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Forbidden Technologies plc

**Directors' report and financial
statements**

Registered number 3507286

31 December 1999



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1999.

Principal activities

The company did not trade during the year.

The company registered as a public limited company on 22 November 1999.

Directors and directors' interests

The directors who held office during the period were as follows:

		Ordinary shares of 4p each held
S B Streater		12,500,000
V J Steel	(appointed 5 August 1999)	-
D D Blaikie	(appointed 8 November 1999)	-

S B Streater held 500,000 ordinary shares of £1 in the company as at 31 December 1998.

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.

Year 2000

The directors are satisfied that they took sufficient steps to address the Year 2000 issue and to date there has been no significant effect on the business operations and trading activities as a result of the issue. The costs of addressing the issue were not significant and any future costs are also not anticipated to be significant.

Policy on payment of creditors

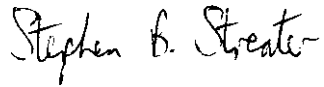
Creditors are paid in accordance with the terms of the invoice, subject to any particular agreement between the two parties. The number of days outstanding between receipt of invoices and date of payment, calculated by reference to the amount owed to trade creditors at the year end as a proportion of the amount invoiced by suppliers during the year, was less than 30 days.

Directors' report

Auditors

Our auditors KPMG have indicated to the directors that a limited liability company, KPMG Audit Plc, is to undertake part of their audit business. Accordingly, they have indicated their intention to resign and the directors intend to appoint KPMG Audit Plc as auditors of the company.

By order of the board



S B Streater
Director

2-4 St George's Road
London
SW19 4DP

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of the company and of the profit or loss for that period. In preparing those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Report of the auditors to the members of Forbidden Technologies plc

We have audited the financial statements on pages 5 to 14.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 1999 and of the loss of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

11 January, 2000

Profit and loss account

for the year ended 31 December 1999

	<i>Note</i>	1999 £	1998 £
Administrative expenses		(72,048)	-
Operating loss		(72,048)	-
Other interest receivable and similar income	6	8,870	-
Loss on ordinary activities before taxation	2-4	(63,178)	-
Tax on loss on ordinary activities	5	(1,786)	-
Loss for the financial year		(64,964)	-

All amounts are derived from continuing operations.

There is no difference between the loss on ordinary activities before taxation and the loss for the year stated above, and their historical cost equivalents.

Balance sheet

at 31 December 1999

	Note	1999		1998	
		£	£	£	£
Fixed assets					
Tangible assets	7		19,351		-
Current assets					
Called up share capital not paid		-		500,000	
Debtors	8	37,844		-	
Cash at bank and in hand		530,938		-	
		<u>568,782</u>		<u>500,000</u>	
Creditors: amounts falling due within one year	9	<u>(28,097)</u>		-	
Net current assets			<u>540,685</u>		500,000
Net assets			<u>560,036</u>		<u>500,000</u>
Capital and reserves					
Called up share capital	10		500,000		500,000
Capital contribution reserve	11		125,000		-
Profit and loss account	11		(64,964)		-
Shareholders' funds - equity			<u>560,036</u>		<u>500,000</u>

These financial statements were approved by the board of directors on 11 January 2000 and were signed on its behalf by:

Stephen B. Streater

S B Streater
 Director

D D Blaikie

D D Blaikie
 Director

Cash flow statement

for the year ended 31 December 1999

	<i>Note</i>	1999 £	1998 £
Net cash outflow from operating activities	<i>12</i>	(68,064)	-
Return on investments and servicing of finance			
Interest received		8,870	-
Capital expenditure			
Payments to acquire tangible fixed assets		(34,868)	-
Financing			
Receipts from issue of share capital		500,000	
Capital contribution introduced		125,000	-
Increase/(decrease) in cash in the year	<i>13</i>	530,938	-

Statement of total recognised gains and losses

for the year ended 31 December 1999

	1999 £	1998 £
Loss for the financial year	(64,964)	-
Capital contributions in year	125,000	-
	<hr/>	<hr/>
Total recognised gains and losses relating to the year	60,036	-
	<hr/>	<hr/>
Total gains and losses recognised since last annual report	60,036	-
	<hr/> <hr/>	<hr/> <hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Fixed assets and depreciation

Depreciation has been provided to write off the cost less estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold improvements	-	life of lease
Fixtures and fittings	-	50% per annum
Computer equipment	-	50% per annum

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax to the extent that it is probable that an actual liability will crystallise.

