

REGISTERED NUMBER: 03507286 (England and Wales)

**ANNUAL REPORT AND
FINANCIAL STATEMENTS
OF THE
FORBIDDEN TECHNOLOGIES plc GROUP
FOR THE YEAR ENDED
31 DECEMBER 2015**

THURSDAY



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FOR THE YEAR ENDED 31 DECEMBER 2015

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COMPANY INFORMATION

DIRECTORS: SB Streater
DP Main
JC Lees
AM Musa (from 8 June 2015)
JH Cowan (from 8 June 2015)
J Irving (from 2 November 2015)
A Bentley (from 17 November 2015)
VJ Steel (until 31 October 2015)
PJ Madden (until 12 June 2015)
GB Hirst (until 14 January 2015)

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
Watchmaker Court
33 St John's Lane
London
EC1M 4DB

**NOMINATED ADVISER
AND BROKER:** Allenby Capital Limited
3 St Helen's Place
London
EC3A 6AB

**CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015**

Introduction

Forbidden Technologies plc. (AIM: FBT), is the developer of a market leading cloud video platform used for its Forscene professional editing suite, its video social network, 'eva', and its online video editor, 'Captevate'.

The Group has built cloud-based technology and products that:

- enable news and sports broadcasters to get their web and mobile highlights to market quicker than ever before;
- help post-production and broadcast clients to make significant reductions in their costs;
- allow brands, influencers and celebrities to access audiences and their authentic content; and
- empower consumers to edit and share video in a completely new way.

Our three products are based on 'The Forbidden Cloud Platform', a dedicated video editing cloud solution powered by multi-patented technology that allows customers to produce content at a speed equivalent to having dedicated hardware solutions at their disposal.

Statement of Comprehensive Income and Statement of Financial Position

In the year to 31 December 2015, the Group recorded sales of £708,717 (£689,222 in 2014), which represented an increase of 3% year on year. Operating costs during the year to 31 December 2015 were £2,686,059, including £207,539 of one-off restructuring costs, compared to £3,608,273 for the previous year. The loss before interest, taxation, depreciation and amortisation was £2,085,750 compared to £2,978,068 for the previous year. After accounting adjustments for depreciation, amortisation and employee share option costs the operating loss was £2,662,606 compared to £3,644,168 for the previous year. The net loss for the year of £2,556,423 compares to a loss of £3,591,863 for the previous year.

The Group is debt free and had cash and cash equivalents at 31 December 2015 of £1,675,695 (31 December 2014: £4,358,900 including £2,000,000 in short-term investments).

In the last Chairman's Statement, we indicated that the Company would reduce year on year costs in 2015 by around £1 million. The cost reduction was £1,496,467 comprising £1,129,753 of operating costs (excluding £207,539 of one-off restructuring costs), and £366,714 of capitalised costs. These anticipated cost savings were primarily the result of the closure of our US office at the end of 2014, the removal of a layer of senior management and completion of our investment in additional Forscene features.

Management changes

In 2015 we reset our growth strategy of diversifying our product range and increasing our focus on our growth areas. This required new commercial leadership. We therefore re-structured the management team and strengthened the Board.

Our long standing Chairman, Vic Steel retired, and I have moved up to become Chairman. My main focus remains on maintaining the technical leadership of our cloud platform.

To lead the Group from its development to its growth phase, we promoted Aziz Musa to the CEO role. Aziz is a commercially focused CEO and a skilled leader who has a track record of growing revenues in technology led companies.

Our experienced non-Executive Finance Director Jonathan Lees joined the Executive team as Finance Director in June 2015.

Jason Cowan, a veteran of the broadcast industry, joined the Executive team in January 2015 as leader of the commercial team, and was promoted to the Board in June 2015.

To complete the Board, towards the end of the year, we added two new independent, commercially successful non-Executive Directors. Andrew Bentley, formerly CEO of EMI and Virgin Music Asia and President, Electrolux Home Products International AB, joined the business in November 2015. Jim Irving, formerly executive producer at the BBC for Match of The Day and Business Development Director of deltatre also joined in November 2015.

As detailed in the Chief Executive's review below, the new management has already started to deliver. Forscene sales in our target Sports market grew by 188% year on year in 2015 with a much more diversified client list. Post year end, we have announced successes in Sports and our first eva channel sale.

**CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015**

Cash Management

Cash management is a constant focus of the executive management team. Our use of cash is focused on increasing the balance of spend towards sales and marketing to drive growth in sales and reduce cash burn. In turn, we have continued to reduce our R&D costs, and are vigilant in ensuring additional investment is targeted where there is commercial benefit.

Prospects

Forbidden brings investors the potential for rapid growth through our scalable cloud video platform, which now spans both the professional and consumer markets. The agility and determination of the new management team brings with it a balance of skills, which is being applied to delivering this vision.

The new management team is already starting to show a return to growth for the business; and with cloud solutions penetrating many market sectors, we are seeing a willingness of major global companies to move towards commercial relationships. We look forward to the prospect of greater adoption of Forscene in international professional markets and the success of Captevat in the online consumer editing market, with the eva video social network bringing in supplementary revenue and supporting the adoption of Captevat.

Stephen Streater
Chairman

CHIEF EXECUTIVE'S REVIEW
FOR THE YEAR ENDED 31 DECEMBER 2015

2015 – A Year of Stabilisation, Reorganisation and Regeneration

Stabilisation

The 2015 financial results reflect an organisation stabilising following its change of strategy in North America and growth of its product offering. By Q4, we began to see evidence of the renewed commercial focus paying off.

- Ongoing operating and capitalised costs reduced by 33% from a peak cost base in 2014 of £4,508,355.
- Gross margins were in excess of 84%.
- Customer retention remained high at 81%.
- The continued decline in News was the result of a single news client, Field 59 (formerly BIM), who has been in decline for the last three years. We expect the decline in News to bottom out in 2016.
- Customer numbers increased by 40% year on year demonstrating that the relevance of Forscene is greater than ever.
- In Sports we achieved growth of 188% from £61,292 to £176,866, and revenue per customer increased by 92%. The results reflect the execution of a deliberate commercial strategy.
- The sales results achieved in the second half of 2015 restored growth in the business reflecting the progress made in creating a commercially led organisation. Growth in the second half of 2015 was up by 16% over the first half from £327,338 to £381,379. This second half performance was also 12% up on the same period last year.

The business is better positioned now than ever before for a period of sustained financial growth, and our mission is to turn that potential into reality.

Reorganisation

A number of changes occurred within the organisation aimed at turning our potential into reality. This started with the restructuring of the Board and management team as mentioned in the Chairman's Statement. The newly structured business is led by three revenue stream owners, with the rest of the organisation supporting all three in a matrix formation:

- Professional / Forscene, which will represent the main source of growth in 2016 and 2017, is led by Jason Cowan. Jason has now extended his sales team, and reorganised around the imperatives of growing existing business and winning new business. This newly formed team includes a new director of Sales Americas, Richie Murray, who works on an entirely variable cost basis. Jason has also taken on operational control of the Company with R&D and support indirectly reporting to him.
- Captevat is led by Jovana Ljiljak. We expect Captevat subscription revenue to contribute in 2016. Jovana in conjunction with Jason is also working with a number of potential white label partners to drive Captevat B2B sales.
- eva is led by Jens Wikholm. eva represents the least predictable part of the Forbidden Technologies portfolio. Whilst the efficacy of eva has been proved in three highly successful proofs of concept, until the platform is actually monetised to significant levels the Company's focus remains on the other two products.
- A restructured Forscene partner programme is becoming an increasingly important part of the sales mix. This includes a greater focus on a fewer number of resellers offering them both the marketing collateral and pre-sales support they require to close business on behalf of Forbidden Technologies.
- Partnerships have become increasingly important in 2015. These are clients who choose to either resell the Forscene product under our or their own brand. In Sports our largest client now sells Forscene as the only product in its 'rapid turnaround' editorial offering, and continually explores additional revenue opportunities with Captevat and eva.
- Augmenting all of this change the Company has also introduced the concept of white-labelled sales teams which operate on an entirely variable cost basis across all products.

