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ANNUAL REPORT AND

CONSOLIDATED FINANCIAL STATEMENTS

OF

FORBIDDEN TECHNOLOGIES plc

FOR THE YEAR ENDED

31 DECEMBER 2018

CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

COMPANY INFORMATION

DIRECTORS:	SB Streater DP Main JC Lees I McDonough JS Irving A Bentley
SECRETARY:	MC Kay
REGISTERED OFFICE:	Tuition House 27 – 37 St George's Road Wimbledon London SW19 4EU
REGISTERED NUMBER:	03507286 (England and Wales)
AUDITORS:	Kingston Smith LLP Statutory Auditor Chartered Accountants Devonshire House 60 Goswell Road London EC1M 7AD
SOLICITORS:	Blake Morgan 6 New Street Square London EC4A 3DJ
NOMINATED ADVISER AND BROKER:	Allenby Capital Limited 5 St Helen’s Place London EC3A 6AB

Executive summary

2018 was an exciting year involving the full transition of our business to ensure we can deliver against our focused strategy. Our strategic focus is to not only be a key component in our end customers technology stacks but also to be a vital component in the technology stacks of solutions providers (OEMs), particularly in the US. This focus will increase repeatable revenues per client. The Board believes our successful and oversubscribed net equity fundraising of £5,441,271 in the summer means we can successfully execute this strategy.

The transition has been led by Ian McDonough, CEO, who joined us in September 2017, and involved four core activities:

First, in April 2018 we consolidated all our products and services under the Blackbird brand. We now have Blackbird Edge, Blackbird Ascent and Blackbird Forte.

Second, we transitioned our products and services from Java to JavaScript. JavaScript allows access and use of Blackbird products on virtually any device without configuration. This transition is significant as configuration has been one of the big obstacles to adoption of our services. Rolling out JavaScript applications is essential for delivering a successful OEM strategy.

Third, we have made significant changes to our management team to better align the business with the Company's ambitions. This has included an overhaul of the sales team. We have brought in individuals with more in-depth market knowledge and contacts, in particular to deliver our stated goal of establishing a significant presence in North America.

Finally, and linked to the above three points, we have started to create momentum in our sales growth by building a Software as a Service ("SaaS") style business with repeatable revenues per client.

Our results for the year show the early outcomes of these activities. The Company recorded growth in revenues of 15% to £870,310 (2017: £758,835). This was on the back of a 34% growth in invoiced sales to £960,606 (2017: £714,903). We also doubled the size of our North American business, which now comprises 25% of our total invoiced sales. Invoiced sales is how we measure the performance of the sales and marketing team. It is a better indicator of the success of our commercial activity than revenue presented in the Income Statement as revenue is deferred over the length of the contract. Our revenue mix has also improved to 53% of revenues from recurring infrastructure sales from just 28% in 2016 and 48% in 2017.

Finally, we finished the year with an EBITDA loss of £1,993,284 (2017: loss of £1,844,436), not materially different from the prior year despite a substantial upgrading of the sales and management team.

The Board believes that the Company is now well positioned to grow and succeed in the large, high-growth, cloud video market. We have put the core organisation, technology and capabilities in place and have started to build growth momentum.

Introduction to Forbidden Technologies

Forbidden Technologies plc is the AIM-listed developer of Blackbird. Blackbird is a cloud-based video post-production and publishing platform. Blackbird has helped its users convert over 8 million hours of professionally shot video content into edited videos for broadcast and digital distribution. The platform and its applications are based around Blackbird's flexible and light-weight video codec. This results in a workstation experience in the cloud.

The Blackbird platform helps customers to increase audience engagement and the value of time-sensitive content by (i) reducing the time from content creation to viewing, (ii) efficiently creating multiple uses of content through better accessibility and searchability, and (iii) reducing the cost of scaling media capabilities and realising the benefits that cloud solutions can provide. Specific applications include enabling:

- Sports broadcasters and rights holders to engage more effectively with their viewers by allowing them to provide clips and highlights packages during events, faster than ever before. Our Emmy-nominated workflow with MSG Networks across live NBA and NHL games, published directly to its digital media outlets, exemplifies this.
- Production houses and post-production houses to rapidly access and remotely capture, log, edit and review their content. Our applications speed up the post-production process, saving time and money. For example, our deep integration with Envy Post which uses Blackbird on high profile shows such as Gold Rush and Gogglebox.
- Over the Top ("OTT") or Subscription Video on Demand ("SVOD") customers or any company dealing with large volumes of video, either on one site or multi-site, to improve audience engagement. Blackbird allows content creators access to advanced tools so they can collaborate in real time effectively and efficiently in the Cloud to turn video around ready for publication. Our recent deal with Peloton is an excellent example of this. Fitness classes are edited and certain aspects personalised depending upon users' tastes.

Introduction to Forbidden Technologies - continued

- News media groups to rapidly adjust their news content for regional audiences. TownNews provide this particular Blackbird service to their customers and successfully rolled it out to 17 Meredith Corporation local news networks and several Block Communications networks in 2018.

Consolidated income statement and consolidated statement of financial position

In the year ended 31 December 2018, the Group recorded revenue of £870,310 (2017: £758,835), which represented an increase of 15% year on year. Revenue, for income statement purposes, was derived from invoiced sales of £960,606 up 34% from £714,903 in 2017. Deferred revenue increased year on year by 57% to £230,361 from £146,389 at 31 December 2017, while the contracted order book (to be invoiced in future periods) increased year on year by 40% to £335,743 from £239,050 as at 31 December 2017.

Operating costs during the year to 31 December 2018 were up 12% to £2,738,515 compared to £2,452,158 in the corresponding period in 2017. This increase was primarily the result of increased investment in North America through higher ongoing customer-facing consulting fees, one-off severance costs, and one-off marketing costs relating to the rebranding and launch of Blackbird.

Total operating spend in the year was up 11% to £3,010,869 compared to £2,705,663 in the corresponding period in 2017. Operating spend includes capitalised expenditure of £272,354 (2017: £253,505). The loss before interest, taxation, depreciation and amortisation was £1,993,284 (2017: £1,844,436). The net loss for the year of £2,574,618 compares to a loss of £2,336,000 in 2017.

In June 2018 the Company successfully raised new net equity funds of £5,441,271. The Group is debt-free and had cash at 31 December 2018 of £5,032,087 in comparison to a balance as at 31 December 2017 of £1,752,349.

Board change

In October 2018, we announced the creation of a new board role of Chief Operating and Financial Officer. Stephen White who is currently VP Finance at Comcast's NBC Universal's Networks Division has been appointed to the role. He is expected to join the Board in early April 2019. I would like to thank Jonathan Lees who is stepping down from the Board after five years, and serving as Finance Director for four of them, for his hard work including improving our financial management and reporting capabilities and managing our successful fundraising.

Blackbird platform development

The core focus of our development efforts is to support the continuous improvement of Blackbird around our infrastructure and OEM strategy. This focus combines improving performance, adding new functionality, increasing the ease of adoption and upgrading the user interface. Integral to this has been the shift of our web applications to JavaScript.

