Feedback plc

Interim Statement 2006

Feedback plc

Chairman's Statement

During the first six months of the year Feedback plc and its subsidiary companies (the Group) produced an operating profit of £119,700 before reorganisation costs of £153,000, resulting in an operating loss of £33,300. The restructuring of the Group continued during the period incurring reorganisation costs as noted above and these, together with interest charges (mainly in connection with the preference share dividend) and finance costs of the closed pension scheme brought about a loss on ordinary activities before taxation of £265,700.

Restructuring has progressed well and the Group's UK operations were consolidated onto one location by the end of September 2006. Vigorous efforts were made to find a satisfactory solution to the pension deficit problem, in conjunction with the Group's professional advisors, and this work is ongoing. The local Council rejected the application to develop the Park Road site, but an appeal is being considered.

Feedback Instruments has continued to see the benefits of earlier restructuring and strengthening of the management team. There was a significant upturn in the value of orders received compared with the corresponding period of 2005, and the order book at the end of the period was very pleasing. In addition, the level of routine business and the distribution of third party equipment to the schools market have been encouraging.

Feedback Data, together with its German subsidiary made a small profit in the first half of the year. There are indications that the new access control product, Evolution, will be well received in the marketplace and work is continuing to build up the reseller base in Europe.

Feedback Incorporated had a disappointing first half result but the order book, as in the case of Feedback Instruments, was much improved compared with that of 2005.

Dividends

The company was unable to pay a dividend on its Cumulative Convertible Redeemable Preference Shares due to the continued lack of distributable reserves. However, unpaid preference dividends continue to be accrued.

Going Concern

The Group is currently paying contributions to the pension fund under an agreement with the Occupational Pensions Regulatory Authority (Opra, now the Pensions Regulator) dated February 2005, although other provisions within that agreement no longer apply. A provisional actuarial valuation of the fund was carried out at 31 March 2006 which indicates a deficit of £17,100,000 on a buy-out basis. A full actuarial valuation is still being prepared by the Scheme Actuary. The directors remain in regular contact with the pension fund trustees and are continuing to take appropriate professional advice with a view to addressing the pension scheme deficit. The process is not yet complete and therefore the outcome remains uncertain. Nevertheless, the directors believe that a conclusion which is acceptable to all parties is achievable.

Outlook

Although the financial position of the Group is overshadowed by the deficit in the closed pension scheme, the substantial order book at the end of September indicates that at a trading level, the third quarter of the year should be in line with the Board's expectations.

David Harding, Chairman *19 December 2006*

Interim Report

	6 months to 30 Sept 2006 £'000s Unaudited	6 months to 30 Sept 2005 £'000s Unaudited	Year to 31 March 2006 £'000s Audited

Consolidated Profit and Loss Account

Turnover	**4,177.9**	4,090.8	7,638.6
Cost of sales	**(2,548.4)**	(2,140.8)	(4,255.9)
Gross profit	**1,629.5**	1,950.0	3,382.7
Other operating expenses	**(1,509.8)**	(1,763.9)	(3,223.2)
Operating profit before reorganisation costs and pension adjustments	**119.7**	186.1	159.5
Reorganisation costs	**(153.0)**	–	–
Pension adjustments	**–**	0.6	–
Operating (loss)/profit	**(33.3)**	186.7	159.5
Net interest payable	**(101.4)**	(80.3)	(148.8)
Other finance costs	**(131.0)**	(139.0)	(306.0)
Loss on ordinary activities before taxation	**(265.7)**	(32.6)	(295.3)
Retained loss for the period	**(265.7)**	(32.6)	(295.3)
Basic and diluted loss per share	**(2.15) p**	(0.27) p	(2.4) p

