REGISTERED NUMBER 03507286 (England and Wales)

REPORT OF THE DIRECTORS AND

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

FOR

FORBIDDEN TECHNOLOGIES PLC

FORBIDDEN TECHNOLOGIES PLC (REGISTERED NUMBER 03507286)

CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

FORBIDDEN TECHNOLOGIES PLC (REGISTERED NUMBER 03507286)

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2010

DIRECTORS	V J Steel S B Streater P J Madden G B Hirst D P Main
SECRETARY	M C 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 Auditors Chartered Accountants Devonshire House 60 Goswell Road London EC1M 7AD
SOLICITORS	Blake Lapthorn Watchmaker Court 33 St John's Lane London EC1M 4DB

FORBIDDEN TECHNOLOGIES PLC (REGISTERED NUMBER 03507286)

CHAIRMAN'S STATEMENT

I am pleased to present this the twelfth annual report to shareholders of Forbidden Technologies since its flotation on the AIM market of the London Stock Exchange in February 2000

Income Statement and Statement of Financial Position

In the year to 31 December 2010 the company recorded sales of £372,139 compared to £279 826 in the previous year an increase of 33% In the year to 31 December 2010 administrative expenses at £516 529 were £175 337 higher than the £341 192 in the previous year an increase of 51% Consequently, the net loss for the year to 31 December 2010 was £129 749 compared to £56,679 in the previous year

The main increases in administrative expenses were a result of increased expenditure in R&D and an increase in marketing expenditure where extra effort was put behind presence at conventions and the cost of Financial PR as the company seeks to extend awareness of its technology amongst relevant target audiences

When evaluating long term relationships potential partners tend to view the Balance Sheet as an important indicator of the stability of the Company I am pleased to report that the Balance Sheet has been strengthened significantly during 2010 Throughout the middle of the year, one institution progressively exercised 2 060 000 share options at a price of 12p per share, providing cash to the Company of £247 000 In October 2010 Forbidden completed a placing with a number of institutions of 4 847 000 new shares at a price of 33p per share providing £1,600,000 to the Company

As a result of these activities, Forbidden repaid the directors loans of £785,000 and was able to record more than £1 000,000 of cash and cash equivalents at 31 December 2010, net assets of £1 706,726 and a debt free situation

Strategy

The 2010 financial year has been characterised by four significant developments along Forbidden's strategic path

1 Encouraging growth in the usage of FORscene's video platform in the UK broadcast post-production and professional market Sales to this segment in 2010 have more than doubled, indicating a growing recognition of the value of FORscene in providing a state-of-the art, cost efficient platform for high quality video-editing

2 The widespread interest focussed on the concept of 'Cloud Computing' across a wide spectrum of internet software solutions Forbidden has designed and implemented Cloud based solutions since 2004, before the description "Cloud" was created This early development has enabled the Company to stay ahead of others with key differentiators such as
   - Users having no need to back up material because it is automatically backed-up on one of three interconnected but geographically separated locations available to FORscene
   - Scalability – each user's machine actually adds to the total processing power as most of the processing is conducted on the user machine, not on a Forbidden server This reduces cost dramatically compared to systems that process on a server and therefore require more and more servers as user numbers grow
   - Forbidden systems can communicate with one another through the Cloud This enables FORscene to be machine neutral and allows the editing of videos on many devices and publishing to others' Cloud servers such as Facebook Thus a user can log on anywhere, anytime as long as there is access to a broadband connection

3 The design excellence of FORscene has prompted global scale systems integrators to enter partnership agreements with Forbidden They see potential for integrating FORscene into state of the art end to end solutions with major clients around the world Although the arrangements take time to come to fruition the potential scale is very attractive to the Company Two such agreements were concluded in the second half of 2010 a third added in early 2011 and others are currently under discussion

4 The introduction of tablet devices also represents a major opportunity for the Clesh consumer editing system to fulfil the emerging needs of tablet users to clip edit and publish video to friends, family and wider audiences With an intuitive sophisticated app at a modest cost of £2 49, it is expected to provide a significant number of consumer users

Awareness and Recognition

Throughout the 2010 year Forbidden has been increasingly active at Conventions seminars and relevant Associations with the purpose of widening awareness and recognition of our name products and technical excellence and reliability We achieved high visibility and interest at the two main broadcast conventions in the world NAB in the USA and IBC in Europe

FORBIDDEN TECHNOLOGIES PLC (REGISTERED NUMBER 03507286)

CHAIRMAN'S STATEMENT

Stephen Streater and other executives have had speaking roles at BVE in the UK at Streaming Media Europe conference The Royal Television Society, Talkback THAMES and Cloud Camp In addition the Company is an active member of the Quoted Company Alliance and has taken part in the QCA meetings with senior members of the Treasury

Outlook

With an excellent technology, increased awareness and a growing number of strong partnerships, the building blocks are being solidly formed in three of our key strategic markets

- Broadcast post-production
- Professional web video
- User generated video

The Company has recently increased its resources both in R&D and in market development and is now pursuing growth with vigour and confidence

Vic Steel
Chairman

FORBIDDEN TECHNOLOGIES PLC (REGISTERED NUMBER 03507286)

CHIEF EXECUTIVE'S REVIEW

Background

Forbidden brings together two areas in the world economy which I find most exciting video and the Internet Modern consumer electronics has put video creation through low cost cameras and phones, within reach of the mass market The Internet is the flip side of this content creation explosion enabling global video distribution

While attending Google's video Summit in November as an invited speaker it became clear that the focus of new developments was on the distribution of video rather than its creation Few seemed aware of the cost and complexity of video creation or addressed how the demand for new Internet content was to be met

Forbidden's FORscene video platform, launched in 2004 is designed to fill this void Many years after its release its approach remains fresh and modern The widespread recognition of the advantages of Cloud services has taken many years, the buzzword 'Cloud' is one indication that the market is now ready for services like this

Video post-production (the stages between shooting and distributing video) is particularly suited to Cloud services Professionals often work as part of a production team or complex workflow Cloud access enables efficient collaboration between workers and also between equipment Consumers benefit from cross platform access to their material, as well as automatic back ups