Also, we are committed to maintaining the superiority of our video production codec including working on the next generation of our Blackbird codec. Furthermore, we are ensuring that Blackbird can be integrated with third party functionality such as Artificial Intelligence ("AI") and data-feeds. Our strategy is to integrate with specialists in their field and we are in conversations with market leaders, including multiple major public cloud specialists.

Current trading and outlook

We start the year with a deferred revenue book of £230,361 at 31 December 2018, 57% higher than the previous year (31 December 2017: £146,389). Our contracted order book is 40% higher at £335,743 as at 31 December 2018 (31 December 2017: £239,050). In addition, the Board believes our strategic focus and stronger sales capability, especially in North America, will allow us to win new business and grow our existing client base. The recent news of IMG's increased investment in Blackbird over multiple years for the first time is a testament to this.

To date we are ahead of our invoiced sales figure recorded this time last year. We expect to build on last year's growth momentum as this financial year develops.

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

David Main
Chairman

2018 Results

At the end of my first full financial year at the helm of Forbidden, the changes and improvements to the business have continued apace.

This has been a record year for revenue which was £870,310 (2017: £758,835). Our core strategy, highlighted in the annual report last year, of selling our software as a vital component of our customers' video capabilities is gaining real traction, especially in North America. The evidence of this is the increase in invoiced sales of 34% and the doubling of invoiced sales in North America. Invoiced sales are our core measure for the performance of the sales and marketing team. This metric is a better indicator of commercial activity than revenue as presented in the Income Statement as revenue is deferred over the length of the contract.

At the solution level, we have also made progress. In our mature post-production business, we had good retention rates and grew this sector in terms of invoiced sales by 29% to £496,315 (2017: £384,652).

In terms of our solutions for sports broadcasters and rights holders, invoiced sales grew by 9% to £278,921 (2017: £255,312) with all our core clients renewing and expanding their business with us. Also, as a result of the deal with TownNews, we have returned to growth in the news sector. Invoiced sales in news grew 75% to £62,343 (2017: £35,565).

Other areas of focus, where we see the potential for growth, including the eSports, education and corporate markets, saw invoiced sales grow 212% to £123,027 (2017: £39,374).

In total, 53% of our revenue is now from what we describe as recurring infrastructure solutions reflecting the impact of our strategy. This excludes much of the broadcast post production market where our high repeat rates come from new seasons of shows we have been involved with. In 2016, revenue from recurring infrastructure solutions was just 28% of the total.

Overall, the 2018 results are encouraging but a good deal short of what I believe is our full potential, especially in North America. Establishing ourselves in the North American market is a significant focus for the Company. This is not only because of its size and potential. It is also because of the market's status as a trendsetter for media companies around the world. We have begun conversations with potential customers and partners across North America including the West Coast tech giants, the traditional national media networks, the local and regional players, and the many emerging digital publishers.

Strategy

Our strategic focus continues to be not only about becoming a key component in our end customers technology stacks but also to be a vital component in the technology stacks of solutions providers (OEMs), equivalent to a 'Blackbird Inside' model.

As an example, we are looking to replicate the success we have had with TownNews who offers a technology and content solution to a large base of customers that provide regional news.

Our relationship with Microsoft has been strengthened. Microsoft Azure awarded us 'co-sell ready' status this year and recognised Blackbird's ability to bring significant productivity and efficiency to many different types of media supply chain. We are in discussions with other public cloud companies and OEMs to provide best in class, browser-based, cloud editing to their many customers.

The OEM theme is also being deployed in our more mature post-production business. From January 2019, our post-production facilities will be incentivised to resell Blackbird directly to the production companies rather than the mixed economy model previously. We call this our Blackbird Production Partnership, and some post houses have already signed up. This OEM focus helps us achieve widespread traction beyond what would traditionally be expected for a company our size.

The need for large companies to make video manipulatable and instantly visible across the whole organisation and its channels is at the very heart of what we offer. It is thanks to the unique Blackbird codec that we can deliver this. Blackbird continues to perform well in major international media supply chains as demonstrated by our relationship with IMG who recently renewed and expanded their contract with us. The 'problem of visibility' is industry wide. We can solve this issue by rolling out our market-leading Player and content creation tools within large OEM systems. This is how I believe the demand for Blackbird will expand rapidly.

From a technology and platform perspective, our excellent development and product teams led by Stephen Streater and Huw Dymond will continue to innovate. This innovation will be based on customer needs and will keep us best in class. The release and rollout of our workflows into JavaScript means that customers do not need any installation or machine configuration prior to using Blackbird. Also, the launch of the macOS Blackbird Edge allow Blackbird to be used on Macs. This development increases the addressable audience enormously and again enables mass deployment in an OEM. Our goal is to maintain our leadership position in video production codecs. We will continue to improve the useabilty of our solutions and the functionality ensuring we can simply integrate into client technology stacks, third-party Cloud providers and leading video AI tools.

Management and team changes

We have strengthened our sales and marketing teams during the year to support the delivery of our strategy. Adrian Lambert, an experienced senior marketing strategist, joined the Company in October 2018 as Marketing Director. Adrian has been instrumental in the redevelopment of our website and rebranding our products and services as Blackbird. He has also improved our client collateral and strengthened our presence at leading industry events including the International Broadcasting Convention ("IBC"), and National Association of Broadcasters ("NAB").

Our continued focus on OEM and infrastructure sales has led to a more streamlined frontline sales team. This team has the skills and expertise we need to grow the business, especially in North America. Our emphasis on developing long-term consultative partnerships with clients and partners demands a deep understanding of their needs and strategy. To this end, we have hired two new Strategic Accounts Directors. Oliver Parker will be responsible for Europe, the Middle East and Africa ("EMEA") and Daniel Webster for the Americas. Oliver and Daniel are supported by two new pre-sales and technical experts George Maddocks and Robert Clements in their respective territories in Wimbledon and Los Angeles. Rachel Darcy, the UK Sales Director, left the Company in February 2019 as part of the restructuring.

Prospects

There is a long way to go to achieve our goals but there is an enormous potential market for Blackbird. Large organisations increasingly need to make high-quality video visible quickly and efficiently across multiple channels to engage more effectively with their viewers. We aim to build on our position in North America, especially among sports broadcasters and rights holders, OTT or SVOD customers or any company dealing with large volumes of video and news media groups. Our successful fund raising in June last year means we have the financial resources to deliver our plans. We have also invested in a high-quality sales team and continue to develop our products and services to ensure we remain best in class.

Ian McDonough
Chief Executive Officer

Business review

In 2018, we continued to focus on the commercial development of the organisation and regain growth momentum. The strategy to focus on larger OEM style infrastructure deals with longer-term licences and recurring revenue rather than the traditional uncertain project based high volume, low value revenue, is beginning to bear fruit as can be seen by the improving key performance indicators of invoice value, customer value and % of infrastructure deals described on page 7. Our focus is on driving larger deal sizes, longer contracts and repeatable sales continues.

In the market, we are focusing our growth on North America as a priority and with one brand. The single platform proposition was implemented in April 2018, when we consolidated all the products and services under the Blackbird brand. Our North American presence had been considerably strengthened by the end of the year with an additional senior sales head and an additional pre-sales head located in Los Angeles.