The organisational changes represent part of a wider, and arguably more important, cultural change the organisation is undergoing. Our challenge culturally is to move out of the 'product first' mentality and into a 'revenue first' mentality. We are well positioned to do this now having completed the bulk of new product development in 2015 that allows for this regeneration of the business.

Regeneration

Forscene is starting to establish its place in Broadcast post-production, Sports and News. The revenue trajectory of Sports in the second half of the year in particular gives us greater confidence as we push our products to market. In Broadcast post production, we had a record peak month of 116 concurrent productions in 2015. For the first time a number of these clients used the Forscene product for the 'offline editing' element of their workflow, which we expect to be a significant source of growth for the business in the coming years. Whilst there will always be improvements to Forscene as a product our focus is now on more effectively commercialising what we have.

**CHIEF EXECUTIVE'S REVIEW
FOR THE YEAR ENDED 31 DECEMBER 2015**

Around 50% of Captevate's features are now live. The product will evolve with new features and functions throughout 2016, and we anticipate releasing a professional version targeted at agencies at some point in the year. Captevate exists in the currently relatively uncompetitive market of 'online video editing'. There are comparatively few competitors in this space as is reflected in the product's initial success in ranking on Google, where captevate.com ranks in the top 10 results for hundreds of keywords. This has led to approximately 800 people a week registering for a free trial of Captevate, significantly more than was originally forecast in our growth models.

Conversely, eva competes in a highly competitive and crowded market. However, eva's core USP, its ability to allow brands access to the content created on their channels for use in paid and owned media, has been well received and is potentially lucrative. Whilst eva remains the 'risk' element of the Forbidden Technologies portfolio, it also represents the highest potential upside. With initial pitches to high profile brands and agencies, the pipeline for branded channels is both exciting and rapidly growing. eva's product development is largely complete. Whilst there are no new features planned there is an ongoing process of bug and usability fixes.

Overall management believes it has the products and tools required to build the business. Our future story is one of commercial growth rather than product growth.

2016 - Commercialisation and growth

Post Period Highlights

Post 2015 year end, there have been a number of highlights:

- In January we announced that our reseller in News Field59 (formerly BIM) had signed two new ABC affiliated channels. These are the first new channels to be signed since the decline of the business began in 2013.
- We also announced a new deal with IMG Media, one of the largest independent producers and distributors of sports media. In Sports, our growth profile is very encouraging. We have moved from one client and one event in 2012 to three clients and 21 events in 2015. Driving more revenue in Sports in 2015 than in 2013 and 2014 combined is an important achievement. This trend appears to be continuing into 2016.
- We announced the first paying eva client. We Are Experience, an award-winning design and usability agency that will use the product for its international client testing. The pipeline of prospective eva clients continues to grow. In addition, at Mobile World Congress we announced the launch of eva on Android. This initial release will continue over the coming months to include more and more Android devices.

Future outlook

To support our growth ambitions, the sales organisation across the business is planned to evolve from 1.8 full time equivalents ("FTEs") in Q4 2015 to 7.0 FTEs by the end of Q1 2016. These new sales resources are being funded by a £600k reduction in R&D spend, augmented with partners and resellers whose costs operate in an entirely variable way.

Forscene represents the vast majority of growth opportunities in 2016 and 2017. With a new sales team led by Jason Cowan we expect to see good growth in Forscene over the coming periods. In Broadcast post-production the cost savings available to post houses, production companies and broadcasters continues to be significant. In News and Sports speed to market of content is critical, and can be a competitive advantage to news channels and sports distributors. Through a range of partners, intermediaries and resellers, Forscene is now driving these markets on the back of these simple messages.

As Captevate moves out of beta in late Q1 2016, we will be able to test the commercial models more effectively and look forward to this becoming a source of modest revenues in 2016 with its significance increasing in 2017 and beyond. We expect to see partnerships become an important source of revenue for Captevate too.

eva remains the least predictable part of our portfolio and the lowest cost to maintain. eva has signed its first paid client, has a number of pitches in place, and a number of proposals with clients. We will be working hard to unlock the full potential of eva.

**CHIEF EXECUTIVE'S REVIEW
FOR THE YEAR ENDED 31 DECEMBER 2015**

Conclusion

2015 represented a year of stabilisation, reorganisation and regeneration. Our intention is to make 2016 the year we begin to see sales traction. To achieve this we have restructured around three key revenue streams, have shifted £600k of R&D cost into our sales apparatus and are engaging the most significant pipeline of opportunities the Group has ever had. We remain an organisation with an extraordinary portfolio of intellectual property and a sales model that could make Forbidden one of the shining lights of UK technology. The management team and the entire organisation are extremely impatient for financial success and our focus is exclusively to this end. I look forward to updating on our progress over the coming months.

Aziz Musa
CEO

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

REVIEW OF BUSINESS

The Group has continued the development of its video technology, extending both its functionality and its ability to take advantage of emerging commercial opportunities, markets and partnerships. A review of the Group'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 £708,717 (2014: £689,222); the loss for the year was £2,556,423 (2014: £3,591,863). The results of the Group are shown in more detail on page 16.

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 budget, and against latest pipeline expectations which are updated monthly.
- Costs are categorised and monitored against budget and current needs on a monthly basis. Variable or discretionary spend is monitored bi-weekly by the Executive.
- Cash is managed closely to ensure that the Group avoids an overdraft and is planned to ensure that cash resources will be sufficient to meet the Group's future needs. The balance of cash and short-term investments at the year-end was £1,675,695 (2014: £4,358,900).

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 Group's risk relating to changes in interest rates.

Liquidity risk

The Group reviews future working capital requirements on a monthly basis.

Foreign currency risk

The Group enters into transactions in the UK 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 Group does not currently hedge against foreign currency risk since the directors feel that, at current levels of income and expenditure, the risk is low and its effect does not materially influence the Group's working capital position. The directors review foreign exchange movements on an ongoing basis to assess the Group's risk relating to changes in foreign currency exchange rates.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. There are two longstanding customers that individually represented more than 10% of sales in 2015. In order to manage credit risk the ageing of the balances is reviewed regularly.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure in order to reduce the cost of capital. In order to maintain or adjust the capital structure the Company may issue further shares or share options. In recent years it has not utilised debt therefore it does not need to consider debt/gearing ratios.

Other risks

Forscene is a cloud-based platform operating in several conservative industries including the professional broadcast market. Should the market delay adoption of cloud services, the Company will struggle to sell its products.

Forbidden's flagship product runs in Java. Whilst this is supported by its owner Oracle, sales could be impacted if Java is rejected by clients or potential clients. Similarly, Forbidden's new online video editor Captevate runs in Javascript. As such, it is dependent on Javascript support within browsers.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

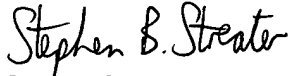
PRINCIPAL RISKS AND UNCERTAINTIES – continued

Competitors or new entrants could succeed in producing a superior product offering, or be better at marketing their products, slowing down the adoption of Forbidden's offerings.

If Forbidden is not initially successful in driving adoption of its new consumer products, the Company will have to evolve its strategy in order to build a successful consumer business. There are both product risks (that the product development will take longer than expected or that the product will not meet requirements), and market risks (that the anticipated market for the product will not meet expectations). On the product side, these risks have reduced as iterations of these products have become available for use. The speed of adoption in the multiple potential markets continues to be tested.

Forbidden protects itself against cyber-attack by addressing known risks, such as published internet vulnerabilities, by installing patches. From time to time the Company appoints independent contractors to test the Company's defences.