FORscene's technology has anticipated both the demand for Cloud services and the extension of the Cloud from desktops at work to encompass tablets and smartphones everywhere

Resources

Forbidden's Board has ensured the Company is well financed, using its AIM quote to raise significant finance through the market Organic year on year sales growth of over 30% has given us confidence to continue to invest in expansion

Forbidden is a dynamic and robust company Staff changes in 2010 included only one departure three additions and four others who varied their hours during the year The net result is that by the year end we had employed three additional customer facing staff

Forbidden's infrastructure revolves around its Cloud software, where development has been concentrated Forbidden's four Cloud networks run on standard low cost hardware the biggest, distributed over three sites has now handled over 1,500 000 hours of professionally shot content

Forbidden's ability to embrace third party resources, from the small scale of individual users smartphones to the large scale of our Systems Integrator partners is a hallmark of the FORscene platform

Forbidden concentrates the CPU requirements in the client – a 'fat client' approach that enables scaleability at low cost Forbidden's range of real time video editing codecs are even efficient enough to work on the new range of ARM CPUs dominating smartphones and tablets

Products and Services

So what does the FORscene platform actually do? Its functions include

* Ingest - getting video, audio and stills into FORscene
* Review - checking over content and adding comments where necessary
* Log adding metadata text to the video to simplify and speed up the editing process
* Shot selection - choosing the good shots before craft editing
* Assembly edit - Directors / Producers can order good shots prior to full editing
* Rough cut - frame accurate editing allows the basic story to be told before finishing
* Fine cut - finishing the edit mostly used in FORscene for web distribution
* Publish – up to 1080p HD, output usually sent via the Cloud for hosting on third party systems
* Multi-user – helps teams making television series
* Multi-platform - clients can run on Microsoft Apple Linux and Google Android

Forbidden considers that being able to allocate relevant advertising to video is key to its monetisation – and FORscene's metadata is a powerful tool here At the time of writing, the search below gives me 1 040,000 results - including my four relevant holiday videos as the top search results http //www google co uk/search?client=safari&rls=en&q=juliette+sophie+trampoline

This year FORscene's capacity has again been increased markedly both in video storage capacity and number of concurrent users supported The more flexible ingest system, supporting more professional input formats has opened up more opportunities FORscene also supports more output formats Other improvements include an evolutionarily better experience with the GUI and new APIs to support third party website integration

CHIEF EXECUTIVE'S REVIEW

Clesh, the consumer interface to the FORscene platform, has also benefited from the improvements to the platform In November, Forbidden officially announced it would be releasing Clesh for Android tablets This was released in February 2011 and has since been extended to work on Android smartphones

Infrastructure landscape
Forbidden's technology sits on top of customers' existing infrastructure

Java is still an excellent platform for the desktop editing front end It allows the FORscene review, logging and editing interfaces to run without installation or configuration, through corporate firewalls on typical locked down machines Java's popularity amongst users seems undiminished

Android is a good starting point for Forbidden's mobile ambitions with its vibrant Market and millions of users Its Java-like syntax and ARM powered installed base have allowed a rapid port of the Clesh GUI to a wide range of Android devices

The FORscene Cloud platform is well placed for the growth in the tablet market Tablets are portable and responsive allowing efficient review and assembly editing

In the professional world editors back at base can immediately continue editing on desktops For consumers, Clesh's cross-platform Cloud nature allows work to be switched from desktop to mobile in an instant

Customer mix
Forbidden still has a notable lead in Broadcast Six years after FORscene's launch other companies are starting to incorporate Cloud elements into their post-production but there is no system to rival FORscene for power and price

In professional web potential rivals are more dispersed, and Forbidden's full end-to-end post-production Cloud service has many advantages in an increasingly connected world

Forbidden's more experimental consumer side is epitomised by our recent Android launch While we tend to deal with consumers indirectly, a working showcase helps B-C companies understand the power of the system

And of course we welcome shareholders trying out the system for themselves and contributing feedback to help Forbidden grow and prosper

SB Streater
Chief Executive

FORBIDDEN TECHNOLOGIES PLC (REGISTERED NUMBER 03507286)

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2010

The directors present their report with the financial statements of the company for the year ended 31 December 2010

PRINCIPAL ACTIVITY
The principal activity of the company in the year under review was the development and commercial exploitation of web-based video tools

REVIEW OF BUSINESS
The Company has continued the development of video compression technology and tools A detailed review of the Company's financial performance during the year and an outlook for the future is provided within the Chairman's statement on page 2

Key Performance Indicators

Turnover for the year was £372,139 (2009 £279,826) the loss for the year was £129 749 (2009 £56,679) The results of the Company are shown in more detail on page 11

In addition to the monthly management accounts, the Board uses the following key performance indicators in the management of the key risks of the business and as a measure of business efficiency

Sales performance is measured against plan, and against latest expectations which are updated monthly

Costs are monitored against plan and current needs

Cash is monitored closely to ensure that the company avoids an overdraft at all times The cash balance at the year end was £1 023 611 (2009 £211 225)

Corrective actions were taken during the year where these indicators were not satisfactory

DIVIDENDS
No dividends will be distributed for the year ended 31 December 2010 (2009 £Nil)

EVENTS SINCE THE END OF THE YEAR
Information relating to events since the end of the year is given in the notes to the financial statements

DIRECTORS AND DIRECTORS' INTERESTS
The directors shown below have held office during the whole of the period from 1 January 2010 to the date of this report

V J Steel
S B Streater
P J Madden
G B Hirst
D P Main

The directors who held office at the beginning and the end of 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	62,660,000	62,660,000
VJ Steel	Ordinary shares of 0 8 pence	962 500	362 500
DP Main	Ordinary shares of 0 8 pence	-	-
GB Hirst	Ordinary shares of 0 8 pence	60 000	60,000
PJ Madden	Ordinary shares of 0 8 pence	177,492	75 685

FORBIDDEN TECHNOLOGIES PLC (REGISTERED NUMBER 03507286)