Our platform development focus for 2018 was on proving that we could convert our Java applications to JavaScript and make significant progress in the conversions. This goal was accomplished. 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. This is significant as JavaScript allows access and use of our Blackbird products on virtually any device without configuration. Configuration has been one of the big obstacles to adoption of our services and is essential for our OEM strategy to succeed.

Our strategy continues to be intensively focused on growth opportunities where we can add revenue benefits to our customers through speeding up their ability to create additional uses of their content. This is in addition to the core benefits of the cloud, which are remote access, scalability and lower costs. As a result, we have increased our focus on sports and other live media applications. We have concentrated on the platform’s differentiation in live applications by the speed in which it can digitally publish clips and highlights packages.

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

- Faster video editing, content enriching and publishing from live content specifically for clips, highlights 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 in an increasing number of ways
- Remote viewing, collaboration and post-production of videos to improve the access and use of video and the speed of video creation

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 thereafter ongoing recurring revenues.

To support the commercial strategy, we prioritise our development activities against clear client needs and market potential. The 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, moving to more market appropriate software applications, such as JavaScript, and upgrading our codecs to meet the needs of higher definition video production and viewing.

A detailed review of the Group's financial performance during the year ended 31 December 2018 and an outlook for the future is provided within the Chairman's statement on page 2 and the Chief Executive’s review on page 4.

Going concern

The group incurred an increased loss after tax for the year of £2,574,618 (2017: loss of £2,336,000). The Group’s sales activities continue to be focused on driving longer-term, higher value infrastructure sales versus project-based revenue generated from a large number of production companies and post houses in the UK broadcast post market. This sales strategy is showing early signs of success with increasing invoice and customer values and a higher proportion of 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 2018 increased to 53% from 48% in 2017.

Going concern – continued

Following the arrival of a new Chief Executive Officer in September 2017, a refocus of our strategy to infrastructure clients and the well-received re-branding to Blackbird, the Company has shown a return to sales growth in 2018. In addition, as a result of the successful re-financing of the Company in June 2018, the Company has a strengthened Balance Sheet at 31st December 2018 with cash of £5,032,087 (2017: £1,752,349).

The Directors have prepared a budget for continuing growth in 2019 off a cost base which will continue to be closely managed to minimise losses and cash burn. As a result, the Directors believe the business is operationally capable of meeting its obligations as they fall due and are confident that 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.

Key Performance Indicators

Revenue for the year was £870,310 (2017: £758,835) and the loss for the year was £2,574,618 (2017: £2,336,000) The results are shown in more detail on page 20.

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. 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.

  The reconciliation of revenue per the Income Statement, and invoiced sales is as follows:

	2018	2017
	£	£
Revenue	870,310	758,835
Increase/(decrease) in deferred income	83,972	(123,932)
Decrease in accrued income	6,324	-
Prior year invoice provision	-	80,000
Invoiced Sales	960,606	714,903

  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 increased by 12% and 17% respectively.

	2018	2017
	£	£
Sales value per invoice	1,244	1,107
Sales value per customer	8,733	7,447

  Behind these numbers we separately look at the equivalent amounts for each of broadcast post and all other SaaS based revenue contracts.

- The combination of deferred income plus un-invoiced but contracted sales is a key measure for locked in future revenue. In 2018, this amount was £566,104 vs £385,439 in 2017. The goal is to grow the proportion of locked in sales as a % of forecasted revenue in order to lock in business and to improve the reliability and accuracy of our forecasts.

- 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. 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 2018, 71% of our prior year customers (2017: 61%) continued to use us. Many of the reasons for clients not repeating are not in our control. These uncontrollable items include the TV series being terminated, a change in the production management team, or a change in the post-production 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 2018 was 53% versus 48% in 2017.

Key Performance Indicators - continued

- 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 £5,032,087 (2017: £1,752,349).

PRINCIPAL RISKS AND UNCERTAINTIES

Financial instruments

The Group has a normal level of exposure to price, liquidity and cash flow risks arising from trading activities. The Group has no borrowings and reviews its working capital requirements on a monthly basis against funds available. 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.

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. We do not formally 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 our working capital position and financial performance. The directors review foreign exchange movements on an ongoing basis to assess our 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 2018 of the value of sterling primarily against the US$ was negative and represented approximately 0.2% (2017: 1%) of invoiced sales.

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. Our 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 2018. There were no bad debts recorded in the year.

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 an increase in the payment risk. Against this risk, we are very prudent in the incurring of costs where there may be any issues of payment.

Capital management

The Board's objectives when managing capital are to safeguard our ability to continue as a going concern and provide returns for shareholders and benefits for other stakeholders. 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. During the year the Group successfully raised equity of £5,441,271 from the issue of Ordinary shares.

Technology and product risks to the future development of the business

Blackbird (formerly Forscene) is a cloud-based platform operating in several market sectors. The Group's ability to sell its applications is affected by the rate of adoption of cloud services in the media sector, the adaptation of our platform to new software language requirements, and the speed of our ability to innovate new required functionality and improve the customer user experience.

The adoption of cloud-based media services has been significant, and it continues to grow. This adoption is fuelled by the aggressive investment in, and focus of, leading cloud companies including Amazon Web Services, Microsoft, Google, IBM and Alibaba.

PRINCIPAL RISKS AND UNCERTAINTIES - continued

Technology and product risks to the future development of the business - continued

Until 2017, the core of the platform has run in Java. Starting in 2017, to address reducing support for Java and simplifying the acquisition and onboarding of customers, we made the strategic decision to build new applications and convert existing platform applications and software infrastructure to JavaScript. The investment in the JavaScript conversion in 2018 was substantial and will continue in 2019. JavaScript applications are available to roll out to customers in 2019.

The Company's strategy is increasingly focused on a narrower set of applications with large market opportunities. This focus improves our ability to innovate and compete in key customer segments. We will continue to focus on having the leading media production codec for working in the cloud and managing higher definition media content. We maintain a highly experienced team that allows us to respond rapidly to emerging client needs and we have the necessary financial resources to invest more if required. Finally, we now have a very strong product management team that provide the knowledge bridge between what our customers, and prospective customers, are needing and what is technologically possible to develop and commercialise.

Overall, 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. We regularly review our product development investment and focus an increasing proportion of our activities against specific customer requirements.

Competitor and market risks to the future development of the business

Competitors and new entrants could succeed in producing superior product offerings on a timelier basis or outperform in the marketing and selling of their products, thereby slowing down the adoption of our applications. In addition, competitors and new entrants could react to new market opportunities faster than us, which would result in a loss of sales opportunities. The Group continuously monitors its strategy and market focus. we regularly review the activities of existing and emerging competitors and monitor the emergence of new market opportunities. Through effective market monitoring and building deeper knowledge of our customers and prospective customer needs, we adjust the focus of applications development and commercial activities accordingly.

