its interim results for the six months ended 30 June 2017.

### Financial highlights

- Invoiced sales of £355k (6 months to 30 June 2016: £445k)
- Revenues of £316k (6 months to 30 June 2016: £327k)
- Deferred revenue increased by 74 per cent. to £262k (6 months to 30 June 2016: £150k)
- Contracted orders, including deferred revenue not recognised, of £587k up 67 per cent. from £351k at 30 June 2016
- Operating costs of £1,190k (6 months to 30 June 2016 £1,323k)
- Reduced EBITDA loss of £930k (6 months to 30 June 2016: £1,041k)
- Net loss before tax reduced to £1,166k (6 months to 30 June 2016: £1,313k)
- Year on year operational spend, including capital expenditure, reduced by £182k
- Liquid funds of £2,769k at 30 June 2017 (31 December 2016: £3,711k)

### Operational highlights

- Increase in longer-term, higher value licensing contracts reflected in higher deferred revenue and stronger order book
- Two multi-year deals with Deltatre, and a deal with Gfinity plc, our first client in the rapidly growing market of eSports, demonstrating increasing traction in sports video solutions and expansion into new markets
- Blackbird 9 launched to strengthen the value of the Forscene video platform to our customers, improving the user experience

### Post Period End Highlights

- Appointed experienced media and growth company specialist Ian McDonough as CEO on 1 September, filling the vacant position
- Growth in commercial capacity through the hiring of a new Sales Director in July, and increased North American sales capacity through a reseller agreement with F2 Technologies in Canada, signed in July
- New business agreed with major North American broadcaster and sports right holder
- Strategic move from Java to JavaScript as a core technology

### David Main, Forbidden Technologies Chairman, commented:

*“We started 2017 with a larger pipeline of business than at the beginning of 2016 and with an increased focus on the live market versus the traditional broadcast market. Whilst this pipeline has larger deal sizes than before, it is characterised by a slower conversion rate. Consequently, while we have seen an increase in deferred revenue and contracted order book not yet recognised in revenue, we have seen a slow-down in invoiced sales in the first half.*

*“Our commercial capacity was certainly impacted by the resignation of Aziz Musa as Director and Chief Executive Officer in February, since he was primarily focused on global sales.  After a period of six months where the Company focused on identifying a suitable successor, I am delighted that Ian McDonough has joined the Company as Chief Executive Officer. Ian brings a wealth of experience and a strong track-record of delivering growth in the global media sector.  He adds real strength to our commercial capabilities with significant international experience, extensive broadcast and OTT experience and a strong record of commercialising innovative solutions.*

*“We are confident that we now have the commercial leadership in place to resume a growth path for the business.”*

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About Forbidden Technologies plc

Forbidden Technologies plc (AIM: FBT, www.forbidden.co.uk) floated in February 2000.
The Company develops, markets and licenses a powerful cloud video platform, with multiple applications, which can be used by rights holders, broadcasters, sports and news video specialists, post-production houses, other mass market digital video channels, corporates and consumers. The platform helps provide customers visibility on all their content and more effectively monetise their content, including improving their time to market for live digital content such as clips and highlights packages for social media.

Websites:
www.forbidden.co.uk
www.forscene.com

Social media:
www.facebook.com/FORscene
www.plus.google.com/+Forscenepro/posts
www.linkedin.com/company/forscene
www.twitter.com/forscenepro
www.youtube.com/user/ForsceneTraining

## Chairman’s Statement

Having spent the previous year restructuring the organisation to be more commercially focused, and repositioning Forscene as a single B2B platform, we have concentrated on adjusting our commercial focus, in line with market opportunities, to scale our business. This adjustment has included adding the licensing of Forscene as a core component of our service offering for broadcasters and OTT companies who are looking to add cloud capabilities to their core media production infrastructure.

Our partnership with Deltatre continued to expand, helping the company to increase its presence in North America and deliver a superior digital sport solution. The Forscene video platform enables Deltatre to extend its digital video services across a range of clients and sports categories for live and on demand content.

Our commercial strategy has evolved during the period, leading to an expansion of Forscene’s target audience into new high value segments including eSports. The licensing of Forscene by Gfinity plc marked our debut in this high growth sector which demands faster publishing of live events into social media and strong solutions for increasing fan engagement. This demonstrates the new commercial opportunities for Forscene in respect of helping companies interact with their fan base through the use of video in social media and archived video content.

Since June, we have continued to make commercial progress, including securing a contract with F2 Technologies, a provider of IP-based solutions that bring digital content to market, to act as a value-added reseller in Canada, and we increased our US sales capacity by adding resource at Bridge Digital, our US reseller. In addition, we have announced a paid for pilot with a major North American broadcaster and sports rights holder and expanded our digital clipping coverage with our New York sporting venue client.

At the beginning of July, we further increased our global commercial capacity through the hiring of a Sales Director, Rachel Darcy, who is responsible for all global regions excluding North America. Rachel, most recently at Redcentric plc, brings sales management expertise, a strong knowledge of cloud services and a track-record of delivering against sales targets whilst launching new products.