~~As a small company, Forbidden has a high proportion of key staff, and loss of key staff is a risk. A productive working environment, respect for staff, regular company-wide communication meetings, promotion opportunities where relevant and regular awards of share options are all elements of Forbidden's staff retention risk mitigation. For the first time the Company has introduced commission plans for its sales staff to maximise revenue opportunities and to recruit and retain the highest quality customer-facing personnel.~~



Stephen Streater
Chairman

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2015**

The directors present their report with the consolidated financial statements of the Group for the year ended 31 December 2015.

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 2015 (2014:£Nil).

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS AND DIRECTORS' INTERESTS

The following directors have held office during the period from 1 January 2015 to the date of this report.

VJ Steel (resigned 31 October 2015)
SB Streater
GB Hirst (resigned 14 January 2015)
PJ Madden (resigned 12 June 2015)
DP Main
JC Lees
AM Musa (appointed 8 June 2015)
JH Cowan (appointed 8 June 2015)
JS Irving (appointed 2 November 2015)
A Bentley (appointed 17 November 2015)

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
VJ Steel	Ordinary shares of 0.8 pence	1,099,500	1,099,500
SB Streater	Ordinary shares of 0.8 pence	62,700,000	62,700,000
GB Hirst	Ordinary shares of 0.8 pence	384,014	384,014
PJ Madden	Ordinary shares of 0.8 pence	309,166	309,166
DP Main	Ordinary shares of 0.8 pence	250,000	250,000
JC Lees	Ordinary shares of 0.8 pence	-	-
AM Musa	Ordinary shares of 0.8 pence	-	-
JH Cowan	Ordinary shares of 0.8 pence	-	-
JS Irving	Ordinary shares of 0.8 pence	-	-
A Bentley	Ordinary shares of 0.8 pence	30,000	30,000

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2015 – continued**
DIRECTORS AND DIRECTORS' INTERESTS – continued

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

	At start of year	Granted	Exercised	Lapsed	At end of year	Exercise price £	Market price on date of exercise £	Date from which exercisable	Expiry date
VJ Steel	100,000			100,000	0	0.22	-	29/04/2008	28/04/2015
VJ Steel	100,000			100,000	0	0.26	-	06/09/2008	05/09/2015
VJ Steel	100,000				100,000	0.085	-	18/06/2011	17/06/2018
VJ Steel	20,000				20,000	0.24	-	25/08/2012	24/08/2019
VJ Steel	100,000				100,000	0.16	-	05/07/2013	04/07/2020
VJ Steel	150,000				150,000	0.36	-	05/11/2013	04/11/2020
VJ Steel	110,000				110,000	0.1275	-	06/10/2014	05/10/2021
VJ Steel	100,000				100,000	0.245	-	12/05/2015	11/05/2022
VJ Steel	40,000				40,000	0.26	-	20/08/2015	19/08/2022
VJ Steel	50,000				50,000	0.275	-	25/04/2016	24/04/2023
VJ Steel	200,000				200,000	0.255	-	25/07/2016	24/07/2023
VJ Steel	100,000				100,000	0.215	-	25/04/2017	24/04/2024
VJ Steel	50,000				50,000	0.19	-	23/09/2017	22/09/2024
GB Hirst	50,000			50,000	0	0.26	-	06/09/2008	05/09/2015
GB Hirst	15,000				15,000	0.23	-	09/05/2009	08/05/2016
GB Hirst	35,000				35,000	0.085	-	18/06/2011	17/06/2018
GB Hirst	30,000				30,000	0.24	-	25/08/2012	24/08/2019
GB Hirst	150,000				150,000	0.16	-	05/07/2013	04/07/2020
GB Hirst	150,000				150,000	0.36	-	05/11/2013	04/11/2020
GB Hirst	150,000				150,000	0.1275	-	06/10/2014	05/10/2021
GB Hirst	100,000				100,000	0.245	-	12/05/2015	11/05/2022
GB Hirst	40,000				40,000	0.26	-	20/08/2015	19/08/2022
GB Hirst	50,000				50,000	0.275	-	25/04/2016	24/04/2023
GB Hirst	250,000				250,000	0.255	-	25/07/2016	24/07/2023
GB Hirst	100,000				100,000	0.215	-	25/04/2017	24/04/2024
PJ Madden	50,000			50,000	0	0.26	-	06/09/2008	05/09/2015
PJ Madden	25,000				25,000	0.23	-	09/05/2009	08/05/2016
PJ Madden	25,000				25,000	0.135	-	27/07/2010	26/07/2017
PJ Madden	65,000				65,000	0.085	-	18/06/2011	17/06/2018
PJ Madden	30,000				30,000	0.24	-	25/08/2012	24/08/2019
PJ Madden	50,000				50,000	0.16	-	05/07/2013	04/07/2020
PJ Madden	75,000				75,000	0.36	-	05/11/2013	04/11/2020
PJ Madden	55,000				55,000	0.1275	-	06/10/2014	05/10/2021
PJ Madden	75,000				75,000	0.245	-	12/05/2015	11/05/2022
PJ Madden	40,000				40,000	0.26	-	20/08/2015	19/08/2022
PJ Madden	50,000				50,000	0.275	-	25/04/2016	24/04/2023
PJ Madden	100,000				100,000	0.255	-	25/07/2016	24/07/2023
PJ Madden	100,000				100,000	0.215	-	25/04/2017	24/04/2024
PJ Madden	75,000				75,000	0.19	-	23/09/2017	22/09/2024
AM Musa	100,000				100,000	0.225	-	19/05/2017	18/05/2024
AM Musa	100,000				100,000	0.19	-	23/09/2017	22/09/2024
AM Musa		600,000			600,000	0.0825	-	11/05/2018	10/05/2025
AM Musa		600,000			600,000	0.05875	-	18/11/2018	17/11/2025
JH Cowan	100,000				100,000	0.1275	-	06/10/2014	05/10/2021
JH Cowan	100,000				100,000	0.245	-	12/05/2015	11/05/2022
JH Cowan	25,000				25,000	0.26	-	20/08/2015	19/08/2022
JH Cowan	50,000				50,000	0.275	-	25/04/2016	24/04/2023
JH Cowan	100,000				100,000	0.255	-	25/07/2016	24/07/2023
JH Cowan	75,000				75,000	0.215	-	25/04/2017	24/04/2024
JH Cowan	25,000				25,000	0.19	-	23/09/2017	22/09/2024

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2015 – continued**
DIRECTORS AND DIRECTORS' INTERESTS – 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
JH Cowan		500,000			500,000	0.0825	-	11/05/2018	10/05/2025
JH Cowan		350,000			350,000	0.05875	-	18/11/2018	17/11/2025
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
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
A Bentley		100,000			100,000	0.05875	-	18/11/2018	17/11/2025
JS Irving		100,000			100,000	0.05875	-	18/11/2018	17/11/2025

The market price of the shares at the year-end was 7.38p. The highest market price during the year was 12.75p and the lowest market price 4.75p.

FINANCIAL INSTRUMENTS

The Group's financial instruments comprise trade debtors, trade creditors and cash. The Group has not entered into any derivative or other hedging instruments. The Group's practice has been to finance its operations and expansion through the issue of equity share capital. Financial assets comprise cash at bank and in hand. Financial assets and financial liabilities exclude short-term debtors and creditors. The fair value of the financial assets and financial liabilities are not materially different from their carrying values.

SUBSTANTIAL SHAREHOLDERS

At the year end the following shareholders held an interest of 3% or more in the Company's ordinary share capital:

SB Streater
Schroders plc
Miton Group plc

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Group made £507 in charitable donations in the year (2014: £nil).

