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Forbidden Technologies – Trading Update. Buy.

Forbidden Technologies has announced an expected increased loss for the full-year - as a direct result of the increased investment in sales, marketing and research & development - and revealed a rapid uptake of FORscene in a number of market segments. This follows the recent announcement of the licensing deal with YouTube, and affirms Forbidden as the world's leading cloud video platform developer.

Providing a trading update for the twelve months ended 31st December 2011, the AIM-quoted developer said it saw an improvement in scale in the 'Episodic Television' segment, with a number of post houses choosing to provide Forbidden's flagship cloud video editing platform for professionals as its logging and rough cut editing platform. Indeed, the adoption by post houses has led to a "*continued high percentage of growth*" in broadcast-post sales in the second half, albeit slightly lower than the 94% seen in the first half of the year. Furthermore, progress has also been made in two major markets, News and Sport, with a number of major partners being signed during the course of the year. This is particularly reassuring as it follows the recent improvements of FORscene, including that of live content real time editing and mobile access.

Key Data	
EPIC	FBT
Share Price	36p
Spread	37p – 38p
NMS	3,000
12 Month Range	12p – 47p
Market Cap	£31.17 million
Total no. of shares	86.58 million
Market	AIM
Website	www.forbidden.co.uk
Sector	Software & Computer Services
Contact	Stephen Streater Chief Executive 020 8879 7245

While progress has been slower than expected in the 'large scale video systems' segment, this has potential for significant growth when considering that Systems Integrators, which have been contracted by Forbidden to distribute the system, supply very large customers. So far no deals have been completed, but with FORscene included in a number of recent proposals, we await further news here to assess the role that the platform will have on this segment. We are cautiously optimistic.

The group has also yet to witness any significant income come through from its Canadian distributor, Formidable Technologies, but it remains confident in seeing development. Additionally, the version of Clesh, its cloud editing platform for consumers, for Android mobile phones has encouragingly achieved a number of strategic objectives during the year - including raising Forbidden's profile with potential business-to-business customers and investors, and developing tablet and smart-phone technologies - and is now broadly self-financing and cash neutral.

Regarding the recently announced YouTube deal, Forbidden is still unable to provide the market with specific details due to the confidentiality agreement, but reiterated that the arrangement will make a "*significant contribution*" during the next twelve months. As previously mentioned, while the deal is of immediate significance from a financial performance point of view, it is also of particular importance from a

validation and an awareness perspective, with the world's largest video sharing company now adopting the FORscene platform. Accordingly, as more and more individuals become aware of this fantastic video editing platform, we expect to see a material increase in sales of both FORscene and Clesh.

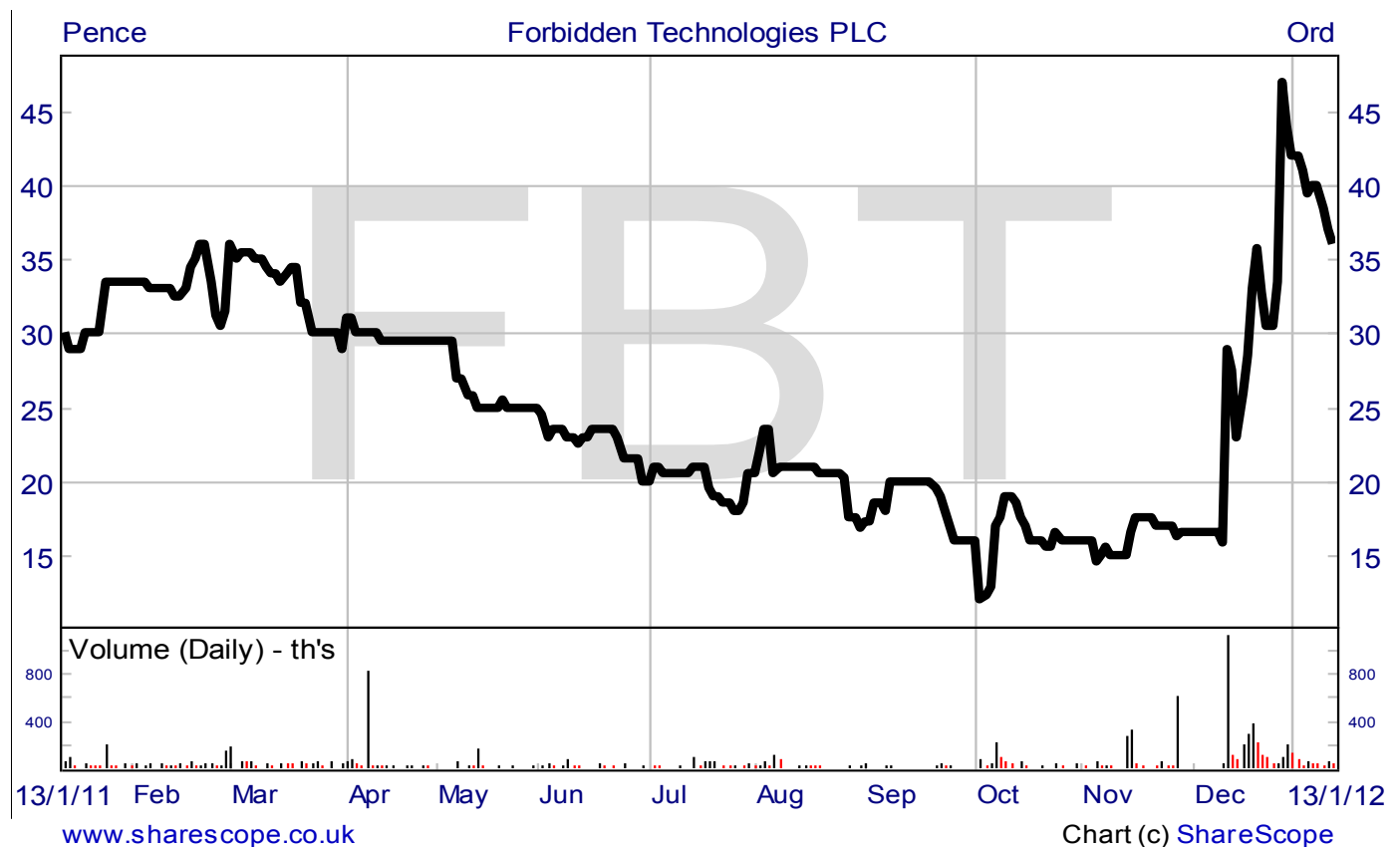
As we continue to wait for further details on the ground-breaking deal with YouTube before updating forecasts (the group is expected to next report in early March), we are nevertheless pleased by both the double-digit percentage sales growth in 2011 and the visible sales pipeline going into 2012. Currently trading at 36p, our stance for the shares remains **Buy**.

Forecast Table

Year to December	Sales (£000)	Pre-tax Profit (£000)	Earnings Per Share (p)	Price Earnings Ratio (x)	Dividend (p)	Yield (%)
2008A	121.2	(110.7)	(0.10)	NA	0.0	0.0
2009A	280.8	(92.9)	(0.07)	NA	0.0	0.0
2010A	372.9	(195.8)	(0.16)	NA	0.0	0.0

Source: Company and Growth Equities & Company Research

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