In late August, we announced our first JavaScript implementation. JavaScript opens up the ease of use of our solutions and extends the user base and value of our solution within each customer. We believe this will help establish Forscene as a core infrastructure component for many broadcasters and OTT companies, demonstrating another strength of the Forscene service offering.

Finally, at the beginning of September, we significantly strengthened our team with the hiring of Ian McDonough as the Company's new CEO. Following the resignation of Aziz Musa in February, the Company has been operating without a full time CEO role for six months. Whilst the Company has been able to secure new contracts and expand the business, it has not achieved the level of growth it would have with a full time CEO. Ian McDonough is a highly commercial and entrepreneurial leader with a strong record of delivering growth, most recently at Turner (formerly Turner Broadcasting), BBC Worldwide, and A&E Networks Europe. Ian adds real strength to our commercial capabilities with significant experience in the global media industry that will help us drive further growth.

## Financial

Our key growth metric of invoiced sales was down 20% to £355k for the six-month period ending 30 June 2017 versus £445k in the corresponding period last year.

Revenue earned in the period from invoiced sales was down 3% to £316k for the six-month period ending 30 June 2017 versus £327k in the corresponding period last year. Deferred revenue on the balance sheet to be earned in future accounting periods was up 74% to £262k compared to £150k at 30 June 2016. Deferred revenue is stated net of a 50% provision against the value of the Atos training contract which was invoiced at the end of 2016. The delivery of the training services by Atos has been delayed by their client and may result in a revision to their budget. No revenue has been recognised for this contract to date.

After cost of sales, which in 2017 includes a higher cost for external support in North America, the gross profit generated in the period of £260k continued to produce a high gross margin of 82.3%, compared to 86.5% in the corresponding period last year. Operating costs were £1,190k (30 June 2016: £1,323k), net of capitalised development costs of £103k (2016: £177k). The EBITDA loss for the period was £930k (30 June 2016: £1,041k) and the loss for the period was £1,166k (30 June 2016: £1,313k).

Cash used in operations in the period was £825k (30 June 2016: £965k). The Company had liquid funds of £2,769k at 30 June 2017 (31 December 2016: £3,711k).

## Future Outlook

We start the second half with contracted orders including deferred revenue of £587k up from £351k at 30 June 2016. In addition, we have a larger more experienced sales team led by both a Chief Executive Officer and a Sales Director for the first time since September 2016.

The recent deals, including in the eSports market with Gfinity plc and the expansion with Deltatre, demonstrate the commercial opportunities available to the Company with Forscene. The JavaScript implementation should establish Forscene as a core component for many broadcasters and OTT companies, and with a larger and focused sales strategy, the Board and management team are confident that we have the commercial leadership, platform, capabilities and funding in place to establish a growth path for the business.

**UNAUDITED AND CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2017**

| | Unaudited Half year to 30 June 2017 | Unaudited Half year to 30 June 2016 | Audited Year to 31 December 2016 |
|---|---|---|---|
| | £ | £ | £ |
| **CONTINUING OPERATIONS** | | | |
| Revenue | 316,349 | 326,898 | 774,825 |
| Cost of Sales | (56,026) | (44,145) | (120,790) |
| **GROSS PROFIT** | 260,323 | 282,753 | 654,035 |
| Operating costs | (1,190,336) | (1,323,258) | (2,441,441) |
| **EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION AND AMORTISATION** | (930,013) | (1,040,505) | (1,787,406) |
| Depreciation | (19,474) | (24,978) | (50,053) |
| Amortisation | (254,785) | (208,700) | (456,298) |
| Employee share option costs | 37,655 | (41,003) | (73,250) |
| | (236,604) | (274,681) | (579,601) |
| **OPERATING LOSS** | (1,166,617) | (1,315,186) | (2,367,007) |
| Finance income | 160 | 1,705 | 3,014 |
| **LOSS BEFORE INCOME TAX** | (1,166,457) | (1,313,481) | (2,363,993) |
| Income Tax | - | - | 23,529 |
| **LOSS FOR THE PERIOD** | (1,166,457) | (1,313,481) | (2,340,464) |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | (1,166,457) | (1,313,481) | (2,340,464) |
| Earnings per share expressed in pence per share: | | | |
| Basic – continuing and total operations | (0.65p) | (0.97p) | (1.63p) |