Security risks

The Group protects itself against cyber-attack by addressing known risks, such as published internet vulnerabilities, by installing patches. Periodically we appoint 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 General Data Protection Regulation ("GDPR")

We take very seriously the needs of our stakeholders for data protection. During the year we implemented processes and procedures to ensure that the Group is in compliance with the new General Data Protection Regulation ("GDPR") legislative requirements. This is a continuing process and a GDPR committee normally meets bi-weekly to ensure levels of data and video content is controlled, new relationships assessed, and processes are continually reviewed to protect personal data of all stakeholders.

Organisational risks

As a small Group, we have 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 a strong long-term incentive plan are all elements of our staff retention focus. We have over time, built a network of organisations that can help the Company to 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 2018.

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 2018 (2017: £Nil).

EVENTS SINCE THE END OF THE YEAR

There were no events to report after the end of the year.

DIRECTORS AND DIRECTORS' INTERESTS

The following directors have held office during the period from 1 January 2018 to the date of this report.

SB Streater
DP Main
JC Lees
I McDonough
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	64,485,714	63,985,714
DP Main	Ordinary shares of 0.8 pence	1,035,714	535,714
JC Lees	Ordinary shares of 0.8 pence	-	-
I McDonough	Ordinary shares of 0.8 pence	3,062,862	762,862
JS Irving	Ordinary shares of 0.8 pence	-	-
A Bentley	Ordinary shares of 0.8 pence	30,000	30,000

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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:

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES – continued

	At start of year	Granted	Exercised	Lapsed	At end of year	Exercise price £	Market price on date of exercise £	Date from which exercisable	Expiry date
SB Streater	250,000				250,000	0.06	-	31/03/2020	30/03/2027
SB Streater		480,000			480,000	0.0525	-	15/09/2021	14/09/2028
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
DP Main		120,000			120,000	0.0525	-	15/09/2021	14/09/2028
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
JC Lees		200,000			200,000	0.0525	-	15/09/2021	14/09/2028
I McDonough	2,000,000				2,000,000	0.05375	-	15/09/2020	14/09/2027
I McDonough		400,000			400,000	0.04	-	19/03/2018	18/03/2028
I McDonough		1,180,000			1,180,000	0.0525	-	15/09/2021	14/09/2028
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
JS Irving		80,000			80,000	0.0525	-	15/09/2021	14/09/2028
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
A Bentley		120,000			120,000	0.0525	-	15/09/2021	14/09/2028

The market price of the shares at the year-end was 8.4p. The highest closing market price during the year was 8.4p and the lowest closing market price was 3.375p.

DIRECTORS INTERESTS IN CONTRACTS OF SIGNIFICANCE

There were no contracts of significance to which the Company was a party, and in which a director of the Company had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

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
Hargreave Hale

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Group made £nil in charitable donations in the year (2017: £nil).

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.
- 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 2018 and the Annual Report and Statutory Accounts of the Group for the year ended 31 December 2018 giving particular attention to the impact of IFRS15 and updated disclosures in the notes to the accounts in respect of revenue.
- 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 2018 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 2018. 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 Andrew Bentley. Stephen Streater stepped down from the Committee in August. 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 seven times. Specific actions taken by the Committee since the date of the last Directors' Report include the following:

- Approval of the employee-wide grant of share options in March 2018
- Approval of the employee-wide grant of share options in September 2018
- Approval of the grant of share options to new management in October 2018
- Engagement of independent consultants to advise on the design and structure of a new management incentive plan
- Approval of the organisation restructuring to include a redefinition of the CFO role to include COO responsibilities

SHARE OPTION SCHEMES

In the 12 months to 31 December 2018, 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
19 March 2018	2,675,000	20	4.000	19 March 2021	18 March 2028
15 September 2018	3,690,000	22	5.250	15 September 2021	14 September 2028
31 October 2018	600,000	3	5.930	31 October 2021	30 October 2028

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 discretionary 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

In accordance with Rule 26 of the AIM Rules the Board has published the Group's corporate governance statement at www.forbidden.co.uk. The Statement has been updated on 11 March 2019.

Corporate Governance Statement

The Board recognises that good corporate governance creates shareholder value and ensures strong attention to all stakeholder interests. This good corporate governance is a fundamental part of creating sustainable medium to long-term growth performance whilst minimising the risks that the Company faces. To that end, the Board has adopted the Quoted Companies Alliance Corporate Governance Code ("**QCA Code**") as its chosen governance code.

The Board has undertaken a review of its current governance practices with reference to the ten principles of the QCA Code, and having regard to the size, culture and complexity of the Company has disclosed in its statement on the Company website how it complies with the Code. Where the Company departs from certain aspects of the Code an explanation of the reasons for doing so are also disclosed. We will endeavour to evolve our corporate governance arrangements in line with our growth as a Company. The Statement will be updated each year simultaneously with the publication of the Annual Report and Financial Statements.

CORPORATE SOCIAL RESPONSIBILITY

The Board is committed to align the Company's business values, purpose and strategy with the needs of its clients, whilst embedding such responsible and ethical principles into everything it does. The Board understands the importance of protecting the environment in which we live and operate. A large proportion of the Company's business is overseas which means there are times where travel is unavoidable. However, the Directors are committed to limit travel where possible and use other forms of communication such as Skype and Zoom. The Directors ensure that the Company reduces its environmental impact by:

- keeping lights and equipment switched off when not required
- using water efficiently
- using scrap paper for drafts and notes
- printing in mono and double sided wherever possible
- recycling all waste

The Board strongly believes in supporting young people to develop and learn skills in the workplace. Every summer the company hosts several work placements to train and mentor students who have a passion for our industry.

STRATEGIC REPORT

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of its business model and strategy, future developments, key performance indicators and principal risks and uncertainties including reference to financial instruments.

BOARD AND COMMITTEE COMPOSITION

In accordance with Rule 26 of the AIM Rules the Board has published the Group's corporate governance statement at www.forbidden.co.uk. Contained in this statement are details of each Director, their role and experience and skills, as follows:-

Director	Role	Experience and Skills
David Main	Non-Executive Chairman (appointed May 2016), Head of the Audit and Remuneration Committees. Responsible for the quality of corporate governance.	Relevant sector experience in technology, data and media; executive leadership experience across multiple sectors and multiple geographies in both public and private companies. Focus on the quality of corporate governance, strategy and business development, capability building, finance and funding.
Andrew Bentley	Non-Executive Director (appointed November 2015) and Member of the Audit Committee and Member of the Remuneration Committee	Relevant sector experience in technology and media, including in the US market. International executive leadership experience. Focus on company strategy, business development and building partnerships.
James Irving	Non-Executive Director (appointed November 2015) and Member of the Remuneration Committee	Relevant sector experience in traditional and digital sports production, commercial leadership experience in selling technology solutions. Focus on sales and product development.
Ian McDonough	Chief Executive Officer (appointed September 2017)	Executive leadership experience in media sector, strong knowledge of international media markets, strong entrepreneurial orientation. Focus on driving growth and corporate value through having the right strategy and supporting execution capabilities.
Stephen Streater	Director of Research and Development (appointed May 2016). Formerly Chairman (from October 2015 to May 2016) and Chief Executive Officer (from floating on AIM to October 2015)	Founder, 29 years specialising in the development of video compression and non-linear editing systems, architect of Blackbird Cloud Video Platform. Focus on R&D and product development strategy and execution. Long experience in public markets.
Jonathan Lees	Finance Director (appointed June 2015). Formerly NED (appointed February 2014) and Head of the Audit Committee	Member of ICAEW, SME experience in technology enabled sectors, public markets experience, high growth financing, M&A. Focus on financial management, corporate governance and raising funds against the company's strategic direction.
Martin Kay	Company Secretary since February 2000	Corporate lawyer and Partner of Blake Morgan LLP, the Company's legal advisers. Martin provides both up-to-date legal and regulatory compliance advice in addition to transactional advice and preparation and review of shareholder communications. As an independent external consultant, the Company Secretary attends all shareholders meetings but does not attend meetings of the board and board committees. The Company's FD remains responsible for circulating board and board committee papers and setting meeting agendas in consultation with the board and committee chairs and for induction of officers and staff. Martin reports direct to both Jonathan Lees (FD) and David Main (Chairman) and provides a link with the Company's Nomad and Broker (Allenby Capital) and Registrars (Link Asset Services).

