

Annual Report and Accounts 2011

Feedback plc



Feedback plc is the holding company for a group of technology companies which are widely regarded as leaders in their market sectors. Serving education, industry and commerce, we operate in international markets through the design, manufacture and marketing of electrical and electronic equipment. Since our beginning in 1958, we've been committed to answering our customers through the application of innovation, technology and skilled engineers.

FEEDBACK PLC

CONTENTS

	Page
Company Information	1
Executive Chairman's Statement	2 – 3
Directors' Report	4 – 7
Corporate Governance Statement	8 – 9
Independent Auditors Report	10
Consolidated Income and Expenditure Account	11
Consolidated Statement of Changes in Equity	12
Consolidated Balance Sheet	13
Company Balance Sheet	14
Consolidated Cash Flow Statement	15
Company Cash Flow Statement	16
Notes to the Financial Statements	17 – 32

FEEDBACK PLC
COMPANY INFORMATION

Directors	N.S. Shephard, Chairman & Chief Executive M.P. Bird, Sales Director D. J. Marks, Operations Director Professor J.H. Westcott, Non-Executive and Life President D. Barton, Non-Executive
Secretary	N.A. Williams
Registered Office	Park Road Crowborough East Sussex TN6 2QR
Registered Number	00598696
Auditors	haysmacintyre Fairfax House 15 Fulwood Place WC1V 6AY
Nominated Advisor and Broker	Merchant Securities Limited 51 – 55 Gresham Street London EC2V 7HQ
Solicitors	Lawrence Graham LLP 4 More London Riverside London SE1 2AU
Bankers	NatWest 7 High Street Crowborough East Sussex TN6 2PU
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

FEEDBACK PLC

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 MAY 2011

OVERVIEW

My first annual statement as Chairman comes at the end of what has been another difficult year for the Group but one that has also seen a significant turnaround in recent months as the business repositions itself for growth.

During the period under review the two operating companies experienced differing fortunes. Our "locks and clocks" business, Feedback Data Limited, showed promising signs with increased turnover and reduced losses, whilst the educational business, Feedback Instruments Limited, continued to suffer losses.

The Group made an encouraging start to the year but this was followed by particularly poor trading in the third quarter for both businesses. This resulted in Group revenues in the year ending 31 May 2011 of £6.3m, down from £7.4m in the previous year, and operating losses worsening from £254k to £831k in the same period. The loss after taxation in the period was £862k (2010: £441k)

The continued poor performance of the Group over the last few years has meant a greater reliance on the Group's banking facilities and a focus on cash management. This, along with the global economic environment and political unrest in some of our international markets provides an uncertain backdrop as we seek to turn the business around.

Feedback has a good name in its key markets but the Group has failed to capitalise on its position and there is a clear need for change. However, the trading performance over the last quarter of the year has shown the Board that our trading proposition is essentially sound.

We have begun the process of returning the Group to profitability with a strong focus on sales and business development combined with a range of operational initiatives that will drive turnover, increase margin and cash flow, and better manage costs. To a certain extent these early changes are laying the foundation for the more strategic work which will follow as we clarify and improve the Group's focus on its target markets, make sharper funding and product decisions, and create a team to build upon and then exceed the Group's historic trading performance.

Fundamental to the Group's future growth is a commitment to building stronger relationships with our customers and partners. Focusing on them, and offering products and services that completely fulfil their needs, is at the heart of our success strategy and is the principle that will deliver benefit to all our stakeholders.

Investment in product development over the past two years in both operating companies has yet to make a significant impact on results but renewed focus and urgency has meant we are beginning to see the benefit of this expenditure. Group IT issues highlighted in last year's annual report continued to cause stock issues which in turn has led to poor management information and unnecessary costs. A second new system has been partially implemented with promising initial results and is now being phased-in across all aspects of the Group.

PEOPLE

On 11 February 2011 my predecessor as Executive Chairman, Michael Burt, left the company. Michael served as Chairman from January 2008 and was appointed as

Executive Chairman later that year. He steered the Group through many initiatives, including renewed investment in product development and the rebranding of the Group.

I was appointed to the Group as Chairman and Chief Executive and the Board appointed Mark Bird to join me on the Board as an Executive Director at the same time. I've worked with Mark before and asked him onto the team because of his experience in building energetic sales groups and profitable commercial relationships. Immediately before he agreed to join Feedback he spent two years in a software start-up company and has previously served as either sales director or managing director in a number of growth companies.