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2010

DIRECTORS AND DIRECTORS' INTERESTS – continued

According to the register of directors' interest no rights to subscribe for shares in or debentures of the Company were granted to any of the directors or their immediate families, or exercised by them during the financial year except as indicated below

	At start of year	Granted	Exercised	Lapsed	At end of year	Exercise price £	Market price on date of exercise £	Date from which exercisable	Expiry date
VJ Steel	200,000			200 000	-	2 175	-	02/10/2003	02/10/2010
VJ Steel	50 000				50,000	0 625	-	30/03/2004	30/03/2011
VJ Steel	150,000		150,000		-	0 255	0 335	21/09/2004	21/09/2011
VJ Steel	100 000				100 000	0 475	-	04/04/2005	04/04/2012
VJ Steel	100 000				100,000	0 215	-	04/10/2005	04/10/2012
VJ Steel	100 000				100 000	0 31	-	08/05/2006	08/05/2013
VJ Steel	100,000				100 000	0 65	-	06/10/2006	06/10/2013
VJ Steel	100 000				100,000	0 35		04/05/2007	04/05/2014
VJ Steel	100,000				100 000	0 39	-	30/09/2007	30/09/2014
VJ Steel	100 000				100,000	0 22	-	29/04/2008	29/04/2015
VJ Steel	100,000				100 000	0 26		06/09/2008	06/09/2015
VJ Steel	100,000				100,000	0 085	-	18/06/2011	18/06/2018
VJ Steel	20 000				20,000	0 24	-	25/08/2012	25/08/2019
VJ Steel		100,000			100,000	0 16		05/07/2013	05/07/2020
VJ Steel		150,000			150,000	0 36	-	05/11/2013	05/11/2020
DP Main	50,000				50,000	0 625	-	19/04/2004	19/04/2011
DP Main	25,000				25,000	0 255	-	21/09/2004	21/09/2011
DP Main	25,000				25,000	0 215	-	04/10/2005	04/10/2012
DP Main	30 000				30 000	0 65	-	06/10/2006	06/10/2013
DP Main	50,000				50,000	0 35	-	04/05/2007	04/05/2014
DP Main	50,000				50 000	0 39	-	30/09/2007	30/09/2014
DP Main	20,000				20,000	0 22	-	29/04/2008	29/04/2015
DP Main	50,000				50 000	0 26	-	06/09/2008	06/09/2015
DP Main	50,000				50,000	0 085		18/06/2011	18/06/2018
DP Main	20,000				20,000	0 24	-	25/08/2012	25/08/2019
DP Main		50 000			50,000	0 16		05/07/2013	05/07/2020
DP Main		50 000			50 000	0 36	-	05/11/2013	05/11/2020
GB Hirst	50,000				50,000	0 255		21/09/2004	21/09/2011
GB Hirst	20,000				20,000	0 475		04/04/2005	04/04/2012
GB Hirst	50,000				50,000	0 215	-	04/10/2005	04/10/2012
GB Hirst	40,000				40 000	0 31	-	08/05/2006	08/05/2013
GB Hirst	40 000				40 000	0 65	-	06/10/2006	06/10/2013
GB Hirst	50,000				50,000	0 35	-	04/05/2007	04/05/2014
GB Hirst	50 000				50 000	0 39	-	30/09/2007	30/09/2014
GB Hirst	75,000				75,000	0 22	-	29/04/2008	29/04/2015
GB Hirst	50 000				50 000	0 26	-	06/09/2008	06/09/2015
GB Hirst	15,000				15 000	0 23	-	09/05/2009	09/05/2016
GB Hirst	35 000				35,000	0 085	-	18/06/2011	18/06/2018
GB Hirst	30,000				30,000	0 24	-	25/08/2012	25/08/2019
GB Hirst		150,000			150 000	0 36	-	05/07/2013	05/07/2020
GB Hirst		150 000			150,000	0 36	-	05/11/2013	05/11/2020
PJ Madden	50 000				50,000	0 26	-	06/09/2008	06/09/2015
PJ Madden	25,000				25 000	0 23	-	09/05/2009	09/05/2016
PJ Madden	25,000				25,000	0 135	-	27/07/2010	27/07/2017
PJ Madden	65,000				65 000	0 085	-	18/06/2011	18/06/2018
PJ Madden	30,000				30,000	0 24	-	25/08/2012	25/08/2019
PJ Madden		50,000			50 000	0 16	-	05/07/2013	05/07/2020
PJ Madden		75 000			75,000	0 36	-	05/11/2013	05/11/2020

The market value of the shares at the year end was 32 0p The highest market value during the year was 37 5p and the lowest market value 13 5p

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2010

COMPANY'S POLICY ON PAYMENT OF CREDITORS
The Company does not follow any code Creditors are normally paid in accordance with the terms of the invoice subject to any particular agreement between the two parties At the year end there were 48 days (2009 26 days) purchases in trade creditors

FINANCIAL INSTRUMENTS
The Company's financial instruments comprise trade debtors, trade creditors cash and liquid assets The Company has not entered into any derivative or other hedging instruments
The Company'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 and current asset investments 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

Principal risks and uncertainties

Interest rate risk
Cash balances attract a floating rate of interest
The directors review interest payable and receivable on an ongoing basis to assess the Company's risk relating to changes in interest rates

Liquidity risk
The Company reviews future working capital requirements on a monthly basis

Foreign currency risk
The Company enters into transactions in the UK Asia and North America and is exposed to currency fluctuations in the exchange rates for these regions although most of its overseas transactions are denominated in sterling The Company does not currently hedge against foreign currency risk since the directors feel that at current levels of income and expenditure the risk is low and its effect does not materially influence the Company's working capital position
The directors review foreign exchange movements on an ongoing basis to assess the Company's risk relating to changes in foreign currency exchange rates

SUBSTANTIAL SHAREHOLDERS
At the year end no-one other than directors, held an interest of 3% or more in the Company's ordinary share capital

POLITICAL AND CHARITABLE CONTRIBUTIONS
The Company made no political or charitable donations in the year (2009 £nil)