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

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: 11 March 2019

INDEPENDENT AUDITOR'S REPORT 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 2018 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 Statement 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 2018 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 the 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

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. The company had undertaken an impairment review and concluded that no impairment was needed.

Audit Approach

We assessed, in conjunction with our work on Going Concern, the ability of the Group to fully realise the carrying value of capitalised development costs by generating future revenues, profits and cash flows, to determine whether an impairment provision was required.

This included a detailed review of the current working capital model and operating plan, which includes the group's forecast revenue, profit and cash flows, together with a critical assessment of the sales pipeline and growth targets including discussions with the Finance Director on the sales strategy and opportunities that underpin the assumptions within the working capital model and operating plan. Additionally, the total costs included in the forecast were reviewed with the Finance Director, and both the sensitivity of changes to revenue and costs and its impact on the operating plan was considered. We also critically assessed the impairment review carried out by the Board to determine whether the Group's conclusion is appropriate.

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 calculation of materiality. Based on our professional judgement, we determined materiality for the Group to be £71,041, 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 £42,624.

We agreed to report to the Audit Committee all audit differences in excess of £3,552, 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 risk of material misstatement at the Group and parent company level. The Group is audited by one 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 15, 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.

Use of our report

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.

11 March 2019

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 2018

Consolidated income statement and statements of comprehensive income

	Notes	2018 £	2017 £
CONTINUING OPERATIONS			
Revenue	2	870,310	758,835
Cost of Sales		(125,079)	(151,113)
GROSS PROFIT		745,231	607,722
Operating costs		(2,738,515)	(2,452,158)
EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION, AMORTISATION AND EMPLOYEE SHARE OPTION COSTS		(1,993,284)	(1,844,436)
Depreciation		(44,432)	(47,091)
Amortisation		(544,889)	(512,549)
Employee share option costs	18	(32,445)	42,137
		(621,766)	(517,503)
OPERATING LOSS	4	(2,615,050)	(2,361,939)
Finance income	5	15,898	671
LOSS BEFORE INCOME TAX		(2,599,152)	(2,361,268)
Income tax	6	24,534	25,268
LOSS FOR THE YEAR		(2,574,618)	(2,336,000)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(2,574,618)	(2,336,000)
Earnings per share expressed in pence per share Basic – continuing and total operations	7	(1.07p)	(1.29p)
Fully diluted – continuing and total operations		(1.07p)	(1.29p)

Company statement of comprehensive income

		2018 £	2017 £
LOSS FOR THE YEAR		(2,575,136)	(2,335,045)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	(2,575,136)	(2,335,045)

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION
31 DECEMBER 2018

	Notes	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
ASSETS					
NON-CURRENT ASSETS					
Intangible assets	8	748,062	1,038,095	748,062	1,038,095
Property, plant and equipment	9	32,816	59,750	32,816	59,750
Investments	10	-	-	641	641
		780,878	1,097,845	781,519	1,098,486
CURRENT ASSETS					
Trade and other receivables	11	301,742	221,095	306,062	226,748
Current tax assets		24,534	25,268	24,534	25,268
Cash and bank balances		5,032,087	1,752,349	5,026,622	1,746,113
		5,358,363	1,998,712	5,357,218	1,998,129
TOTAL ASSETS		6,139,241	3,096,557	6,138,737	3,096,615
EQUITY AND LIABILITES					
CAPITAL AND RESERVES					
Issued share capital	12	2,363,890	1,443,890	2,363,890	1,443,890
Share premium		21,456,572	16,935,301	21,456,572	16,935,301
Capital contribution reserve		125,000	125,000	125,000	125,000
Retained earnings		(18,375,226)	(15,833,053)	(18,374,946)	(15,832,255)
TOTAL EQUITY		5,570,236	2,671,138	5,570,516	2,671,936
CURRENT LIABILITIES					
Trade and other payables	13	569,005	425,419	568,221	424,679
TOTAL LIABILITIES		569,005	425,419	568,221	424,679
TOTAL EQUITY AND LIABILITIES		6,139,241	3,096,557	6,138,737	3,096,615

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 £2,575,136 (2017: £2,335,045). There is no other Comprehensive Income in the Parent Company.

The financial statements were approved by the Board of Directors on 11 March 2019 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 2018

	Issued share capital £	Retained earnings £	Share premium £	Capital contribution reserve £	Total equity £
Balance at 1 January 2017	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
Changes in equity					
Issue of share capital	920,000	-	4,830,000	-	5,750,000
Expenses	-	-	(308,729)	-	(308,729)
Share based payment	-	32,445	-	-	32,445
Total comprehensive income for the year	-	(2,574,618)	-	-	(2,574,618)
Balance at 31 December 2018	2,363,890	(18,375,226)	21,456,572	125,000	5,570,236

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Issued share capital £	Retained earnings £	Share premium £	Capital contribution reserve £	Total equity £
Balance at 1 January 2017	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
Changes in equity					
Issue of share capital	920,000	-	4,830,000	-	5,750,000
Expenses	-	-	(308,729)	-	(308,729)
Share based payment	-	32,445	-	-	32,445
Total comprehensive income for the year	-	(2,575,136)	-	-	(2,575,136)
Balance at 31 December 2018	2,363,890	(18,374,946)	21,456,572	125,000	5,570,516

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

		Group		Company	
	Notes	2018 £	2017 £	2018 £	2017 £
Cash flows from operating activities					
Cash used in operations	A	(1,919,634)	(1,725,967)	(1,918,863)	(1,732,097)
Tax received		25,268	23,529	25,268	23,529
Net cash from operating activities		(1,894,366)	(1,702,438)	(1,893,595)	(1,708,568)
Cash flows from investing activities					
Payments for intangible fixed assets		(254,856)	(206,810)	(254,856)	(206,810)
Payments for property, plant and equipment		(17,498)	(46,695)	(17,498)	(46,695)
Interest received		11,036	671	11,036	671
Net cash from investing activities		(261,318)	(252,834)	(261,318)	(252,834)
Cash flows from financing activities					
Share issue (net of expenses)		5,441,271	-	5,441,271	-
Repayment of finance leases		(5,849)	(3,412)	(5,849)	(3,412)
Net cash from financing activities		5,435,422	(3,412)	5,435,422	(3,412)
Increase/(decrease) in cash and cash equivalents		3,279,738	(1,958,684)	3,280,509	(1,964,814)
Cash and cash equivalents at beginning of year	B	1,752,349	3,711,033	1,746,113	3,710,927
Cash and cash equivalents at end of year	B	5,032,087	1,752,349	5,026,622	1,746,113