AUDIT COMMITTEE

At the start of the year the members of the Audit Committee were Jonathan Lees (Chairman) and Vic Steel. Following the appointment of Jonathan Lees as Finance Director in June 2015 and the resignation of Vic Steel in October 2015, David Main (Chairman) and Andrew Bentley were appointed to the Committee. 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;

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2015 – continued**

- Review and challenge the clarity and completeness of disclosure in the Group's financial reports (both narrative and financial);
- Monitor the adequacy and effectiveness of the Group's internal controls and risk management systems;
- Appraise the content and disclosure within the annual statutory accounts and make recommendations to the Board;
- Oversee the relationship with the external auditors and review their effectiveness, making recommendations to the Board in relation to their appointment, re-appointment or removal and price; and
- Communicate to shareholders the extent of the Committee's activities.

Specific actions taken by the Committee since the date of the last Directors' Report include the following.

- A review of the risk register and financial procedures, resources and controls outlined in the latest version of the financial position and prospects memorandum.
- A review of the Annual Report and Financial Statements of the Group for the year ended 31 December 2015 considering in particular the accounting policies and disclosures in relation to revenue segmentation, revenue recognition and capitalised development costs.
- A review of the working capital forecasts of the Group.
- A review of the disclosures in the Chairman's Statement, the Chief Executive's Review and the Strategic Report to ensure that the performance of the Group in the year ended 31 December 2015 and the Group's corrective actions undertaken are adequately described and reported thereon.
- An assessment of the performance of Kingston Smith LLP as auditors of the Group. On the basis that the Committee conclude that the audit continues to be independent, objective and effective; that they have been the auditors of the Group for less than ten years; and that the lead partner has held the position for less than five years, the Committee recommends that Kingston Smith LLP continue as auditors of the Group for the next financial year, and will not be recommending a tender is conducted by the Group until 2017. 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 2015. 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

At the start of the year the company's Remuneration Committee comprised Vic Steel, David Main and Stephen Streater. Following the resignation of Vic Steel, James Irving was appointed to the Committee. It is responsible both for setting salary levels and awarding Share Options to all employees of the Group. In the period since the last Directors' Report it met five times.

SHARE OPTION SCHEMES

In the 12 months to 31 December 2015, 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
11 May 2015	1,690,000	27	8.25	11 May 2018	10 May 2025
25 June 2015	500,000	1	9.0	25 June 2018	24 June 2025
18 November 2015	2,325,000	34	5.875	18 November 2018	17 November 2025

On termination of employment, employees and directors lose their share options unless the Board exercises its discretion to allow an employee or director to retain their share options for a limited period. Options are granted to individual employees and directors. Options vest three years after the date of grant on condition that the recipient is still an employee or director of the Company. The Directors are permitted to determine that options which might otherwise lapse may remain exercisable for a period up to ten years from the date of grant. This confers discretion on the Directors to agree extended dates for exercise of options in certain limited circumstances, where the option-holder would otherwise cease to be eligible to exercise the options, if the Directors consider it to be in the best interests of the Company to do so.

The exercise price for the share options issued was the market price at the date the options were granted.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2015 – continued**

CORPORATE GOVERNANCE

The listing rules require that listed companies (but not companies quoted on AIM) incorporated in the UK should state in their report and accounts whether they comply with the UK Corporate Governance Code (“the Code”) and identify and give reasons for any area of non-compliance. The Code is published by the Financial Reporting Council and is periodically reviewed and updated. The Company is listed on AIM and therefore no disclosure is required.

The Group supports the principles and aims of the code and follows the code wherever it is reasonable to do so. It operates an effective board which normally meets at least 12 times a year to consider the progress of the Group. The Board holds additional, one-off meetings to review and reset the Group’s strategy and future direction. The Executive directors of the Board meet weekly.

The objective of the Group’s corporate governance structure and processes is to create transparency in business decisions and actions so that it remains accountable to its stakeholders. The value placed on good corporate governance is reflected in the governance practices and everyday working processes. Wherever possible appropriate controls are in place and monitored by the Board. However, full compliance with the code is not possible because of the size and resource constraints of the Group and because of the relative cost benefit assessment in putting in place the additional procedures.

As the Group grows in size and resources the Board intends to continue to increase its compliance with the Code.

STATEMENT OF DIRECTORS’ RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare the financial statements in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”) and have elected to prepare the Company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and cash flows of the Group and the Company and the financial performance of the Group for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether in the preparation of the financial statements the company has complied with IFRS as adopted by the EU, subject to any material departures disclosed and explained in the financial statements; and
- 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.

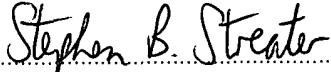
FORBIDDEN TECHNOLOGIES PLC (REGISTERED NUMBER: 03507286)

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2015 – continued

AUDITORS

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

ON BEHALF OF THE BOARD:



SB Streater - Director

Date: 7-March-2016

**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 2015 which comprise the Consolidated and Company Statements of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements 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 regards the parent company financial statements, 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 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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 13 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. In addition we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

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 2015 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- 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 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 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.

Kingston Smith LLP

John Staniforth (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP, Statutory Auditor

7 March 2016

Devonshire House
60 Goswell Road
London
EC1M 7AD

CONSOLIDATED AND COMPANY INCOME STATEMENTS AND STATEMENTS OF COMPREHENSIVE INCOME

Consolidated and Company income statements and statements of comprehensive income

	Notes	2015 £	2014 £ Restated
CONTINUING OPERATIONS			
Revenue	2	708,717	689,222
Cost of Sales		(108,408)	(59,017)
GROSS PROFIT		600,309	630,205
Operating costs		(2,686,059)	(3,608,273)
EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION AND AMORTISATION		(2,085,750)	(2,978,068)
Depreciation		(156,162)	(152,283)
Loss on disposal of fixed assets		(1,309)	(34,119)
Development costs impairment		-	(200,000)
Amortisation		(334,602)	(197,792)
Employee share option costs		(84,783)	(81,906)
		(576,856)	(666,100)
OPERATING LOSS	4	(2,662,606)	(3,644,168)
Finance income	5	27,124	18,655
LOSS BEFORE INCOME TAX		(2,635,482)	(3,625,513)
Income tax	6	79,059	33,650
LOSS FOR THE YEAR		(2,556,423)	(3,591,863)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(2,556,423)	(3,591,863)
Earnings per share expressed in pence per share			
Basic – continuing and total operations	7	(1.94p)	(2.72p)
Fully diluted - continuing and total operations		(1.94p)	(2.72p)

Company statement of comprehensive income

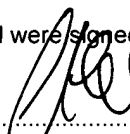
	2015 £	2014 £
LOSS FOR THE YEAR	(2,556,458)	(3,591,863)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(2,556,458)	(3,591,863)

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION
31 DECEMBER 2015

	Notes	Group		Company	
		2015 £	2014 £	2015 £	2014 £
ASSETS					
NON-CURRENT ASSETS					
Other intangible assets	8	1,518,666	1,364,539	1,518,666	1,364,539
Property, plant and equipment	9	74,956	189,675	74,956	186,479
Investments	10	-	-	641	641
		1,593,622	1,554,214	1,594,263	1,551,659
CURRENT ASSETS					
Inventories	11	-	41,963	-	17,564
Trade and other receivables	12	233,845	293,878	233,211	359,357
Current tax assets		79,059	33,650	79,059	33,650
Short-term investment	13	-	2,000,000	-	2,000,000
Cash and bank balances	13	1,675,695	2,358,900	1,674,637	2,305,339
		1,988,599	4,728,391	1,986,907	4,715,910
TOTAL ASSETS		3,582,221	6,282,605	3,581,170	6,267,569
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES					
Issued share capital	14	1,054,518	1,054,518	1,054,518	1,054,518
Share premium		13,317,572	13,317,572	13,317,572	13,317,572
Capital contribution reserve		125,000	125,000	125,000	125,000
Retained earnings		(11,187,702)	(8,716,062)	(11,187,737)	(8,716,062)
TOTAL EQUITY		3,309,388	5,781,028	3,309,353	5,781,028
CURRENT LIABILITIES					
Trade and other payables	15	272,833	501,577	271,817	486,541
TOTAL LIABILITIES		272,833	501,577	271,817	486,541
TOTAL EQUITY AND LIABILITIES		3,582,221	6,282,605	3,581,170	6,267,569