SHARE OPTION SCHEMES
Under the Company's approved share option scheme options over 47 569 ordinary shares of 0 8p in the Company were granted to 2 employees on 5 November 2010, exercisable at 36p per share within the period 5 November 2013 to 5 November 2020, on condition of employment with the Company
The Company also has an unapproved share option scheme under which options over 800 000 ordinary shares of 0 8p in the Company were granted in total to 12 directors and employees on 5 July 2010, exercisable at 16p per share within the period 5 July 2013 to 5 July 2020, on condition of employment with the Company In addition, under the same scheme options over 762,431 ordinary shares of 0 8p in the Company were granted in total to 11 directors and employees on 5 November 2010 exercisable at 36p per share within the period 5 November 2013 to 5 November 2020, on condition of employment with the Company
On termination of employment, employees lose their share options unless the Board exercises its discretion to let an employee retain their share options for a limited period
The exercise price for the share options issued was the market value at the date the options were granted

CORPORATE GOVERNANCE
The listing rules require that listed companies (but not companies traded on the Alternative Investment Market "AIM") incorporated in the UK should state in the report and accounts whether they comply with the Combined Code and identify and give reasons for any area of non-compliance The Combined Code is published by the Financial Reporting Council and is periodically reviewed and updated The Company is listed on AIM and therefore no disclosure is required
The Company supports the principles and aims of the code and follows the code wherever it is reasonable to do so It operates an effective board which meets on a timely basis
The Board is aware of the requirements of the code and the need for appropriate controls and systems to safeguard the Company's assets Wherever possible appropriate controls are in place and monitored by the Board However full compliance with the code is not possible because of the size and resource constraints of the Company and because of the relative cost benefit assessment in putting in place the additional procedures

CORPORATE GOVERNANCE - continued

As the Company grows in size and resources the Board intends to increase its compliance
This is not a statement of compliance as required by the Combined Code and should therefore not be relied upon to give the disclosures that would normally be made

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')

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 of the company and the financial performance and cashflows of the company 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 preparation of the financial statements the company has complied with IFRS as adopted by the EU subject to any material departures disclosed and explained in the financial statements and
- prepare the accounts 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 company's transactions and disclose with reasonable accuracy at any time the financial position of 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

AUDITORS
The auditors, Kingston Smith LLP will be proposed for re appointment at the forthcoming Annual General Meeting

ON BEHALF OF THE BOARD

S B Streater

Director

Date 30 March 2011

FORBIDDEN TECHNOLOGIES PLC (REGISTERED NUMBER 03507286)

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

We have audited the financial statements of Forbidden Technologies Plc for the year ended 31 December 2010 which comprise the Statement of Comprehensive Income the Statement of Financial Position the Statements of Changes in Equity, the Statement of Cash Flows and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006

This report is made solely to the company s members, as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditors report addressed to them To the fullest extent permitted by law we do not accept or assume responsibility to any party other than the company and company s members as a body for our work for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 9 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board s (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company s circumstances and have been consistently applied and adequately disclosed the reasonableness of significant accounting estimates made by the directors and the overall presentation of the financial statements

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the company s affairs as at 31 December 2010 and of the company s loss for the year then ended
- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006 and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the company or returns adequate for our audit have not been received from branches not visited by us, or
- the company financial statements are not in agreement with the accounting records and returns or
- certain disclosures of directors' remuneration specified by law are not made or
- we have not received all the information and explanations we require for our audit

Kingston Smith LLP

Jon Sutcliffe (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP Statutory Auditor
Chartered Accountants

Devonshire House
60 Goswell Road
London
EC1M 7AD

Date 30 March 2011

FORBIDDEN TECHNOLOGIES PLC (REGISTERED NUMBER 03507286)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 £	2009 £
CONTINUING OPERATIONS			
Revenue	2	372 139	279 826
Cost of Sales		(49 627)	(30,170)
GROSS PROFIT		322 512	249 656
Other operating income	3	1 965	1 000
Administrative expenses		(516 529)	(341,192)
OPERATING LOSS		(192,052)	(90 536)
Finance costs	5	(4,443)	(2,519)
Finance income	5	665	115
LOSS BEFORE INCOME TAX	6	(195 830)	(92,940)
Income Tax	7	66 081	36 261
LOSS FOR THE YEAR		(129 749)	(56,679)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(129,749)	(56 679)
Earnings per share expressed in pence per share	8		
Basic continuing and total operations		(0 16p)	(0 07p)

FORBIDDEN TECHNOLOGIES PLC (REGISTERED NUMBER 03507286)

STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2010

	Notes	2010 £	2009 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9	557,294	381,748
Property, plant and equipment	10	17 491	17,882
		574 785	399,630
CURRENT ASSETS			
Trade and other receivables	11	210,856	133,885
Tax receivable		50,461	36,261
Cash and cash equivalents	12	1,023,611	211 225
		1 284 928	381 371
TOTAL ASSETS		1 859,713	781,001
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	13	689 356	632 820
Share premium	14	5 106 479	3 275 655
Capital contribution reserve	14	125 000	125 000
Retained earnings	14	(4,214,109)	(4,112,205)
TOTAL EQUITY		1,706,726	(78,730)
LIABILITIES			
NON CURRENT LIABILITIES			
Trade and other payables	15	-	785 000
CURRENT LIABILITIES			
Trade and other payables	15	152,987	74,731
TOTAL LIABILITIES		152,987	859,731
TOTAL EQUITY AND LIABILITIES		1 859 713	781 001

The financial statements were approved by the Board of Directors on 30 March 2011 and were signed on its behalf by