NOTES TO THE CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

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

	Group		Company	
	2018 £	2017 £	2018 £	2017 £
Loss before income tax	(2,599,152)	(2,361,268)	(2,599,670)	(2,360,313)
Depreciation	44,432	47,091	44,432	47,091
Amortisation charges	544,889	512,549	544,889	512,549
Employee share option costs	32,445	(42,137)	32,445	(42,137)
Finance income	(15,898)	(671)	(15,898)	(671)
Earnings before interest, taxation, depreciation and amortisation	(1,993,284)	(1,844,436)	(1,993,802)	(1,843,481)
Movements in working capital:				
(Increase)/decrease in trade and other receivables	(75,785)	197,679	(74,452)	190,524
Increase/(decrease) in trade and other payables	149,435	(79,210)	149,391	(79,140)
Cash (used in)/generated from operations	(1,919,634)	(1,725,967)	(1,918,863)	(1,732,097)

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:

Year ended 31 December 2018	Group		Company	
	31/12/18	1/1/18	31/12/18	1/1/18
Cash and cash equivalents	5,032,087	1,752,349	5,026,622	1,746,113

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

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 2018 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 an increased loss after tax for the year of £2,574,618 (2017: loss of £2,336,000). The Group's sales activities continue to be focused on driving longer-term, higher value infrastructure sales versus project-based revenue generated from a large number of production companies and post houses in the UK broadcast post market. This sales strategy is showing early signs of success with increasing invoice and customer values and a higher proportion of 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 2018 increased to 53% from 48% in 2017.

Following the arrival of a new Chief Executive Officer in September 2017, a refocus of our strategy to infrastructure clients and the well-received re-branding to Blackbird, the Company has shown a return to sales growth in 2018. In addition, as a result of the successful re-financing of the Company in June 2018, the Company has a strengthened Balance Sheet at 31st December 2018 with cash of £5,032,087 (2017: £1,752,349).

The Directors have prepared a budget for continuing growth in 2019 off a cost base which will continue to be closely managed to minimise losses and cash burn. As a result, the Directors believe the business is operationally capable of meeting its obligations as they fall due and are confident that 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 2016 adopted by the Group

The following new and revised Standards and Interpretations have been issued and are effective for the current financial period of the company.

- IFRS 9 Financial Instruments took effect from 1 January 2018 and has been adopted for the year ended 31 December 2018 using the full retrospective method. The group has reassessed the classification and measurement of financial instruments and this has not given rise to any changes. The change in approach to accounting for impairment losses which requires expected losses to be provided for, did not result in any change to the provisions for bad debts.

- IFRS 15 Revenue from Contracts with Customers also took effect from 1 January 2018 and has been adopted for the year ended 31 December 2018 using the full retrospective method. The revenue recognition accounting policy applied prior to adoption of IFRS 15 by the company is consistent with the requirements of IFRS 15, and therefore adoption of the standard has not affected amounts recognised in the current or comparative periods.

The application of the other revised Interpretations, Amendments and Annual Improvements has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

ACCOUNTING POLICIES - continued

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

- IFRS 9 (amendments) 'Prepayment Features with Negative Compensation'
- IFRS 16 'Leases'
- IAS 28 (amendments) 'Investments in Associates and Joint Ventures'
- IFRIC 23 Uncertainty over income tax treatments

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 a recognition of a liability and a corresponding asset for the total outstanding lease payments, however at 31st December 2018 the remaining lease payments cover less than one year so IFRS16 would currently have no impact. It is not practicable to provide a reasonable estimate of the effect of IFRS16 in 2019 until a detailed review of future operating leases has been completed.

The directors do not expect that the adoption of the other Standards listed above will have a material impact on the Group in future periods. 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. Performance obligations are satisfied over the life of a licence or event or production on a straight-line basis unless hardware or services are provided when the performance obligations are fulfilled on delivery. There are four types of revenue shown in the segmental analysis in note 2 (page 32). Each type of revenue is recognised as follows:

Usage fees are monthly fees charged per user or seat which are usually invoiced monthly in arrears and are recognised in the month of invoice. However, in some cases user fees are invoiced in advance over the duration of a production or event. These fees are treated like licence fees and are recognised on a straight-line basis over the period of the production or event. Licence fees and associated support are invoiced in advance or periodically over the period of the licence and are recognised on a straight-line basis over the period of the licence. Hardware sales and professional services are invoiced and recognised on delivery.

For all types of revenue shown in the segmental analysis in Note 2 (page 32) the Group prices these based on agreed contracted fees with the customers. These fees are agreed in advance and are based on the service being provided. Included in the Group's standard terms and conditions communicated to customers the Group expects payment from customers within 30 days, unless specific alternative arrangements are negotiated and agreed in advance.

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 (page 32) 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 and any accumulated impairment losses.

ACCOUNTING POLICIES – continued

Impairment of assets

Assets that have an indefinite life are not subject to amortisation but are instead tested annually for impairment and are subject to additional impairment testing if events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. A review for indicators of impairment is performed annually. An impairment loss is recognised as the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Any impairment charge is recognised in the income statement in the year in which it occurs. When an impairment loss subsequently reverses due to a change in the original estimate, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, up to the carrying amount that would have resulted, net of depreciation, had no impairment loss been recognised for the asset in prior years.

The value of the perpetual licence which has an indefinite life will be tested annually for impairment. The licence was purchased on 1st October 2018 and no impairment is deemed necessary.

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. All the financial assets and liabilities are held at amortised cost. 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.

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.

ACCOUNTING POLICIES – continued

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.

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.

ACCOUNTING POLICIES – continued

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 £748,062 comprises development costs capitalised on the basis described in the accounting policy note on page 29 and a perpetual licence purchased during the year. The development 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 reviewed the working capital model and operating plan containing the Group's forecast revenue, profit and cash flow and assessed the sales pipeline and growth targets and total costs conducting sensitivity analysis where appropriate. As a result of this work the Board concluded that no impairment of the asset is required.

2. REVENUE RECOGNITION AND SEGMENTAL REPORTING

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. Performance obligations are satisfied over the life of a licence or event or production on a straight-line basis unless hardware or services are provided when the performance obligations are fulfilled on delivery. There are four types of revenue shown in the segmental analysis in note 2 (page 32). Each type of revenue is recognised as follows:-

Usage fees are monthly fees charged per user or seat which are usually invoiced monthly in arrears and are recognised in the month of invoice. However, in some cases user fees are invoiced in advance over the duration of a production or event. These fees are treated like licence fees and are recognised on a straight-line basis over the period of the production or event. Licence fees and associated support are invoiced in advance or periodically over the period of the licence and are recognised on a straight-line basis over the period of the licence. Hardware sales and professional services are invoiced and recognised on delivery.