The financial statements were approved by the Board of Directors on 7 March 2016 and were signed on its behalf by:


 SB Streater – Director


 JC Lees – Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Issued share capital £	Retained earnings £	Share premium £	Capital contribution reserve £	Total equity £
Balance at 1 January 2014	1,054,518	(5,206,105)	13,317,572	125,000	9,290,985
Changes in equity					
Share based payment	-	81,906	-	-	81,906
Total comprehensive income for the year	-	(3,591,863)	-	-	(3,591,863)
Balance at 31 December 2014	1,054,518	(8,716,062)	13,317,572	125,000	5,781,028
Changes in equity					
Share based payment	-	84,783	-	-	84,783
Total comprehensive income for the year	-	(2,556,423)	-	-	(2,556,423)
Balance at 31 December 2015	1,054,518	(11,187,702)	13,317,572	125,000	3,309,388

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Issued share capital £	Retained earnings £	Share premium £	Capital contribution reserve £	Total equity £
Balance at 1 January 2014	1,054,518	(5,206,105)	13,317,572	125,000	9,290,985
Changes in equity					
Share based payment	-	81,906	-	-	81,906
Total comprehensive income for the year	-	(3,591,863)	-	-	(3,591,863)
Balance at 31 December 2014	1,054,518	(8,716,062)	13,317,572	125,000	5,781,028
Changes in equity					
Share based payment	-	84,783	-	-	84,783
Total comprehensive income for the year	-	(2,556,458)	-	-	(2,556,458)
Balance at 31 December 2015	1,054,518	(11,187,737)	13,317,572	125,000	3,309,353

FORBIDDEN TECHNOLOGIES PLC (REGISTERED NUMBER: 03507286)

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Group		Company	
		2015 £	2014 £	2015 £	2014 £
Cash flows from operating activities					
Cash used in operations	A	(2,212,498)	(2,657,616)	(2,158,108)	(2,717,569)
Tax received		33,650	58,834	33,650	58,834
Net cash from operating activities		(2,178,848)	(2,598,782)	(2,124,458)	(2,658,735)
Cash flows from investing activities					
Payments for intangible fixed assets		(488,729)	(573,371)	(488,729)	(573,371)
Payments for property, plant and equipment		(44,639)	(326,711)	(44,639)	(320,319)
Proceeds from sale of property, plant and equipment		1,887	-	-	-
Maturity of fixed term deposits		2,000,000	-	2,000,000	-
Interest received		27,124	18,655	27,124	18,655
Net cash from investing activities		1,495,643	(881,427)	1,493,756	(875,035)
(Decrease) in cash and cash equivalents		(683,205)	(3,480,209)	(630,702)	(3,533,770)
Cash and cash equivalents at beginning of year	B	2,358,900	5,839,109	2,305,339	5,839,109
Cash and cash equivalents at end of year	B	1,675,695	2,358,900	1,674,637	2,305,339

NOTES TO THE CONSOLIDATED AND COMPANY STATEMENTS OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

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

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Loss before income tax	(2,635,482)	(3,625,513)	(2,635,517)	(3,625,513)
Depreciation	156,162	152,283	156,162	149,087
Loss on disposal of fixed assets	1,309	34,119	-	34,119
Development costs impairment	-	200,000	-	200,000
Amortisation charges	334,602	197,792	334,602	197,792
Employee share option costs	84,783	81,906	84,783	81,906
Finance income	(27,124)	(18,655)	(27,124)	(18,655)
Earnings before interest, taxation, depreciation and amortisation	(2,085,750)	(2,978,068)	(2,087,094)	(2,981,264)
Movements in working capital:				
Decrease in trade and other receivables	60,033	36,759	126,146	50,615
Decrease/(Increase) in inventories	41,963	(38,689)	17,564	(14,290)
(Decrease)/increase in trade and other payables	(228,744)	322,382	(214,724)	227,370
Cash (used in) from operations	(2,212,498)	(2,657,616)	(2,158,108)	(2,717,569)

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 2015	Group		Company	
	31/12/15	1/1/15	31/12/15	1/1/15
Cash and cash equivalents	1,675,695	2,358,900	1,674,637	2,305,339
Year ended 31 December 2014	31/12/14 £	1/1/14 £	31/12/14 £	1/1/14 £
Cash and cash equivalents	2,358,900	5,839,109	2,305,339	5,839,109

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES

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.

The Parent Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form part of the financial statements.

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 2015 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.

Restatement of the 2014 comparative figures in the consolidated income statement of comprehensive income

The comparative figures in the Consolidated Statement of Comprehensive Income have been restated to show an Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) figure. The Directors believe this presentation better reflects the operating cash flow of the business before working capital movements by eliminating the non-cash effects of financial and accounting decisions.

Going concern

The group incurred a loss after tax for the year of £2,556,423 (2014: loss of £3,591,863) as it continued in 2015 to develop its market offerings and stabilise the organisation. The Directors have prepared profit and loss, balance sheet and cash-flow forecasts on the basis of a restructured cost base and reducing cash burn as the business moves from development phase to growth phase. The Directors believe these forecasts demonstrate the business is capable of meeting its obligations as they fall due and are confident they have plans in place to ensure the continuity of the business for the foreseeable future. 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 2015 adopted by the Group

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

New and Revised Standards

IFRS in issue but not applied in the current financial statements

The following IFRS and IFRIC Interpretations have been issued but have not been applied by the Company in preparing these financial statements as they are not as yet effective and in some cases had not yet been adopted by the EU. The Company intends to adopt these Standards and Interpretations when they become effective, rather than adopt them early.

- IFRS 9, 'Financial Instruments'
- IFRS 15, 'Revenue from Contracts with Customers'
- IFRS 16, 'Leases'
- IFRS 11 (amendments), 'Accounting for Acquisitions of Interests in Joint Operations'
- IAS 1 (amendments), 'Disclosure Initiative'
- IAS 16 and IAS 38 (amendments), 'Clarification of Acceptable Methods of Depreciation and Amortisation'
- IAS 27 (amendments), 'Equity Method in Separate Financial Statements'
- IFRS 10 and IAS 28 (amendments), 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'
- Annual Improvements to IFRSs: 2012-2014 – various clarifications

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

ACCOUNTING POLICIES – continued

The directors do not expect that the adoption of the Standards listed above will have a material impact on the Group in future periods except that IFRS 9 will impact both the measurement and disclosure of financial instruments, and IFRS 15 may have an impact on revenue recognition and related disclosures. The impact of IFRS 16 will be evaluated closer to the adoption date. Beyond this, it is not practicable to provide a reasonable estimate of the effect of IFRS 9, IFRS 15 and IFRS 16 until a detailed review has been completed.

Revenue recognition

The primary source of revenue is in respect of the sale of professional video editing software. The product is sold using a software licensing and delivery model in which the software is licensed on a subscription basis. The subscription or 'usage fee' pays for the licence, usage and support and is normally invoiced monthly in arrears. However there are an increasing number of user fee subscriptions charged in advance over the duration of a production. There are also some annual licences sold to certain customers in addition to the subscriptions charged. In respect of the Sports segment in which there are some longer-term arrangements, the license, usage and support is un-bundled, invoiced separately, either in advance or phased in arrears, and charged on an annual basis or to reflect the length of an event or season.

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

Segmental reporting

The Group's products are delivered through an integrated web-based platform and the Board manages the business as a single business segment. In accordance with IFRS 8, information is presented based on the way in which financial information is reported internally to the chief operating decision maker and therefore the directors do not consider it to be meaningful to analyse the loss before tax or the net assets of the Group or the Parent Company further.

Information regarding geographical revenues is disclosed in note 2 to the financial statements. In addition revenue segments utilised internally have been disclosed distinguishing between target market and revenue type.