S B Streater

SB Streater - Director

~~VJ Steel~~ - Director

G R Hurst

FORBIDDEN TECHNOLOGIES PLC (REGISTERED NUMBER 03507286)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

	Called up share capital £	Profit and loss account £	Share premium £	Capital contribution reserve £	Total equity £
Balance at 1 January 2009	609,300	(4 066,816)	2 996,375	125 000	(336 141)
Changes in equity					
Issue of share capital	23 520	-	279,280	-	302 800
Share based payment	-	11,290	-	-	11,290
Total comprehensive income	-	(56,679)	-	-	(56,679)
Balance at 31 December 2009	632 820	(4,112 205)	3,275,655	125,000	(78,730)
Changes in equity					
Issue of share capital	56 536	-	1 830 824	-	1 887 360
Purchase of options		5,000	-	-	5,000
Share based payment		22 845		-	22,845
Total comprehensive income	-	(129,749)	-	-	(129,749)
Balance at 31 December 2010	689 356	(4 214,109)	5 106,479	125,000	1 706,726

FORBIDDEN TECHNOLOGIES PLC (REGISTERED NUMBER 03507286)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

		2010 £	2009 £
Cash flows from operating activities			
Cash generated from operations	1	(109,499)	(87,651)
Finance costs paid		(4 443)	(7,810)
Tax received		51 881	34,320
Net cash from operating activities		(62 061)	(61,141)
Cash flows from investing activities			
Purchase of intangible fixed assets		(215 500)	(221 563)
Purchase of tangible fixed assets		(18 078)	(10,410)
Interest received		665	115
Net cash from investing activities		(232 913)	(231,858)
Cash flows from financing activities			
Amount (repaid to) / introduced by directors		(785 000)	150 000
Share issue		1 887 360	302 800
Sale of share options		5,000	-
Net cash from financing activities		1 107 360	452,800
Increase/(Decrease) in cash and cash equivalents		812,386	159 801
Cash and cash equivalents at beginning of year	2	211,225	51,424
Cash and cash equivalents at end of year	2	1,023 611	211,225

FORBIDDEN TECHNOLOGIES PLC (REGISTERED NUMBER 03507286)

NOTES TO THE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

1 RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	2010 £	2009 £
Loss before income tax	(195,830)	(92,940)
Depreciation charges	18 469	12 274
Amortisation charges	39 954	17,798
Employee share option costs	22 845	11 290
Finance costs	4,443	2 519
Finance income	(665)	(115)
	(110 784)	(49 175)
Increase in trade and other receivables	(76 971)	(19,102)
(Decrease)/Increase in trade and other payables	78 256	(19 374)
Cash generated from operations	(109 499)	(87 651)

2 CASH AND CASH EQUIVALENTS

The amounts disclosed on the cash flow in respect of cash and cash equivalents are in respect of these balance sheet amounts

Year ended 31 December 2010

	31/12/10 £	1/1/10 £
Cash and cash equivalents	1,023,611	211,225

Year ended 31 December 2009

	31/12/09 £	1/1/09 £
Cash and cash equivalents	211 225	51,424

The notes form part of these financial statements

1 ACCOUNTING POLICIES

Basis of preparation

The financial statements of the 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

New and Revised Standards

Standards in effect in 2010 adopted by the Company

The following standards, interpretations, and amendments to standards have been adopted in the financial statements

Standards in effect in 2010

The following standards, interpretations and amendments to standards have been adopted in the financial statements for the first time None had any impact on the Company results or financial position

- IFRS 3 (2008) Business Combinations' (Revised) IAS 27 (2008) Consolidated and Separate Financial Statements and IAS 28 (2008) Investments in Associates These standards, effective for acquisitions taking place in accounting periods beginning on or after 1 July 2009 have introduced a number of changes in the accounting for business combinations when acquiring a subsidiary or an associate

The following new and amended standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Company (although they may affect the accounting for future transactions and events)

- IFRIC 17 Distribution of non-cash assets to owners (effective for periods beginning on or after 1 July 2009)
- IFRIC 18, Transfers of assets from customers' effective for transfer of assets received on or after 1 July 2009
- IFRIC 9 Reassessment of embedded derivatives and IAS 39 Financial instruments Recognition and measurement', effective 1 July 2009
- IFRIC 16 Hedges of a net investment in a foreign operation' effective 1 July 2009
- IAS 1 (amendment), Presentation of financial statements' The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current
- IAS 36 (amendment), Impairment of assets', effective 1 January 2010 The amendment brings the standard in line with IFRS 8 Operating Segments'
- IFRS 2 (amendments), Group cash settled share-based payment transactions, effective form 1 January 2010 The amendment clarifies accounting for share-based transactions between group entities
- IFRS 5 (amendment), Non-current assets held for sale and discontinued operations The amendment clarifies disclosures to be made in respect of disposal groups

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 Company in preparing these financial statements as they are not as yet effective The Company intends to adopt these Standards and Interpretations when they become effective rather than adopt them early

- Revised IAS 24 (revised) Related party disclosures effective 1 January 2011
- IFRS 9, 'Financial instruments' effective 1 January 2013
- 'Classification of rights issues' (amendment to IAS 32), effective 1 February 2010
- IFRIC 19 'Extinguishing financial liabilities with equity instruments', effective 1 July 2010
- Prepayments of a minimum funding requirement (amendments to IFRIC 14), effective 1 January 2011
- Improvements to IFRSs (May 2010)

A number of IFRS and IFRIC interpretations are also currently in issue which are not relevant for the Company's activities and which have not therefore been adopted in preparing these financial statements

Revenue recognition

Revenue represents the amounts (excluding value added tax) derived from the provision of goods and services to customers For the supply of equipment and maintenance charges, turnover is recognised at the time of invoicing and invoices are raised upon the completion of the services provided or the delivery of equipment Revenue derived from the sale of FORscene licences is recognised on an accruals basis over the life of the licence Revenue relating to that proportion of the licence falling after the year end is treated as deferred revenue

Segmental reporting
The Company'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 Company's net assets further

Information regarding geographical revenues is disclosed in note 2 to the financial statements

Property, plant and equipment
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life

Leasehold improvements	- over the lease term
Fixtures and fittings	- 50% on cost
Computer equipment	- 50% on cost

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

Financial instruments
Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments An equity instrument is any contract that evidences a residual interest in the assets of the 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 irrevocable amounts

Trade and other payables
Trade and other payables are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company The amounts are unsecured non interest bearing and are stated at cost