## UNAUDITED AND CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## 30 JUNE 2017

| | Unaudited at 30 June 2017 £ | Unaudited at 30 June 2016 £ | Audited at 31 December 2016 £ |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Intangible assets | 1,192,376 | 1,486,690 | 1,343,834 |
| Property, plant and equipment | 73,154 | 62,225 | 48,448 |
| | 1,265,530 | 1,548,915 | 1,392,282 |
| **CURRENT ASSETS** | | | |
| Inventories | - | 6,788 | - |
| Trade and other receivables | 372,815 | 303,466 | 418,774 |
| Tax receivable | - | - | 23,529 |
| Cash and cash equivalents | 2,768,870 | 1,802,770 | 3,711,033 |
| | 3,141,685 | 2,113,024 | 4,153,336 |
| **TOTAL ASSETS** | 4,407,215 | 3,661,939 | 5,545,618 |
| **EQUITY** | | | |
| **SHAREHOLDERS' EQUITY** | | | |
| Called up share capital | 1,443,890 | 1,203,890 | 1,443,890 |
| Share premium | 16,935,301 | 14,368,893 | 16,935,301 |
| Capital contribution reserve | 125,000 | 125,000 | 125,000 |
| Retained earnings | (14,659,028) | (12,460,180) | (13,454,916) |
| **TOTAL EQUITY** | 3,845,163 | 3,237,603 | 5,049,275 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 562,052 | 424,336 | 496,343 |
| **TOTAL LIABILITIES** | 562,052 | 424,336 | 496,343 |
| **TOTAL EQUITY AND LIABILITIES** | 4,407,215 | 3,661,939 | 5,545,618 |

**UNAUDITED AND CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE SIX MONTHS ENDED 30 JUNE 2017**

| | Called up share capital £ | Share premium £ | Capital contribution reserve £ | Retained earnings £ | Total equity £ |
|---|---|---|---|---|---|
| **Balance at 1 January 2016** | 1,054,518 | 13,317,572 | 125,000 | (11,187,702) | 3,309,388 |
| **Changes in equity** | | | | | |
| Issue of share capital | 149,372 | 1,051,321 | - | - | 1,200,693 |
| Share based payment | - | - | - | 41,003 | 41,003 |
| Total comprehensive income | - | - | - | (1,313,481) | (1,313,481) |
| **Balance at 30 June 2016** | 1,203,890 | 14,368,893 | 125,000 | (12,460,180) | 3,237,603 |
| **Changes in equity** | | | | | |
| Issue of share capital | 240,000 | 2,566,408 | - | - | 2,806,408 |
| Share based payment | - | - | - | 32,247 | 32,247 |
| Total comprehensive income | - | - | - | (1,026,983) | (1,026,983) |
| **Balance at 31 December 2016** | 1,443,890 | 16,935,301 | 125,000 | (13,454,916) | 5,049,275 |
| **Changes in equity** | | | | | |
| Share based payment | - | - | - | (37,655) | (37,655) |
| Total comprehensive income | - | - | - | (1,166,457) | (1,166,457) |
| **Balance at 30 June 2017** | 1,443,890 | 16,935,301 | 125,000 | (14,659,028) | 3,845,163 |

## UNAUDITED AND CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE SIX MONTHS ENDED 30 JUNE 2017

| | Unaudited Half year to 30 June 2017 | Unaudited Half year to 30 June 2016 | Audited Year to 31 December 2016 |
|---|---|---|---|
| | £ | £ | £ |
| **EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION AND AMORTISATION** | (930,013) | (1,040,505) | (1,787,406) |
| Decrease/(increase) in trade and other receivables | 50,709 | (69,623) | (184,929) |
| Increase in inventories | - | (6,788) | - |
| Increase in trade and other payables | 54,498 | 151,505 | 223,510 |
| **CASH USED IN OPERATIONS** | (824,806) | (965,411) | (1,748,825) |
| Tax received | 23,529 | 79,059 | 79,059 |
| **NET CASH FROM OPERATING ACTIVITIES** | (801,277) | (886,352) | (1,669,766) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of intangible fixed assets | (103,327) | (176,724) | (281,466) |
| Purchase of tangible fixed assets | (37,232) | (12,247) | (23,545) |
| Interest received | 160 | 1,705 | 3,014 |
| **NET CASH FROM INVESTING ACTIVITIES** | (140,399) | (187,266) | (301,997) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Share issue (net of expenses) | - | 1,200,693 | 4,007,101 |
| Repayment of finance lease | (487) | - | - |
| **NET CASH FROM FINANCING ACTIVITIES** | (487) | 1,200,693 | 4,007,101 |
| (Decrease)/increase in cash and cash equivalents | (942,163) | 127,075 | 2,035,338 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD** | 3,711,033 | 1,675,695 | 1,675,695 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | 2,768,870 | 1,802,770 | 3,711,033 |

**NOTES TO THE UNAUDITED AND CONDENSED CONSOLIDATED INTERIM ACCOUNTS**
**FOR THE SIX MONTHS ENDED 30 JUNE 2017**

## 1. Basis of preparation and accounting policies

These interim statements have been prepared on a basis consistent with International Financial Reporting Standards (IFRS). They do not contain all of the information required for full financial statements, and should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended 31 December 2016. These interim financial statements do not constitute statutory accounts within the meaning of the Companies Act.

The interim financial information has not been audited. The interim financial information was approved by the Board of Directors on 13 September 2017. The information for the year ended 31 December 2016 is extracted from the statutory financial statements for that year which have been reported on by the Group's auditors and delivered to the Registrar of Companies. The audit report was unqualified and did not contain a statement under s498 (2) or 498(3) of the Companies Act 2006.

The accounting policies applied by the Company in these interim financial statements are the same as those applied by the Company in its financial statements for the year ended 31 December 2016.