All activities are classed as continuing

Consolidated statement of Total Recognised Gains and Losses

Loss for the period	**(265.7)**	(32.6)	(295.3)
Unrealised surplus on revaluation of land and buildings	**–**	–	223.2
Currency translation differences on foreign currency net investments	**38.4**	32.1	86.5
Actual return less expected return on pension scheme assets	**(251.0)**	827.0	1,315.0
Experience gains and losses arising from scheme liabilities	**–**	–	596.0
Changes in assumptions underlying the present value of the scheme liabilities	**149.0**	(1,025.0)	(2,068.0)
Total losses relating to the period	**(329.3)**	(198.5)	(142.6)
Prior year adjustment	**–**	(7,156.0)	(7,156.0)
Total recognised losses since the last annual report	**(329.3)**	(7,354.5)	(7,298.6)

Interim Report

	6 months to 30 Sept 2006 £'000s Unaudited	6 months to 30 Sept 2005 £'000s Unaudited	Year to 31 March 2006 £'000s Audited
Consolidated Balance Sheet			
Fixed assets	**697.9**	516.9	714.9
Current assets *Stock*	**885.9**	1,218.3	1,000.3
Debtors	**2,464.5**	1,758.9	1,616.3
Cash at bank and in hand	**96.2**	682.5	805.7
	3,446.6	3,659.7	3,422.3
Creditors: amounts falling due within one year			
Borrowings	**(1,070.8)**	(15.0)	(1,132.1)
Other creditors	**(1,853.1)**	(1,624.9)	(1,447.4)
	(2,923.9)	(1,639.9)	(2,579.5)
Net current assets	**522.7**	2,019.8	842.8
Total assets less current liabilities	**1,220.6**	2,536.7	1,557.7
Creditors: amounts falling due after more than one year			
Borrowings	**(535.3)**	(1,555.3)	(579.0)
Net assets excluding pension liability	**685.3**	981.4	978.7
Pension liability	**(8,257.0)**	(8,315.0)	(8,233.0)
Net liabilities including pension liability	**(7,571.7)**	(7,333.6)	(7,254.3)
Ordinary share capital	**1,234.5**	1,234.1	1,234.5
Share premium account	**409.8**	410.2	409.9
Revaluation reserve	**595.6**	379.7	595.6
Capital reserve	**299.9**	299.9	299.9
Profit and loss account	**(10,111.5)**	(9,657.5)	(9,794.2)
Reserves	**(8,806.2)**	(8,567.7)	(8,488.8)
Shareholders' funds	**(7,571.7)**	(7,333.6)	(7,254.3)

Interim Report

	6 months to 30 Sept 2006 £'000s Unaudited	6 months to 30 Sept 2005 £'000s Unaudited	Year to 31 March 2006 £'000s Audited

Consolidated Cash Flow Statement

Net cash (outflow)/inflow from operating activities	**(556.3)**	19.1	62.7
Returns on investments and servicing of finance			
Other interest paid	**(17.4)**	(33.8)	(47.8)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	**–**	(13.8)	(26.0)
Financing			
Financing - repayments of bank and other loans	**(15.0)**	(15.0)	(30.0)
Decrease in cash	**(588.7)**	(43.5)	(41.1)

Reconciliation of operating (loss)/profit to net cash flow from operating activities

Operating (loss)/profit	**(33.3)**	186.7	159.5
Depreciation of tangible fixed assets	**17.0**	23.2	60.9
Decrease/(increase) in stock	**114.4**	(7.6)	210.4
(Increase)/decrease in debtors	**(848.2)**	(5.3)	137.3
Increase/(decrease) in creditors	**402.8**	31.1	(88.4)
Pension contributions paid	**(209.0)**	(209.0)	(417.0)
Net cash (outflow)/inflow from operating activities	**(556.3)**	19.1	62.7

Feedback plc

Interim Report

Notes to the Unaudited Interim Report

Basis of the Report

This Interim Report was approved by the directors on 19 December 2006.

The interim figures for the six months to 30 September 2006, which are unaudited, have been prepared on the basis of the accounting policies set out in the Annual Report for the year ended 31 March 2006. The financial information contained in this Interim Report does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The results for the year ended 31 March 2006 are based upon the published accounts for that period on which the auditors gave a report which did not contain statements under Sections 237 (2) or (3) of the Companies Act 1985. The Auditors included an emphasis of matter paragraph in relation to going concern in their report but their opinion was not qualified in this respect.