Property, plant and equipment

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price of the stocks less any applicable costs to sell.

Financial instruments

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

Short-term investments

These comprise funds placed on term-deposit where the funds are not convertible to cash within 30 days without the potential payment of an early redemption penalty. This penalty aside, the terms of the deposit are such that the funds repaid on maturity will always exceed the initial deposit.

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.

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

ACCOUNTING POLICIES – continued

Trade and other receivables

Trade and other receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Trade and other payables

Trade and other payables are recognised for amounts to be paid in the future for goods or 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 similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method on temporary differences arising between the tax base of assets and liabilities and their carrying values in the financial statements. The deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect either the accounting or taxable profit or loss. Deferred tax is determined using tax rates which have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Intangible assets

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

Development costs are also charged to the income statement in the year of expenditure except when individual projects satisfy the following criteria:

- the project is clearly defined;
- related expenditure is separately identifiable;
- the project is technically feasible and commercially viable;
- current and future costs will be exceeded by future sales; and
- adequate resources exist for the project to be completed.

In such circumstances the costs are carried forward. Development costs are carried forward in three categories; development of the underlying infrastructure which is amortised over ten years, development of professional products, which is amortised over five years; and development of consumer products 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

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**
ACCOUNTING POLICIES – continued
Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Share based payments

The share option programme allows employees to acquire shares of the Company. The fair value of equity settled through the options is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Critical accounting judgements and key sources of estimation and uncertainty

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

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

2. SEGMENTAL REPORTING

The Group operates and is managed as a single business unit. Further information is presented in respect of the geographical areas in which the Group operates. The operations of each of the Group's geographical areas are separately disclosed because of the different economic environments in which they operate but do not constitute separate reportable segments under IFRS 8. This information is reviewed by the CEO who is the chief operating decision maker and is used to make strategic decisions.

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

	2015 £	2014 £
UK	577,091	485,867
North America	119,153	185,068
Rest of World	12,473	18,287
Total	708,717	689,222

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

SEGMENTAL REPORTING - continued

2.

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:

	2015 £	2014 £
UK Broadcast Post Production	418,330	453,526
Sport	176,866	61,292
News	96,466	156,374
Other	17,055	18,030
	<u>708,717</u>	<u>689,222</u>

In addition by revenue type:	2015 £	2014 £
Usage fees	527,784	573,719
Hardware	78,609	44,322
Licence fees	58,534	38,668
Support	28,667	25,713
Other	15,123	6,800
	<u>708,717</u>	<u>689,222</u>

During the year, sales to two customers each accounted for more than 10% of the total turnover. Total sales to each customer amounted to £104,083 and £95,362.

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

3. EMPLOYEES AND DIRECTORS

	2015 £	2014 £
Wages and salaries	1,616,876	1,927,217
Social security costs	180,054	278,053
	<u>1,796,930</u>	<u>2,205,270</u>

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

	2015 £	2014 £ Restated
Wages and salaries	1,266,636	1,464,162
Social security costs	140,827	209,596
	<u>1,407,463</u>	<u>1,673,758</u>

The above amounts have been restated from the 2014 financial statements as an error occurred in the previously reported calculation.

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

	2015	2014
Directors	4	3
Research and development	12	13
Sales	2	5
Customer support	3	2
Marketing and product design	7	5
Admin and finance	2	3
	<u>30</u>	<u>31</u>

Directors' and key management personnel remuneration

	2015 £	2014 £ Restated
VJ Steel	54,167	50,000
SB Streater	150,000	150,000
GB Hirst	54,237	121,452
PJ Madden	49,256	85,000
DP Main	30,000	30,000
JC Lees	56,737	-
AM Musa	120,000	-
JH Cowan	86,916	-
JS Irving	3,333	-
A Bentley	2,433	-
	<u>607,079</u>	<u>436,452</u>

The above amounts have been restated from the 2014 financial statements as an error occurred in the previously reported calculations.

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

4. OPERATING LOSS

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

	2015 £	2014 £
Operating leases	(88,944)	(86,208)
Foreign exchange differences	(2,189)	(2,421)
Research and development	(388,240)	(369,262)
Auditor's remuneration	(26,696)	(20,200)
Auditor's remuneration – non audit – taxation	(1,600)	(1,000)
Auditor's remuneration – non audit – all other services	(5,856)	(4,700)
Earnings before interest, taxation, depreciation and amortisation	(2,085,750)	(2,978,068)
Depreciation – owned assets	(156,162)	(152,283)
Loss on disposal of fixed assets	(1,309)	(34,119)
Development costs impairment	-	(200,000)
Development costs amortisation	(334,602)	(197,792)
Employee share option costs	(84,783)	(81,906)
Operating loss (before interest and taxation)	(2,662,606)	(3,644,168)

5. NET FINANCE INCOME

	2015 £	2014 £
Finance income:		
Deposit account interest	27,124	18,655
Finance costs:		
Other interest payable	-	-
Net finance income	27,124	18,655

The notes form part of these financial statements

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

6. INCOME TAX

	2015 £	2014 £
Current tax:		
Tax credit	79,059	33,650
Total tax credit in income statement	79,059	33,650

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:

	2015 £	2014 £
Loss on ordinary activities before tax	(2,635,482)	(3,625,513)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2014 – 20%)	(527,096)	(725,103)
Effects of:		
Expenses not deductible for tax	22,643	99,429
Depreciation in excess of capital allowances	21,210	(22,220)
UK Tax losses	449,570	644,677
Subsidiary investment translation	(8)	-
Additional relief for R&D expenditure	(61,498)	(27,440)
Effect of tax rate on credit	29,988	15,742
Capitalised development costs	(30,825)	(35,116)
Employee share option cost	16,957	16,381
Total income tax	(79,059)	(33,650)

The notes form part of these financial statements

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

6. INCOME TAX - continued

Tax effects relating to effects of other
comprehensive income

		2015 £	
	Gross	Tax	Net
Employee share option cost	(84,783)	-	(84,783)
	(84,783)	-	(84,783)

	Gross	2014 Tax	Net
Employee share option cost	(81,906)	-	(81,906)
	(81,906)	-	(81,906)

UK Tax losses of approximately £11,000,000 (2014: £8,700,000) are available to relieve against future profits of the Company.

	2015 £	2014 £
Unrecognised deferred tax assets		
Depreciation in excess of capital allowances	1,163	21,411
Tax losses carried forward	2,198,194	1,729,832
	2,199,357	1,751,243

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.

	2015	2014 Restated
Loss attributable to equity holders of the company (£)	(2,556,423)	(3,591,863)
Weighted average number of ordinary shares in issue	131,814,778	131,814,778
Basic earnings per share (pence per share)	(1.94p)	(2.72p)

The above amounts have been restated from the 2014 financial statements as an error occurred in the previously reported calculation.

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.

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

7. EARNINGS PER SHARE - continued

	2015	2014 restated
Loss used to determine diluted earnings per share (£)	(2,556,423)	(3,591,863)
Weighted average number of ordinary shares in issue	131,814,778	131,814,778
Share options	12,432,500	9,832,500
Weighted average number of ordinary shares used to determine diluted earnings per share	144,247,278	141,647,278
Diluted earnings per share (pence per share)	(1.77p)	(2.54p)

The above amounts have been restated from the 2014 financial statements as an error occurred in the previously reported calculation.

As can be seen from the above table for both years the potential ordinary shares were anti-dilutive because the company was loss-making. As a result, they are not treated on the face of the Statement of Comprehensive Income as diluting basic earnings per share.

