

Interim report
for the six months ended 30 June 2005

Our Future is FORscene

Corporate statement

Forbidden Technologies plc, through its proprietary technologies, has developed and is marketing a range of Internet video sharing platforms for a wide range of market segments in the wired and wireless world.

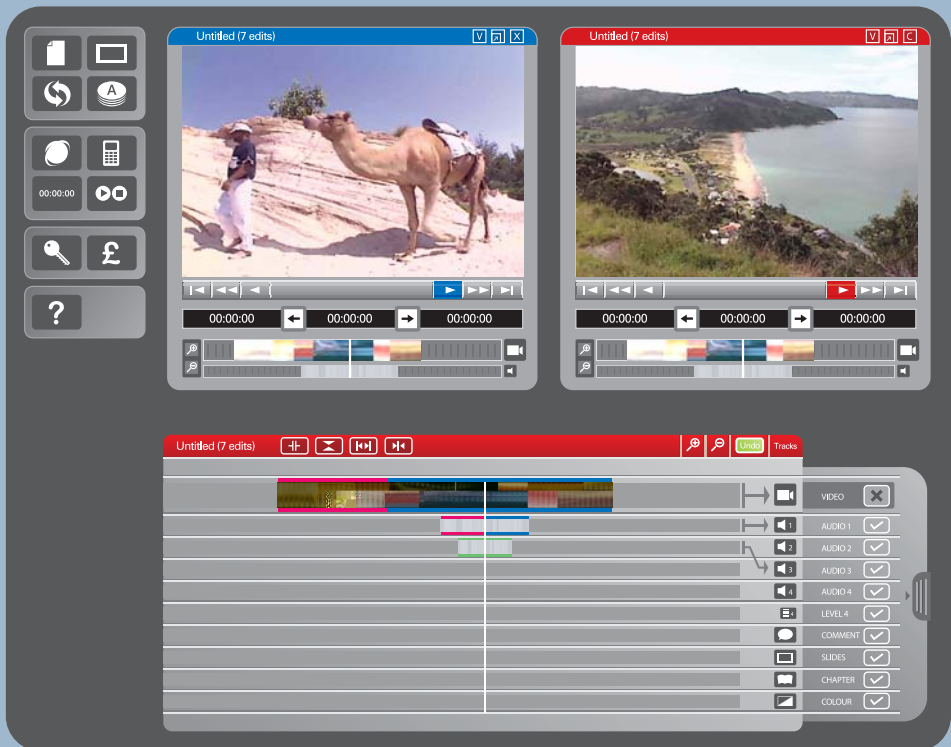
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FORscene

Forbidden's FORscene web-based editing system is simple and accessible enough for producers and directors, and powerful and responsive enough for editors. It includes a host of features to enable broadcasters, production houses and editors to upload, log, edit, review and publish. Simply connect to the Internet with a PC or Mac.

FORscene is about encouraging freedom in today's industry: the freedom to upload footage to the Internet from anywhere in the world; the freedom for professionals to collaborate on edits across multiple locations and time zones; the freedom to review and approve content from any PC, Mac or even mobile phone; and significantly to liberate workflow from the constraints imposed by legacy systems.



Chairman's statement

The focus in the first half of the year has been on customising our flagship product FORscene for key pilot tests with broadcast producers such as ITV and the BBC.

Sales for the six months ending 30 June 2005 were £17,851 (2004: £46,202). The loss in the six months was £344,922 (2004: £227,021), reflecting increased expenditure on business and product development. The Company continues to manage resources tightly. Liquid resources at the end of the period were £1.28 million compared with £1.61 million at the end of 2004.

The sales recorded in the first half of the year mask the exciting developments which have been taking place. Much of the past six months have been concentrated on working in partnership with some of the biggest programme producers. Their interest in FORscene has meant that we have been able to focus directly on creating customised features of relevance to these huge users of post-production facilities. We are now progressing into pilot usage over the next few months, and, assuming the pilots are successful, into more widespread use in 2006.

FORscene is a web-based video sharing platform, which runs automatically on PCs and Macs. It allows video to be logged,

Summary

- FORscene being piloted with major producers and broadcasters.
- Consumer video sharing platform planned for Q4 2005.
- Work continues on developing security and surveillance products.

edited, reviewed and published – all from a standard computer. All hosting is supported automatically. Forbidden's access to its own video compression technology has made it unusually well placed to develop video editing and publishing tools. As no installation is needed to run the software, the number of computers that can run FORscene is vast.

Initially we are targeting the large professional video post-production market and have established a partnership with Nats (as announced at the AGM in June), who are a large, independent, well-respected provider of post-production facilities.

Although FORscene is designed as a complete, vertically integrated product suite, initial pilots are being conducted at various points in the production process: logging (as being used by ITV), reviewing (three different BBC pilots) and publishing (on mobile phones via our Italian partners and on the web via our Finnish partners).

In September at IBC 2005 (Europe's largest broadcaster convention), we plan to show how the recent advances in Internet and



computer technology can assist video production to move to a tapeless process. We believe that FORscene, which requires no capital cost from users and cuts out significant distribution and support costs and time, has the potential to become the next industry standard post-production tool.

With increasing penetration of high-end PCs and mobile phones, we are planning to complement mobile publishing with photographic and video capture straight from high-end mobile phones into FORscene. For the first time this will enable consumers to create video content on their phones for editing on standard PCs and to publish the resulting video for immediate viewing by friends and family. Our consumer/domestic version of FORscene, separately branded with the name 'Clesh', will be introduced later this year with its own website.