The accounts for the year ended 31 March 2006 have been filed with the Registrar of Companies. Copies of the audited accounts for the year ended 31 March 2006 and further copies of this Interim Report and the Interim Statement for the six months ended 30 September 2005 are available upon request from the company's registered office at Park Road, Crowborough, East Sussex, TN6 2QR.

Loss per share

The loss per share for the six months ended 30 September 2006 is based on the Group loss on ordinary activities after taxation of £265,700 (2005 – loss of £32,600) attributable to 12,344,896 (2005 – 12,294,532) ordinary shares, being the weighted average number of shares in issue. The diluted earnings per share is calculated allowing for the full conversion of the Preference Shares. However, in accordance with Financial Reporting Standard 14, as these conversions do not have a dilutive effect the loss per share remains unaltered.

Going Concern

The financial information for the period ended 30 September 2006 shows that, after including the pension scheme liability of £8,257,000 the Group has a deficiency of shareholders' funds of £7,571,700. The Interim Report has been prepared on the going concern basis which assumes that the Group will be able to continue in operational existence for the foreseeable future, as a minimum for a period of one year from the date of approval of this Interim Report. The validity of this assumption depends on the successful outcome of discussions with the pension fund trustees.

The Group is currently paying contributions to the pension fund under an agreement with the Occupational Pensions Regulatory Authority (Opra, now the Pensions Regulator) dated February 2005, although other provisions within that agreement no longer apply. A provisional actuarial valuation of the fund was carried out at 31 March 2006 which indicates a deficit of £17,100,000 on a buy-out basis. A full actuarial valuation is still being prepared by the Scheme Actuary. The directors remain in regular contact with the pension fund trustees and are continuing to take appropriate professional advice with a view to addressing the pension scheme deficit. The process is not yet complete and therefore the outcome remains uncertain. Nevertheless, the directors believe that a conclusion which is acceptable to all parties is achievable.

The Group is currently operating within its overdraft facilities which the directors have agreed with the Group's bankers to the normal renewal date of 31 March 2007. The directors are of the view that there is no reason why the overdraft facilities will not be renewed after that date.

Whilst the directors are presently uncertain as to the outcome of the matters referred to above, they believe it is appropriate to continue to prepare the Interim Report on the going concern basis.

Independent Review Report to Feedback plc

Introduction

We have been instructed by the company to review the financial information which comprises the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the Notes to the Interim Report and we have read the other information in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report, including the conclusion, has been prepared for and only for the company for the purpose of their interim report and for no other purpose. We do not, therefore, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Interim Report in accordance with the AIM Market Rules which require that the accounting policies and presentation applied to the interim figures must be consistent with those that will be adopted in the company's annual accounts.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom, as if that Bulletin applied. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the disclosed accounting policies have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2006.

Emphasis of matter – going concern

In arriving at our review conclusion, we have considered the adequacy of the disclosures made in the notes to the interim report under the heading 'Going concern' concerning the group's ability to continue as a going concern. The group's liabilities (including the pension liability of £8,257,000) exceeded its assets at 30 September 2006 by £7,571,700, and the continuation of group overdraft facilities past the next renewal date of 31 March 2007 has not yet been agreed with the company's bankers. This situation, as further explained in the note referred to above, indicates the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The interim financial information does not include the adjustments that would result if the group was unable to continue as a going concern.

BAKER TILLY
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19 December 2006

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Feedback Instruments Limited

Park Road, Crowborough, East Sussex, TN6 2QR.

Manufacturers of electronic equipment for technological education, supplying fully integrated teaching laboratory solutions for both education and industry throughout the world.

Feedback Data Limited

Park Road, Crowborough, East Sussex, TN6 2QR.

Manufacturers of specialised data capture terminals and systems for access control, time and attendance together with data collection applications and software in leisure, community care, retail, commerce and industry.

Feedback Incorporated

437 Dimmocks Mill Road, Suite 27, Hillsborough, North Carolina, 27278, USA.

Suppliers of equipment for teaching engineers and technicians, including the Feedback Instruments range and complementary products from other mainly British principals.