8. INTANGIBLE ASSETS

Development costs

For the Group and Parent Company

	2015 £	2014 restated £
COST		
At beginning of year	1,884,506	1,511,135
Impairment	-	(200,000)
Additions	488,729	573,371
At end of year	2,373,235	1,884,506
AMORTISATION		
At beginning of year	519,967	322,175
Amortisation for year	334,602	197,792
At end of year	854,569	519,967
NET BOOK VALUE AT END OF YEAR	1,518,666	1,364,539

The impairment was originally disclosed in the 2014 financial statements as a separate line within the amortisation movement in the year, however it has subsequently been decided that it is more appropriate to disclose this within the cost movement in the year.

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20159. PROPERTY, PLANT AND EQUIPMENT
For the Group

COST	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Client-facing IT equipment £	Totals £
At 1 January 2015	87,729	58,441	311,426	171,256	628,852
Disposals	-	(405)	(5,987)	-	(6,392)
Additions	-	-	7,085	37,554	44,639
At 31 December 2015	87,729	58,036	312,524	208,810	667,099
DEPRECIATION					
At 1 January 2015	17,546	41,893	276,162	103,576	439,177
Depreciation on disposals	-	(202)	(2,994)	-	(3,196)
Charge for year	17,546	16,345	35,812	86,459	156,162
At 31 December 2015	35,092	58,036	308,980	190,035	592,143
NET BOOK VALUE					
At 31 December 2015	52,637	-	3,544	18,775	74,956
At 31 December 2014	70,183	16,548	35,264	67,680	189,675

COST	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Client-facing IT equipment £	Totals £
At 1 January 2014	42,340	25,346	240,899	35,896	344,481
Disposals	(42,340)	-	-	-	(42,340)
Additions	87,729	33,095	70,527	135,360	326,711
At 31 December 2014	87,729	58,441	311,426	171,256	628,852
DEPRECIATION					
At 1 January 2014	8,221	25,124	227,480	34,290	295,115
Depreciation on disposals	(8,221)	-	-	-	(8,221)
Charge for year	17,546	16,769	48,682	69,286	152,283
At 31 December 2014	17,546	41,893	276,162	103,576	439,177
NET BOOK VALUE					
At 31 December 2014	70,183	16,548	35,264	67,680	189,675
At 31 December 2013	34,119	222	13,419	1,606	49,366

The notes form part of these financial statements

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 20159. **PROPERTY, PLANT AND EQUIPMENT - continued**
For the Parent Company

COST	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Client-facing IT equipment £	Totals £
At 1 January 2015	87,729	58,036	305,439	171,256	622,460
Disposals	-	-	-	-	-
Additions	-	-	7,085	37,554	44,639
At 31 December 2015	87,729	58,036	312,524	208,810	667,099
DEPRECIATION					
At 1 January 2015	17,546	41,691	273,168	103,576	435,981
Depreciation on disposals	-	-	-	-	-
Charge for year	17,546	16,345	35,812	86,459	156,162
At 31 December 2015	35,092	58,036	308,980	190,035	592,143
NET BOOK VALUE					
At 31 December 2015	52,637	-	3,544	18,775	74,956
At 31 December 2014	70,183	16,345	32,271	67,680	186,479
COST	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Client-facing IT equipment £	Totals £
At 1 January 2014	42,340	25,346	240,899	35,896	344,481
Disposals	(42,340)	-	-	-	(42,340)
Additions	87,729	32,690	64,540	135,360	320,319
At 31 December 2014	87,729	58,036	305,439	171,256	622,460
DEPRECIATION					
At 1 January 2014	8,221	25,124	227,480	34,290	295,115
Depreciation on disposals	(8,221)	-	-	-	(8,221)
Charge for year	17,546	16,567	45,688	69,286	149,087
At 31 December 2014	17,546	41,691	273,168	103,576	435,981
NET BOOK VALUE					
At 31 December 2014	70,183	16,345	32,271	67,680	186,479
At 31 December 2013	34,119	222	13,419	1,606	49,366

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 cost of investment was £641.

The notes form part of these financial statements

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 201511. INVENTORIES
For the Group

	2015 £	2014 £
Finished goods	-	41,963
	-	41,963

The cost of inventories recognised as an expense and included in Cost of Sales amounted to £52,132 (2014: £25,756).

For the Parent Company

	2015 £	2014 £
Finished goods	-	17,564
	-	17,564

The cost of inventories recognised as an expense and included in Cost of Sales amounted to £52,132 (2014: £25,756).

12. TRADE AND OTHER RECEIVABLES
For the Group

Current:	2015 £	2014 £
Trade debtors	120,368	176,971
Less: provision for doubtful receivables	<u>(10,000)</u>	<u>(20,838)</u>
Trade debtors net of provision for doubtful receivables	110,368	156,133
Other debtors	41,559	86,628
Accrued income	7,256	-
Prepayments	74,662	51,117
	<u>233,845</u>	<u>293,878</u>

Included in other debtors is a rental deposit of £19,175 (2014: £19,175) which is subject to a charge.

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 201512. **TRADE AND OTHER RECEIVABLES - continued**
For the Parent Company

	2015 £	2014 £
Current:		
Trade debtors	120,368	166,875
Less: provision for doubtful receivables	<u>(10,000)</u>	<u>(20,838)</u>
Trade debtors net of provision for doubtful receivables	110,368	146,037
Other debtors	40,600	86,627
Amount owed by group undertaking	325	79,335
Accrued income	7,256	-
Prepayments	<u>74,662</u>	<u>47,358</u>
	<u>233,211</u>	<u>359,357</u>

Included in other debtors is a rental deposit of £19,175 (2014: £19,175) which is subject to a charge.

13. **CASH AND CASH EQUIVALENTS**
For the Group

	2015 £	2014 £
Short-term investment	-	2,000,000
Bank and cash	<u>1,675,695</u>	<u>2,358,900</u>

For the Parent Company

	2015 £	2014 £
Short-term investment	-	2,000,000
Bank and cash	<u>1,674,637</u>	<u>2,305,339</u>

The notes form part of these financial statements

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

14. CALLED UP SHARE CAPITAL

	2015 £	2014 £
Authorised:		
200,000,000 ordinary shares of 0.8p each (2014: 200,000,000 ordinary shares of 0.8p each)	1,600,000	1,600,000
Allotted, called up and fully paid:		
131,814,778 ordinary shares of 0.8p each (2014: 131,814,778 ordinary shares of 0.8p each)	1,054,518	1,054,518

During the year the Company issued 4,515,000 (2014 – 2,532,000) share options under the terms of the share option Schemes. The total share options outstanding as at 31 December 2015 was 12,432,500 (2014: 9,832,500).

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

	Class of share	31/12/2015	31/12/2014
VJ Steel	Ordinary shares of 0.8 pence	1,020,000	1,220,000
GB Hirst	Ordinary shares of 0.8 pence	1,070,000	1,120,000
PJ Madden	Ordinary shares of 0.8 pence	765,000	815,000
DP Main	Ordinary shares of 0.8 pence	695,000	595,000
JC Lees	Ordinary shares of 0.8 pence	950,000	100,000
AM Musa	Ordinary shares of 0.8 pence	1,400,000	200,000
JH Cowan	Ordinary shares of 0.8 pence	1,325,000	475,000
JS Irving	Ordinary shares of 0.8 pence	100,000	-
A Bentley	Ordinary shares of 0.8 pence	100,000	-

GB Hirst resigned as a director on 14 January 2015, PJ Madden resigned on 12 June 2015 and VJ Steel resigned on 31 October 2015. The board have exercised its discretion and have allowed GB Hirst, PJ Madden and VJ Steel's share options to remain valid for the maximum period allowed under each of the two schemes in which they hold options.