Financial liabilities and equity
Financial instruments issued by the Company 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 Company 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 Company and

b) where the instrument will or may be settled in the Company s own equity instruments it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments
To the extent that this definition is not met the proceeds of issue are classified as a financial liability Where the instrument so classified takes the legal form of the Company s own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares
At the balance sheet date the Company had no such financial instruments
Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds

1 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 substantially enacted by the balance sheet date

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date

Deferred tax assets are only recognised to the extent that it is possible that future taxable profits will be available against which temporary differences can be utilised

Intangible assets
Expenditure on research is written off in the year in which it is incurred

Development costs are also charged to the income statement in the year of expenditure except when individual projects satisfy the following criteria
- the project is clearly defined,
- related expenditure is separately identifiable
- the project is technically feasible and commercially viable
- current and future costs will be exceeded by future sales,
- adequate resources exist for the project to be completed
In such circumstances the costs are carried forward and each year's costs will be amortised on a straight line basis over a period of 10 years

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 though 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

Government grants
Grants from the government are recognised at their face value where there is a reasonable assurance that the grant will be received and the company will comply with all attached conditions

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate

Critical accounting judgements and key sources of estimation and uncertainty
The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the Statement of Financial Position date and the reported amounts of revenues and expenses during the reporting period

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances Estimates have been used principally when determining the probable economic benefits to be derived from development expenditure and therefore whether those costs should be capitalised or whether there is subsequent evidence of impairment

2 SEGMENTAL REPORTING

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

	2010 £	2009 £
UK	138,339	61,659
North America	233 800	216,637
Asia	-	2,530
Total	372 139	280,826

An analysis of the Company's significant categories of revenue is as follows

	2010 £	2009 £
Software	313,184	255 611
Support	6,350	3,098
Hardware	41,230	19 320
Consultancy	11,375	2,797
	372 139	280 826

During the year sales to one customer accounted for more than 10% of the total turnover

3 OTHER OPERATING INCOME

During the year the company received a government grant of £1 915 (2009 £1 000) which subsidised the cost of attendance at an international trade fair

4 EMPLOYEES AND DIRECTORS

	2010 £	2009 £
Wages and salaries	334 065	293 803
Social security costs	31,900	29,710
	365,965	323,513

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

	2010 £	2009 £
Wages and salaries	170,145	135,995
Social security costs	14,676	12,242
	184,820	148,237

4 EMPLOYEES AND DIRECTORS - continued

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

	2010 £	2009 £
Management	4	4
Technical	6	6
Marketing	3	2
	13	12

Directors' and key management personnel remuneration

	2010 £	2009 £
VJ Steel	10,000	10,000
SB Streater	-	-
PJ Madden	16,667	16,667
GB Hirst	52 749	42 508
DP Main	1,200	1,200
	80,616	70 375

5 NET FINANCE COSTS

	2010 £	2009 £
Finance income		
Deposit account interest	665	115
Finance costs		
Other interest payable	4 443	2,519
Net finance costs	3,778	2 404

6 LOSS BEFORE INCOME TAX

The loss before income tax is stated after charging/(crediting)

	2010 £	2009 £
Other operating leases	(21,200)	(21 200)
Foreign exchange differences	5 050	(6,959)
Research and development	(20,166)	(20,589)
Auditors remuneration	(14 500)	(15,550)
Auditors remuneration – non audit – taxation	(2 225)	(2,000)
Auditors' remuneration – non audit – all other services	(5 750)	(3 142)
Earnings before interest, taxation, depreciation and amortisation	(133 629)	(60,464)
Depreciation – owned assets	(18,469)	(12 274)
Development costs amortisation	(39 954)	(17 798)
Operating loss (before interest and taxation)	(192,052)	(90 536)

7 INCOME TAX

Analysis of the tax credit

	2010 £	2009 £
Current tax Tax credit	50,461	36,261
Additional tax receipt related to prior year	15 620	-
Total tax credit in income statement	66 081	36,261

The notes form part of these financial statements

7 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

	2010 £	2009 £
Loss on ordinary activities before tax	(196 530)	(92 940)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21% (2009 – 21%)	(41 271)	(19 517)
Effects of		
Expenses not deductible for tax	925	1,550
Adjustment for provisions	(96)	(974)
Capital allowances in excess of depreciation	5,192	29
Tax losses	32 455	18,601
Additional relief for R&D expenditure	(32 439)	(33,352)
Effect of tax rate on credit	25 231	41 559
Capitalised development costs	(45,255)	(46 528)
Employee share option cost	4 797	2 371
Total income tax	(50 461)	(36 261)

Tax effects relating to effects of other comprehensive income

	Gross	2010 Tax	Net
Employee share option cost	(22 845)	-	(22 845)
Ordinary share issue	1,830,824	-	1,830,824
	1,807,979		1 807 979

	Gross	2009 Tax	Net
Employee share option cost	(11 290)	-	(11,290)
Ordinary share issue	279,280	-	279,280
	267 990	-	267 990

Tax losses of approximately £4 200 000 (2009 £3 800 000) are available to relieve against future profits of the Company

7 INCOME TAX - continued

Unrecognised deferred tax assets

	2010	2009

	£	£
Depreciation in excess of capital allowances	11 221	15 306
Tax losses carried forward	889,910	799 215
	901 131	814 521

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

8 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

	2010	2009
Loss attributable to equity holders of the company (£)	(129 749)	(56 679)
Weighted average number of ordinary shares in issue	81 205,612	77,396,541
Basic earnings per share (pence per share)	(0 16p)	(0 07p)

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume the conversion of all dilutive potential ordinary shares The company's dilutive 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

	2010	2009
Loss used to determine diluted earnings per share (£)	(129,749)	(56 679)
Weighted average number of ordinary shares in issue	81,205 612	77 396 541
Share options	8,176,250	8,636,250
Weighted average number of ordinary shares used to determine diluted earnings per share	89 381 862	86,032,791
Diluted earnings per share (pence per share)	(0 15p)	(0 07p)