Contract assets

	2018 £	2017 £
Accrued revenue at 1st January	6,324	6,324
Invoiced sales (released)/accrued in the year	(6,324)	-
Accrued revenue at 31st December	-	6,324

The change in the value of contract assets is the result of the contract to which the accrued income relates coming to an end during the year and being fully invoiced.

Contract liabilities

	2018 £	2017 £
Deferred revenue at 1st January	146,389	270,321
Invoiced sales deferred/(recognised) in the year	83,972	(123,932)
Deferred revenue at 31st December	230,361	146,389

The change in the value of contract liabilities is the direct result of an increase in invoiced sales, and consequently advance licences in 2018 over 2017. Invoiced sales increased to £960,606 up 34% from £714,903 in 2017 with an even greater increase In the final quarter of 2018 in which period invoiced sales increased to £238,786 up 63% from £146,035.

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.

2. **REVENUE RECOGNITION AND SEGMENTAL REPORTING - continued**

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

	2018 £	2017 £
UK	603,844	569,666
North America	158,007	133,457
Europe	74,684	41,893
Rest of World	33,775	13,819
Total	870,310	758,835

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:

	2018 £	2017 £
Broadcast Post Production	473,465	426,548
Sport	247,503	250,541
News	60,609	35,565
eSports	42,667	15,000
Other	46,066	31,181
Total	870,310	758,835

In addition by revenue type:	2018 £	2017 £
Usage fees	418,624	434,602
Licence fees	360,732	249,208
Hardware	33,612	38,383
Support and services	57,342	36,642
Total	870,310	758,835

During the year, sales to one customer accounted for more than 10% of the total turnover. Total sales to this customer amounted to £130,551.

3. EMPLOYEES AND DIRECTORS

	2018 £	2017 £
Wages and salaries	1,555,964	1,487,027
Social security costs	176,157	171,507
Employers pension contributions	20,949	6,764
	1,753,070	1,665,298

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

	2018 £	2017 £
Wages and salaries	1,413,127	1,337,824
Social security costs	159,947	154,299
Employers pension contributions	20,949	6,764
	1,594,023	1,492,123

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

	2018	2017
Directors	3	3
Research and development	6	5
Sales	4	5
Customer support	4	6
Marketing and product design	2	3
Admin and finance	1	1
	20	23

Directors' and key management personnel remuneration

	2018 £	2017 £
SB Streater	129,850	103,337
DP Main	49,161	91,964
JC Lees	171,953	103,191
AM Musa	-	41,294
JS Irving	20,798	20,861
A Bentley	21,860	21,858
I McDonough	180,266	84,022
	573,888	466,527

During the year termination benefits of £60,341 (2017: £20,000) to key management personnel were expensed. Company pension contributions paid in the year were £7,896 (2017: £2,096). The number of Directors accruing pension benefits in the year were 4 (2017: 5).

4. OPERATING LOSS

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

	2018 £	2017 £
Operating leases	(65,800)	(65,800)
Foreign exchange differences	(1,574)	(8,352)
Research and development	(311,332)	(204,672)
Auditor's remuneration	(29,192)	(26,481)
Auditor's remuneration – non audit – taxation	(1,750)	(1,700)
Auditor's remuneration – non audit – all other services	(2,489)	(4,273)
Earnings before interest, taxation, depreciation and amortisation	(1,993,284)	(1,844,436)
Depreciation – owned assets	(44,432)	(47,091)
Development costs amortisation	(544,889)	(512,549)
Employee share option costs	(32,445)	42,137
Operating loss (before interest and taxation)	(2,615,050)	(2,361,939)

5. NET FINANCE INCOME

	2018 £	2017 £
Finance income:		
Deposit account interest	15,898	671
Finance costs:		
Other interest payable	-	-
Net finance income	15,898	671

6. INCOME TAX

	2018 £	2017 £
Current tax:		
Tax credit	24,534	25,268
Total tax credit in income statement	24,534	25,268

6. **INCOME TAX – continued**

Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2018 £	2017 £
Loss on ordinary activities before tax	(2,599,670)	(2,360,313)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.0% (2017 – 19.25%)	(493,937)	(454,360)
Effects of:		
Expenses not deductible for tax	1,570	2,372
Depreciation in excess of capital allowances	(16)	(1,654)
UK Tax losses	443,285	416,611
Additional relief for R&D expenditure	(18,171)	(18,960)
Timing difference on capitalised development costs	36,570	38,834
Employee share option cost	6,165	(8,111)
Total income tax	(24,534)	(25,268)

Tax effects relating to effects of other comprehensive income

		2018 £	
	Gross	Tax	Net
Employee share option income/(cost)	(32,445)	-	(32,445)
	(32,445)	-	(32,445)

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

UK Tax losses of approximately £16,850,000 (2017: £14,600,000) are available to relieve against future profits of the Company.

6. **INCOME TAX – continued**

Unrecognised deferred tax assets	2018 £	2017 £
Depreciation in excess of capital allowances	125	141
Tax losses carried forward	2,864,500	2,826,922
	2,864,625	2,827,063

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.

	2018	2017
Loss attributable to equity holders of the company (£)	(2,574,618)	(2,336,000)
Weighted average number of ordinary shares in issue	241,434,146	180,486,199
Basic earnings per share (pence per share)	(1.07p)	(1.29p)

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.

	2018	2017
Loss used to determine diluted earnings per share (£)	(2,574,618)	(2,336,000)
Weighted average number of ordinary shares in issue	241,434,146	180,486,199
Share options	19,475,000	13,630,000
Weighted average number of ordinary shares used to determine diluted earnings per share	260,909,146	194,116,199
Diluted earnings per share (pence per share)	(0.99p)	(1.20p)

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

For the Group and Parent Company

	Development costs £	Licences £	Totals £
COST			
At 1st January 2018	2,861,511	-	2,861,511
Additions	230,856	24,000	254,856
At 31st December 2018	3,092,367	24,000	3,116,367
AMORTISATION			
At 1st January 2018	1,823,416	-	1,823,416
Amortisation for year	544,889	-	544,889
At 31st December 2018	2,368,305	-	2,368,305
NET BOOK VALUE			
At 31st December 2018	724,062	24,000	748,062
At 31st December 2017	1,038,095	-	1,038,095

	Development costs £	Licences £	Totals £
COST			
At 1st January 2017	2,654,701	-	2,654,701
Additions	206,810	-	206,810
At 31st December 2017	2,861,511	-	2,861,511
AMORTISATION			
At 1st January 2017	1,310,867	-	1,310,867
Amortisation for year	512,549	-	512,549
At 31st December 2017	1,823,416	-	1,823,416
NET BOOK VALUE			
At 31st December 2017	1,038,095	-	1,038,095
At 31st December 2016	1,343,834	-	1,343,834

On 1st October 2018 the company purchased a perpetual licence. The value of the licence will be subject to an annual impairment review.