Work continues on developing security and surveillance products and these will be made available to the market in the coming months.

As described above, the exciting progress being made in both the professional market with FORscene and the consumer market with Clesh, give us high confidence that they will provide significant sales expansion in 2006 and beyond.

Victor Steel

Chairman

2 September 2005

Profit and loss account

for the six months ended 30 June 2005

	Unaudited half year to 30 June 2005 £	Unaudited half year to 30 June 2004 £	Audited year to 31 December 2004 £
Turnover	17,851	46,202	76,788
Administrative expenses	(401,493)	(311,510)	(787,563)
Operating loss	(383,642)	(265,308)	(710,775)
Interest receivable	38,720	38,287	68,259
Loss on ordinary activities before taxation	(344,922)	(227,021)	(642,516)
Tax on loss on ordinary activities	—	—	28,389
Loss for the period	(344,922)	(227,021)	(614,127)
Basic and diluted loss per ordinary 0.8 pence share	(0.46p)	(0.30p)	(0.81p)

Reconciliation of movements in shareholders' funds

for the six months ended 30 June 2005

	Unaudited half year to 30 June 2005 £	Unaudited half year to 30 June 2004 £	Audited year to 31 December 2004 £
Loss for the period	(344,922)	(227,021)	(614,127)
New share capital subscribed (net of issue costs)	—	—	5,625
Net reduction in shareholders' funds	(344,922)	(227,021)	(608,502)
Opening shareholders' funds	1,692,477	2,300,979	2,300,979
Closing shareholders' funds	1,347,555	2,073,958	1,692,477

A statement of recognised gains and losses has not been included as part of this Interim Report as the Company made no gains or losses in the year other than as disclosed in the Profit and Loss Account.

The results stated above are all derived from continuing operations.

Balance sheet

as at 30 June 2005

	Unaudited as at 30 June 2005 £	Unaudited as at 30 June 2004 £	Audited as at 31 December 2004 £
Fixed assets			
Tangible assets	18,640	27,187	15,812
Current assets			
Debtors	167,481	234,698	142,551
Cash	—	—	—
Liquid resources	1,280,451	1,913,860	1,606,903
	1,447,932	2,148,558	1,749,454
Creditors: amounts falling due within one year	(119,017)	(101,787)	(72,789)
Net current assets	1,328,915	2,046,771	1,676,665
Net assets	1,347,555	2,073,958	1,692,477
Capital and reserves			
Called up share capital	605,300	603,800	605,300
Share premium account	2,925,375	2,921,250	2,925,375
Capital contribution reserve	125,000	125,000	125,000
Profit and loss account	(2,308,120)	(1,576,092)	(1,963,198)
Equity shareholders' funds	1,347,555	2,073,958	1,692,477

This Interim Report was approved by the Board of Directors on 1 September 2005 and was signed on their behalf by:

Stephen Streater

Director

Cash flow statement

as at 30 June 2005

	Unaudited half year to 30 June 2005 £	Unaudited half year to 30 June 2004 £	Audited year to 31 December 2004 £
Reconciliation of operating loss to net cash outflow from operating activities			
Operating loss	(383,642)	(265,308)	(710,775)
Depreciation charges	11,484	9,089	30,130
Decrease/(increase) in debtors	768	(40,505)	27,163
Increase/(decrease) in creditors	33,553	(22,883)	(12,193)
Net cash outflow from operating activities	(337,837)	(319,607)	(665,675)
Cash flow statement			
Cash flow from operating activities	(337,837)	(319,607)	(665,675)
Returns on investment and servicing of finance	23,787	11,318	68,882
Taxation	—	—	25,277
Capital expenditure	(14,312)	(22,458)	(32,124)
Cash outflow before management of liquid resources	(328,362)	330,747	(603,640)
Management of liquid resources	338,128	282,988	589,945
Financing	—	—	5,625
Increase/(decrease) in cash in the period	9,766	(47,759)	(8,070)
Reconciliation of net cash flow to movement in net funds			
Increase/(decrease) in cash in the period	9,766	(47,759)	(8,070)
Cash outflow from liquid resources	(338,128)	(282,988)	(589,545)
Movement in net funds in the period	(328,362)	(330,747)	(598,015)
Net funds at the start of the period	1,606,903	2,204,918	2,204,918
Net funds at the end of the period	1,278,541	1,874,171	1,606,903

Notes

forming part of the financial statements

1. Basis of preparation

The Interim Report for the six months ended 30 June 2005 and 2004 is unaudited and does not constitute statutory accounts within the meaning of Section 240 of The Companies Act 1985. They have been prepared under the historical cost convention and on a basis consistent with the accounting policies for the year ended 31 December 2004.

The results for the year ended 31 December 2004 and the balance sheet of that date are an extract from the statutory financial statements for that year, which have been filed with the Registrar of Companies and on which the Company's auditors gave an unqualified report and did not contain a statement under Section 237 (2) or (3) of that Act.



FORscene shareholder offer

I am a registered shareholder and would like to apply for the Forbidden Technologies plc shareholder offer of £1,000.00 of free credits for use with FORscene.

My details follow:

*Registered name _____

*Registered address _____

(account details will be posted here)

*Email address _____

Computer disc space (eg 240GB) _____

Computer CPU speed (eg 3GHz) _____

*denotes compulsory field

Current FORscene details can be found on the Forbidden Technologies website:

<http://forscene.net/>

I understand that these credits are not refundable for cash. I understand that any credits unused after one year will expire. I understand that I will be using FORscene under the standard terms and conditions as published on Forbidden's website and amended from time to time.

Signed _____

Name _____ Dated _____



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