As can be seen from the above table during the year ended 31 December 2010 the potentially dilutive ordinary shares were anti-dilutive because the company was loss-making As a result, earnings per share as presented on the face of the income statement is shown as a single figure

9 INTANGIBLE ASSETS

Development costs

COST	2010	2009 £
At beginning of year	399 546	177,983
Additions	215 500	221,563
At end of year	615 046	399,546
AMORTISATION		
At beginning of year	17,798	-
Amortisation for year	39,954	17,798
At end of year	57,752	17 798
NET BOOK VALUE		
At end of year	557 294	381 748

10 PROPERTY, PLANT AND EQUIPMENT

COST	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Client-facing IT equipment £	Totals £
At 1 January 2010	21 127	24 075	195,025	-	240 227
Additions	-		5,092	12 986	18,078
At 31 December 2010	21,127	24,075	200,118	12 986	258 305
DEPRECIATION					
At 1 January 2010	8 450	24 075	189 820	-	222 345
Charge for year	4,225	-	7 751	6 493	18 469
At 31 December 2010	12,675	24,075	197,571	6,493	240,814
NET BOOK VALUE					
At 31 December 2010	8,452	-	2 547	6,493	17 491
At 31 December 2009	12 677	-	5 205	-	17,882

The notes form part of these financial statements

10 PROPERTY, PLANT AND EQUIPMENT - continued

COST	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Totals £
At 1 January 2009	21,127	24 075	184,615	229,817
Additions	-	-	10 410	10 410
At 31 December 2009	21,127	24,075	195 025	240 227
DEPRECIATION				
At 1 January 2009	4 225	24 075	181,771	210 071
Charge for year	4,225	-	8 049	12 274
At 31 December 2009	8,450	24,075	189 820	222,345
NET BOOK VALUE				
At 31 December 2009	12,667		5,205	17,882
At 31 December 2008	16 902	-	2,844	19 746

11 TRADE AND OTHER RECEIVABLES

Current	2010 £	2009 £
Trade debtors	126 599	93 610
Less provision for doubtful receivables	(1,500)	-
Other debtors	58 223	16 233
Taxation and social security	2 840	7 574
Prepayments and accrued income	24,694	16,468
	210,856	133 885

Included in other debtors is a rental deposit of £15 900 (2009 £15 900) which is subject to a charge

12 CASH AND CASH EQUIVALENTS

	2010 £	2009 £
Bank accounts	1,023 611	211,225

13 CALLED UP SHARE CAPITAL

	2010 £	2009 £
Authorised		
125 000 000 ordinary shares of 0 8p each (2009 125 000 000 ordinary shares of 0 8p each)	1,000,000	1 000 000
Allotted, called up and fully paid		
86,169,500 ordinary shares of 0 8p each (2009 79 102,500 ordinary shares of 0 8p each)	689 356	632 820

During the year 7 067 000 ordinary shares of £0 008 were allotted as fully paid at an average premium of £0 259067 per share

During the year the Company issued 1,610 000 share options under the terms of the share option schemes

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

	Class of share	At start of year	At end of year
VJ Steel	Ordinary shares of 0 8 pence	1 320 000	1 220 000
DP Main	Ordinary shares of 0 8 pence	370,000	470,000
GB Hirst	Ordinary shares of 0 8 pence	505,000	805 000
PJ Madden	Ordinary shares of 0 8 pence	195 000	320 000

14 RESERVES

	Retained earnings £	Share premium £	Capital contribution reserve £	Totals £
At January 2010	(4 112 205)	3,275,655	125 000	(711 550)
Deficit for the year	(129 749)			(129 749)
Sale of share options	5 000			5,000
Cash share issue		1,830,824		1,830,824
Employee share option costs	22 845			22,845
At 31 December 2010	(4,214,109)	5 106,479	125,000	1 017 370

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

15 TRADE AND OTHER PAYABLES

Current	2010 £	2009 £
Trade creditors	28 520	24,830
Social security and other taxes	75,263	7 973
Other creditors	7,573	974
Accruals and deferred income	41 622	40,954
	152 987	74,731
Non-current		
Director s loans	-	785,000

16 LEASING AGREEMENTS

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

	2010 £	2009 £
Between one and five years	42,400	63 600

17 FINANCIAL INSTRUMENTS

The Company's financial instruments comprise trade debtors trade creditors, cash and liquid assets
The Company has not entered into any derivative or other hedging instruments
The Company's policy is to finance its operation and expansion through the issue of equity share capital
Financial assets comprise cash at bank and in hand and current asset investments 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

Interest rate risk
Cash balances attract a floating rate of interest The directors review interest payable and receivable on an ongoing basis to assess the Company's risk relating to changes in interest rates

Liquidity risk
All financial liabilities at the year end fall due in one year or less At the year end the Company had no material undrawn committed borrowing facilities
The Company reviews its future working capital requirements on a monthly basis

Foreign currency risk
The Company enters into transactions in the UK, Europe and North America and is exposed to currency fluctuations in the exchange rates for these regions although most of its overseas transactions are denominated in sterling The Company does not currently hedge against foreign currency risk since the directors feel that at current levels of income and expenditure the risk is low and its effect does not materially influence the Company's working capital position
The directors review foreign exchange movements on an ongoing basis to assess the Company s risk relating to changes in foreign currency exchange rates

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

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer There are 2 customers that individually represent more than 10% of the trade debtor balance In order to manage credit risk the ageing of the balances is reviewed regularly by the credit controller and limits are set for customers with a poor payment history

18 RELATED PARTY DISCLOSURES

Directors' loans included the following balances

	31 December 2010 £	31 December 2009 £
SB Streater	-	706,500
VJ Steel	-	78,500
	-	785,000

On 5 June 2007 the Company entered into an agreement with two of its directors (SB Streater and VJ Steel) to provide additional funding in order to meet its short-term working capital requirements These loans were repaid during the course of the year Interest of £5 097 (2009 £2,529) was paid on the loans during the year

19 POST BALANCE SHEET EVENTS

Since the balance sheet date the following movement of the non-employee share options has taken place