9. **PROPERTY, PLANT AND EQUIPMENT**

For the Group and Parent Company

	Leasehold improvements	Fixtures and fittings	Computer Equipment & Software	Client-facing IT equipment	Totals
COST	£	£	£	£	£
At 1 January 2018	100,338	62,175	357,946	228,578	749,037
Additions	-	-	15,981	1,517	17,498
At 31 December 2018	100,338	62,175	373,927	230,095	766,535
DEPRECIATION					
At 1 January 2018	73,147	62,175	337,282	216,683	689,287
Charge for year	20,068	-	15,998	8,366	44,432
At 31 December 2018	93,215	62,175	353,280	225,049	733,719
NET BOOK VALUE					
At 31 December 2018	7,123	-	20,647	5,046	32,816
At 31 December 2017	27,191	-	20,664	11,895	59,750

	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

Included in computer equipment are assets under finance leases which had a net book value of £2,925 (2017: £8,773). Depreciation charged on these assets was £5,848 (2017: £2,925).

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:	2018 £	2017 £
Trade debtors	189,678	138,317
Less: provision for doubtful receivables	(3,000)	(3,000)
Trade debtors net of provision for doubtful receivables	186,678	135,317
Other debtors	45,766	25,718
Accrued income	4,862	6,324
Prepayments	64,436	53,736
	301,742	221,095

For the Parent Company

Current:	2018 £	2017 £
Trade debtors	189,678	138,317
Less: provision for doubtful receivables	(3,000)	(3,000)
Trade debtors net of provision for doubtful receivables	186,678	135,317
Other debtors	45,766	25,718
Amount owed by group undertaking	4,320	5,653
Accrued income	4,862	6,324
Prepayments	64,436	53,736
	306,062	226,748

For the Group and for the Parent Company

Included in other debtors is a rental deposit of £19,175 (2017: £19,175) which is subject to a charge.

The average credit period on trade sales is 57 days. Standard credit terms are 30 days, with some larger customers on 60-day terms. Included within trade debtors are balances totalling £10,002 (2017: £2,964) which are beyond agreed credit terms but are not subject to impairment. There were no specific bad debts in the year. The credit risk on trade receivables is not judged to have increased significantly since initial recognition and therefore the general provision for doubtful receivables has not been increased.

12. CALLED UP SHARE CAPITAL

Called up and fully paid:	2018 £	2017 £
295,486,199 ordinary shares of 0.8p each (2017: 180,486,199 ordinary shares of 0.8p each)	2,363,890	1,443,890

During the year the Company issued 6,965,000 (2017 – 5,610,000) share options under the terms of the share option schemes. The total share options outstanding as at 31 December 2018 was 19,475,000 (2017: 13,630,000).

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

	Class of share	31/12/2018	31/12/2017
SB Streater	Ordinary shares of 0.8 pence	730,000	250,000
DP Main	Ordinary shares of 0.8 pence	1,565,000	1,445,000
JC Lees	Ordinary shares of 0.8 pence	1,520,000	1,320,000
I McDonough	Ordinary shares of 0.8 pence	3,580,000	2,000,000
JS Irving	Ordinary shares of 0.8 pence	480,000	400,000
A Bentley	Ordinary shares of 0.8 pence	520,000	400,000

13. TRADE AND OTHER PAYABLES

For the Group

Current:	2018 £	2017 £
Trade creditors	109,149	118,610
Social security and other taxes	55,902	62,815
Finance lease	2,437	8,286
Other creditors	4,301	-
Deferred income	230,361	146,389
Accruals	166,855	89,319
	569,005	425,419

13. TRADE AND OTHER PAYABLES – continued

For the Parent Company

Current:	2018 £	2017 £
Trade creditors	109,149	118,610
Social security and other taxes	55,902	62,815
Finance lease	2,437	8,286
Other creditors	4,301	-
Deferred income	230,361	146,389
Accruals	166,071	88,579
	568,221	424,679

14. LEASING AGREEMENTS

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

	2018 £	2017 £
In the next 12 months	20,608	65,800
Between one and five years	-	20,608

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

	2018 £	2017 £
In the next 12 months	2,437	5,849
Between one and five years	-	2,437

15. FINANCIAL ASSETS AND LIABILITIES

The Group's financial assets and liabilities 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.
All of the financial assets and liabilities are held at amortised cost therefore detailed analysis is not required.
Further details of the Board’s assessment of its risks are included in the strategic report on pages 8 to 9.

16. RELATED PARTY DISCLOSURES

Fees amounting to £300 (2017: nil) were paid to the wife of Ian McDonough. Sales amounting to £9,965 (2017: nil) were invoiced to Fanview Media Ltd of which Jim Irving is a director.

17. ULTIMATE CONTROLLING PARTY

At 31 December 2018 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 31/12/2018	Number of shares for which rights are exercisable at 31/12/2017
Non-tax advantaged				
0.085	18/06/2008	18/06/2011-17/06/2018	-	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				
0.085	18/06/2008	18/06/2011-17/06/2018	-	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	-	-
EMI				
0.245	12/05/2012	12/05/2015-11/05/2022	540,000	540,000
0.26	20/08/2012	20/08/2015-19/08/2022	285,000	285,000
0.275	25/04/2013	25/04/2016-24/04/2023	325,000	325,000
0.255	25/07/2013	25/07/2016-24/07/2023	1,025,000	1,025,000
0.215	25/04/2014	25/04/2017-24/04/2024	725,000	725,000
0.225	19/05/2014	19/05/2017-18/05/2024	-	-
0.19	23/09/2014	23/09/2017-22/09/2024	535,000	535,000
0.0825	11/05/2015	11/05/2018-10/05/2025	240,000	240,000
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	975,000
0.085	07/06/2016	07/06/2019-06/06/2026	1,010,000	1,040,000
0.06	31/03/2017	31/03/2020-30/03/2027	2,400,000	2,600,000
0.05375	15/09/2017	15/09/2020-14/09/2027	2,250,000	2,250,000
0.04	19/03/2018	19/03/2021-18/03/2028	2,175,000	-
0.0525	15/09/2018	15/09/2021-14/09/2028	3,570,000	-
0.0593	31/10/2018	31/10/2021-30/10/2028	600,000	-

SHARE-BASED PAYMENT TRANSACTIONS – Continued

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

	2018 Weighted average exercise price (£)	2018 Number of options	2017 Weighted average exercise price (£)	2017 Number of options
Outstanding at the beginning of the period	0.134	13,630,000	0.154	13,065,000
Granted during the period	0.048	6,965,000	0.057	5,610,000
Forfeited during the period	0.048	850,000	0.101	4,960,000
Exercised during the period	-	-	-	-
Lapsed during the period	0.085	270,000	0.135	85,000
Outstanding at the end of the period	0.108	19,475,000	0.134	13,630,000
Exercisable at the end of the period	0.192	7,470,000	0.222	6,025,000

The options outstanding at the year-end have an exercise price in the range of £0.04 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:

	2018	2017
Expected volatility (expressed as % used in the modelling under Black-Scholes model)	74.77%	92.80%
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)	1.51%	1.17%
Weighted average fair value of options granted	£0.0279	£0.0373
Weighted average share price	£0.048285	£0.056875
Exercise price	£0.048285	£0.056875

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:

	2018 £	2017 £
Equity settled share based (credits)/payments	32,445	(42,137)