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 201515. **TRADE AND OTHER PAYABLES**
For the Group

	2015 £	2014 £
Current:		
Trade creditors	135,520	345,838
Social security and other taxes	52,712	63,587
Other creditors	-	105
Deferred income	39,004	32,963
Accruals	45,597	59,084
	<u>272,833</u>	<u>501,577</u>

For the Parent Company

	2015 £	2014 £
Current:		
Trade creditors	135,520	330,802
Social security and other taxes	52,712	63,587
Other creditors	-	105
Deferred income	39,004	32,963
Accruals	44,581	59,084
	<u>271,817</u>	<u>486,541</u>

16. **LEASING AGREEMENTS**

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

	2015 £	2014 £
In the next 12 months	84,145	79,000
Between one and five years	196,852	346,500

17. **FINANCIAL INSTRUMENTS**

The Group's financial instruments comprise trade debtors, trade creditors, cash and liquid assets.

The Group has not entered into any derivative or other hedging instruments.

The Group's policy is to finance its operation and expansion through the issue of equity share capital.

Financial assets comprise cash at bank and in hand and current asset investments. The fair value of the financial assets and financial liabilities are not materially different from their carrying values.

Further details of the Board's assessment of its risks are included in the strategic report on page 7.

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**
18. RELATED PARTY DISCLOSURES

During the year salaries for casual employees amounting to £9,140 were paid to relatives of PJ Madden (2014: £13,630). JC Lees is director and 50% shareholder of Duet Partners Limited. During the year Duet Partners Limited provided services to the company to the value of £8,166 (2014: £26,266) under normal commercial terms. Further to VJ Steel's resignation from the Board on 31st October 2015 it has been agreed that VJ Steel will provide mentoring services for up to £6,000 during 2016.

Following their departures in 2015 VJ Steel, GB Hirst and PJ Madden have retained their rights under their outstanding share options as follows:-

	Exercise Price (£)	Date granted	Range of dates exercisable	Number of shares for which options are exercisable as at 31 December 2015
VJ Steel	0.085	18/06/2008	18/06/2011-17/06/2018	100,000
	0.24	25/08/2009	25/08/2012-24/08/2019	20,000
	0.16	05/07/2010	05/07/2013-04/07/2020	100,000
	0.36	05/11/2010	05/11/2013-04/11/2020	150,000
	0.1275	06/10/2011	06/10/2014-05/10/2021	110,000
	0.245	12/05/2012	12/05/2015-11/05/2022	100,000
	0.26	20/08/2012	20/08/2015-19/08/2022	40,000
	0.275	25/04/2013	25/04/2016-24/04/2023	50,000
	0.255	25/07/2013	25/07/2016-24/07/2023	200,000
	0.215	25/04/2014	25/04/2017-24/04/2024	100,000
	0.19	23/09/2014	23/09/2017-22/09/2024	50,000
GB Hirst	0.23	09/05/2006	09/05/2009-08/05/2016	15,000
	0.085	18/06/2008	18/06/2011-17/06/2018	35,000
	0.24	25/08/2009	25/08/2012-24/08/2019	30,000
	0.16	05/07/2010	05/07/2013-04/07/2020	150,000
	0.36	05/11/2010	05/11/2013-04/11/2020	150,000
	0.1275	06/10/2011	06/10/2014-05/10/2021	150,000
	0.245	12/05/2012	12/05/2015-11/05/2022	100,000
	0.26	20/08/2012	20/08/2015-19/08/2022	40,000
	0.275	25/04/2013	25/04/2016-24/04/2023	50,000
	0.255	25/07/2013	25/07/2016-24/07/2023	250,000
	0.215	25/04/2014	25/04/2017-24/04/2024	100,000
PJ Madden	0.23	09/05/2006	09/05/2009-08/05/2016	25,000
	0.135	27/07/2007	27/07/2010-26/07/2017	25,000
	0.085	18/06/2008	18/06/2011-17/06/2018	65,000
	0.24	25/08/2009	25/08/2012-24/08/2019	30,000
	0.16	05/07/2010	05/07/2013-04/07/2020	50,000
	0.36	05/11/2010	05/11/2013-04/11/2020	75,000
	0.1275	06/10/2011	06/10/2014-05/10/2021	55,000
	0.245	12/05/2012	12/05/2015-11/05/2022	75,000
	0.26	20/08/2012	20/08/2015-19/08/2022	40,000
	0.275	25/04/2013	25/04/2016-24/04/2023	50,000
	0.255	25/07/2013	25/07/2016-24/07/2023	100,000
	0.215	25/04/2014	25/04/2017-24/04/2024	100,000
	0.19	23/09/2014	23/09/2017-22/09/2024	75,000

19. ULTIMATE CONTROLLING PARTY

At 31 December 2015 there was no ultimate controlling party of the Company.

**20. 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

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**
SHARE-BASED PAYMENT TRANSACTIONS – Continued

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 31/12/2015	Number of shares for which rights are exercisable at 31/12/2014
Non-tax advantaged				
0.22	29/04/2005	29/04/2008-28/04/2015	-	482,728
0.26	06/09/2005	06/09/2008-05/09/2015	-	562,500
0.23	09/05/2006	09/05/2009-08/05/2016	362,500	362,500
0.135	27/07/2007	27/07/2010-26/07/2017	65,000	65,000
0.085	18/06/2008	18/06/2011-17/06/2018	305,000	305,000
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				
0.22	29/04/2005	29/04/2008-28/04/2015	-	29,772
0.26	06/09/2005	06/09/2008-05/09/2015	-	15,000
0.23	09/05/2006	09/05/2009-08/05/2016	5,000	5,000
0.135	27/07/2007	27/07/2010-26/07/2017	20,000	20,000
0.085	18/06/2008	18/06/2011-17/06/2018	65,000	65,000
0.24	25/08/2009	25/08/2012-24/08/2019	25,000	25,000
0.36	05/11/2010	05/11/2013-04/11/2020	17,569	17,569
0.1275	06/10/2011	06/10/2014-05/10/2021	200,000	220,000
EMI				
0.245	12/05/2012	12/05/2015-11/05/2022	745,000	770,000
0.26	20/08/2012	20/08/2015-19/08/2022	360,000	370,000
0.275	25/04/2013	25/04/2016-24/04/2023	425,000	435,000
0.255	25/07/2013	25/07/2016-24/07/2023	1,300,000	1,325,000
0.2475	02/09/2013	02/09/2016-01/09/2023	-	100,000
0.215	25/04/2014	25/04/2017-24/04/2024	985,000	1,305,000
0.225	19/05/2014	19/05/2017-18/05/2024	100,000	100,000
0.19	23/09/2014	23/09/2017-22/09/2024	720,000	975,000
0.0825	11/05/2015	11/05/2018-10/05/2025	1,630,000	-
0.09	25/06/2015	25/06/2018-24/06/2025	500,000	-
0.05875	18/11/2015	18/11/2018-17/11/2025	2,325,000	-

The notes form part of these financial statements

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**
SHARE-BASED PAYMENT TRANSACTIONS – Continued

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

	2015 Weighted average exercise price (£)	2015 Number of options	2014 Weighted average exercise price (£)	2014 Number of options
Outstanding at the beginning of the period	0.221	9,832,500	0.245	8,727,500
Granted during the period	0.071	4,515,000	0.206	2,532,000
Forfeited during the period	0.203	825,000	0.203	252,000
Exercised during the period	-	-	-	-
Lapsed during the period	0.241	1,090,000	0.370	1,175,000
Outstanding at the end of the period	0.166	12,432,500	0.221	9,832,500
Exercisable at the end of the period	0.209	4,447,500	0.206	4,452,500

The options outstanding at the year end have an exercise price in the range of £0.05875 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:

	2015	2014
Expected volatility (expressed as % used in the modelling under Black-Scholes model)	58.90%	46.29%
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)	1.95%	2.60%
Weighted average fair value of options granted	£0.0328	£0.147
Weighted average share price	£0.071	£0.206
Exercise price	£0.071	£0.206

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 expenses recognised for the period arising from share based payments are as follows:

The notes form part of these financial statements

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
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SHARE-BASED PAYMENT TRANSACTIONS – Continued

	2015 £	2014 £
Equity settled share based payments	84,783	81,906

The notes form part of these financial statements