Cash

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Notes (continued)

2 Profit on ordinary activities before taxation

	1999	1998
	£	£
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration		
Audit	10,000	-
Other services	2,000	-
Depreciation and other amounts written off tangible fixed assets	15,517	-
	15,517	-

3 Remuneration of directors

	1999	1998
	£	£
Directors' emoluments:		
Remuneration as executives	1,500	-
	1,500	-

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	1999	1998
Technical	2	-
	2	-

The aggregate payroll costs of these persons were as follows:

	1999	1998
	£	£
Wages and salaries	11,160	-
Social security costs	840	-
	12,000	-

Notes (continued)

5 Taxation

	1999 £	1998 £
UK corporation tax at 21%	1,786	-
	<u>1,786</u>	<u>-</u>

6 Other interest receivable and similar income

	1999 £	1998 £
Bank interest	8,870	-
	<u>8,870</u>	<u>-</u>

7 Tangible fixed assets

	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Total £
<i>Cost</i>				
At beginning of year	-	-	-	-
Additions	15,398	4,712	14,758	34,868
	<u>15,398</u>	<u>4,712</u>	<u>14,758</u>	<u>34,868</u>
At end of year	15,398	4,712	14,758	34,868
	<u>15,398</u>	<u>4,712</u>	<u>14,758</u>	<u>34,868</u>
<i>Depreciation</i>				
At beginning of year	-	-	-	-
Charge for year	5,781	2,356	7,380	15,517
	<u>5,781</u>	<u>2,356</u>	<u>7,380</u>	<u>15,517</u>
At end of year	5,781	2,356	7,380	15,517
	<u>5,781</u>	<u>2,356</u>	<u>7,380</u>	<u>15,517</u>
<i>Net book value</i>				
At 31 December 1999	9,617	2,356	7,378	19,351
	<u>9,617</u>	<u>2,356</u>	<u>7,378</u>	<u>19,351</u>
At 31 December 1998	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes *(continued)*

8 Debtors

	1999 £	1998 £
Prepayments	10,737	-
Other debtors	27,107	-
	37,844	-
	37,844	-

9 Creditors: amounts falling due within one year

	1999 £	1998 £
Corporation tax	1,786	-
Other taxation and social security	1,440	-
Accruals and deferred income	24,871	-
	28,097	-
	28,097	-

10 Called up share capital

	1999 £	1998 £
<i>Authorised:</i>		
Ordinary shares of 4p each <i>(1998: ordinary shares of £1 each)</i>	1,000,000	1,000,000
	1,000,000	1,000,000
<i>Allotted, called up and fully paid:</i>		
Ordinary shares of 4p each <i>(1998: ordinary shares of £1 each)</i>	500,000	500,000
	500,000	500,000
	500,000	500,000

On 24 June 1999 each of the company's ordinary shares of £1 were subdivided into 20 ordinary shares of 5p.

On 29 November 1999 the ordinary share capital was further split into 25,000,000 ordinary shares of 4p.

Notes (continued)

11 Reconciliation of movements in shareholders' funds

	Capital contribution reserve £	Profit and loss account £	Shareholders' funds £
At beginning of year	-	-	500,000
Loss for year	-	(64,964)	(64,964)
Capital contribution in year	125,000	-	125,000
	<hr/>	<hr/>	<hr/>
At end of year	125,000	(64,964)	560,036
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

12 Reconciliation of operating loss to net cash outflow from operating activities

	1999 £	1998 £
Operating loss	(72,048)	-
Depreciation charge	15,517	-
Increase in debtors	(37,844)	-
Increase in creditors	26,311	-
	<hr/>	<hr/>
Net cash outflow from operating activities	(68,064)	-
	<hr/> <hr/>	<hr/> <hr/>

13 Analysis of net funds

	At 31 December 1998 £	Cash flow £	Non-cash changes £	At 31 December 1999 £
Cash in hand, at bank	-	530,938	-	530,938
	<hr/>	<hr/>	<hr/>	<hr/>
Total	-	530,938	-	530,938
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes *(continued)*

14 Operating lease commitments

At 31 December 1999 the company had annual commitments under non-cancellable operating leases as set out below:

	1999	1998
	Land and buildings	Land and buildings
	£	£
Operating leases which expire: between two and five years	42,948	-
	<u> </u>	<u> </u>

15 Related party transactions

During the year capital contributions totalling £125,000 were made to the company by S B Streater.

Fees of £1,358 were paid to Kittaspec Securities Limited, a company of which D D Blaikie is a director. No amounts were outstanding at the year end.

16 Ultimate controlling party

The ultimate controlling party of the company is S B Streater.