	Granted	Exercised	Lapsed	Date	Exercise price £	Market price on date of exercise £	Balance	Expiry date
RSV Ltd		250 000	-	26/01/11	0 24	0 335	240 000	26/07/11
RSV Ltd	-	40 000	-	28/01/11	0 24	0 335	200,000	26/07/11

20 ULTIMATE CONTROLLING PARTY

The ultimate controlling party of the Company is SB Streater by virtue of his shareholding

21 SHARE-BASED PAYMENT TRANSACTIONS

The Company believes that share ownership by executive directors and key staff strengthens the link between their personal interests and those of the shareholders It therefore operates both an approved and an unapproved share option scheme under which options have been granted

For all options, the exercise price is the market value of the share at the date of the grant On each occasion, options are granted ad hominem to selected employees and directors Options vest three years after the date of grant on condition that the recipient is still an employee or director of the Company Options are exercisable within seven years of vesting All options are equity settled

Exercise price (£)	Date granted	Range of dates exercisable	Number of shares for which rights are exercisable at 31/12/2010	Number of shares for which rights are exercisable at 31/12/2009
Unapproved				
2 175	02/10/2000	02/10/2003-02/10/2010	-	200,000
0 625	30/03/2001	30/03/2004-30/03/2011	50 000	50 000
0 625	19/04/2001	19/04/2004-19/04/2011	50,000	50 000
0 255	21/09/2001	21/09/2004-21/09/2011	493 750	643 750
0 475	04/04/2002	04/04/2005-04/04/2012	412,500	412 500
0 215	04/10/2002	04/10/2005-04/10/2012	487,500	487 500
0 31	08/05/2003	08/05/2006-08/05/2013	306 534	306 534
0 65	06/10/2003	06/10/2006-06/10/2013	447,884	447 884
0 35	04/05/2004	04/05/2007 04/05/2014	512,500	512 500
0 39	30/09/2004	30/09/2007-30/09/2014	534,359	534,359
0 22	29/04/2005	29/04/2008-29/04/2015	577,728	577 728
0 26	06/09/2005	06/09/2008-06/09/2015	612,500	612,500
0 23	09/05/2006	09/05/2009-09/05/2016	362,500	362 500
0 135	27/07/2007	27/07/2010 27/07/2017	65 000	65,000
0 085	18/06/2008	18/06/2011-18/06/2018	355 000	355 000
0 24	25/08/2009	25/08/2012-25/08/2019	165 000	165 000
0 16	05/07/2010	05/07/2013 05/07/2020	700 000	-
0 36	05/11/2010	05/11/2013-05/11/2020	762,431	-
Approved				
0 255	21/09/2001	21/09/2004-21/09/2011	50 000	50 000
0 475	04/04/2002	04/04/2005-04/04/2012	20,000	20 000
0 215	04/10/2002	04/10/2005-04/10/2012	5 000	5,000
0 31	08/05/2003	08/05/2006-08/05/2013	155 966	155,966
0 65	06/10/2003	06/10/2006-06/10/2013	44 616	44 616
0 35	04/05/2004	04/05/2007-04/05/2014	70 000	70 000
0 39	30/09/2004	30/09/2007-30/09/2014	58 141	58 141
0 22	29/04/2005	29/04/2008-29/04/2015	29 772	29 772
0 26	06/09/2005	06/09/2008-06/09/2015	15,000	15 000
0 23	09/05/2006	09/05/2009 09/05/2016	5,000	5 000
0 135	27/07/2007	27/07/2010-27/07/2017	40 000	40 000
0 085	18/06/2008	18/06/2011-18/06/2018	145 000	145 000
0 24	25/08/2009	25/08/2012-25/08/2019	105,000	155 000
0 36	05/11/2010	05/11/2013-05/11/2020	47,569	-

21 SHARE-BASED PAYMENT TRANSACTIONS - continued

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

	2010 Weighted average exercise price (£)	2010 Number of options	2009 Weighted average exercise price (£)	2009 Number of options
Outstanding at the beginning of the period	0 365	6 576,250	0 37	6,256,250
Granted during the period	0 261	1 610,000	0 240	320,000
Forfeited during the period	0 19	150,000	-	-
Exercised during the period	0 26	150 000	-	-
Lapsed during the period	2 175	200 000		-
Outstanding at the end of the period	0 301	7,686,250	0 365	6,576,250
Exercisable at the end of the period	0 334	5 406,250	0 401	5 651,250

The options outstanding at the year end have an exercise price in the range of £2 175 to £0 085 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 Volatility is based on daily share prices since floatation excluding the first month of trading, and compared to the volatility of companies conducting broadly comparable activities

Details of the valuation of the share options granted in the current and prior year are as follows

	2010 Approved	2009 Approved	2010 Unapproved	2009 Unapproved
Expected volatility (expressed as % used in the modelling under Black-Scholes model)	92%	92%	92%	92%
Option life (expressed as weighted average life used in the modelling under Black Scholes model)	4	4	4	4
Expected dividends	0%	0%	0%	0%
Risk free interest rate (based on national government bonds)	3 69%	3 69%	3 69%	3 69%
Weighted average fair value of options granted	0 1506	0 1506	0 1506	0 1506
Weighted average share price	0 24	0 24	0 24	0 24
Exercise price	0 24	0 24	0 24	0 24

21 SHARE-BASED PAYMENT TRANSACTIONS - continued

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options) adjusted for any expected changes to future volatility due to publicly available information

Share options are granted under a service condition Such conditions are not taken into account in the grant date fair value measurement of the services received There are no market conditions associated with the share option grants
The total expenses recognised for the period arising from share based payments are as follows

	2010 £	2009 £
Equity settled share based payments	22 845	11 290

Disclosure of movement in non-employee share options

	At start of year	Granted	Exercised	Lapsed	At end of year	Exercise price £	Average market price on date of exercise £	Expiry date
Ilps	2 060 000	-	2 060 000	-	-	0 12	0 17	27/07/10
RSV Ltd	-	500 000	10 000	-	490,000	0 24	0 295	26/07/11