FEEDBACK INSTRUMENTS LIMITED

Feedback Instruments Limited ("Instruments") continues to suffer from delays in the release of public sector funding for education projects around the world. Total revenue within Instruments fell to £4.5m from £5.8m in the previous year with third quarter trading in our International markets particularly disappointing.

The rapid changes we've all witnessed this year in the Middle East caused delays in expected business from the region and the turmoil in Libya forced a large educational product order to be shelved indefinitely. However, the short-term problems encountered this year are not responsible for the long-term slide in Instruments' export sales. I am therefore delighted to announce the return to the Group of a previously successful Instruments Sales Director who rejoined 1 June 2011 as Head of International Sales.

One of the principal challenges facing Instruments is in new product development. Supporting our broad range of legacy products, and the continual demand to refresh them as technologies change, draws resources away from designing products for newer and potentially higher value engineering disciplines such as renewable energies. Increased investment over the past two years has helped and we will continue to invest with the aim of developing and launching products that better meet the evolving needs of our university customers.

Instruments' products are sold in North America through our subsidiary **Feedback Inc.** which traded profitably at the operating level in the year under review despite slightly reduced turnover. This market has previously been very important to the Group but its value has declined markedly in recent years as we've relied heavily on third party multi-vendor agents and reduced our own sales staff, eventually to nil. North America should be a stable and substantial market for our products so we have reversed the recent policy of reducing the sales force by appointing a full-time Head of Business Development, based in the US, to work with – and add energy and a Feedback focus to – our agent network.

FEEDBACK DATA LIMITED

Feedback Data Limited ("Data") also experienced a poor third quarter but increased sales focus and energy has had an immediate positive impact on order intake and the final result is encouraging. Year-on-year, Data increased turnover from £1.6m to £1.7m and reduced losses from £233k to £23k.

FEEDBACK PLC

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 MAY 2011

We restructured the Data business in March 2011 to align the sales effort and internal operations more closely with the needs of the market. The biggest change was in treating Service & Support as a separate revenue driver rather than as a simple add-on to an initial sale. The opportunity in this area derives from our large installed base and the increasing importance our customers place on the accuracy, reliability and availability of the information our systems produce.

Our installed base presents the additional opportunity of upgrades for existing customers. Much of our product development investment over the past two years has gone into the new TS2020 line that is intended to replace earlier generations of our Time & Attendance equipment.

The Nohmad range, which along with the TS2020 was mentioned in last year's report, is a particularly significant development because of its use of the GPRS mobile 'phone network which allows us to create contracts that generate long-term income. Early customers identified the need for a suite of online tools to support the Nohmad hardware and recent development effort has been targeted in this area. We are now making good headway with existing customers and are starting to see interest in new markets.

FOCUS AND URGENCY

We are committed to restoring the business to growth and profitability by building on the positives of the past year. I am pleased with the actions of the last few months and see them as first steps as we build momentum and deliver the required changes within the Group.

However, more focus and urgency is required if we are to realise the opportunity presented by our markets.

We are moving towards developing complete products that completely fulfil our customers' needs. In Data, this means products such as, the Nohmad, where we are supplying our hardware products with software and services that can be implemented right out of the box. In Instruments, this means putting maximum effort into building new products that help universities deliver courses that take students from the introduction of first principle to complete understanding through experiment.

We are optimising our production capacity. Our recent investments in business systems for both materials requirements planning and customer relationship management give us real-time transparency across the business and promise more responsive working practices. The prime objectives are to manage costs more effectively and to reduce the time products are in production so we can fulfil orders and release working capital more quickly.

Both internally and externally we are refocusing the business so that our customers find the Group easier to do business with. We are starting to develop an attitude or service rather than system which affects every interaction we have, whether by Web, email, 'phone, or face-to-face. In April 2011 we brought our working hours more in line with our customers' needs and we are currently in the middle of restructuring our Web presence around customer groups.

OUTLOOK

Achieving the turnaround of the business in the current economic climate will not be easy and some aspects of the plan are likely to take some time. However, the business

has already delivered some important initiatives that have already improved the Group's trading performance.

In my opinion, Feedback is a great business that has lost its way in recent years and is now starting to get back on track. The Group has gone through much change already and I have been delighted and proud of the way in which people at every level have responded to the new initiatives that the Board have put in place. I'd like to thank everyone involved for their continued hard work and commitment which puts us in a significantly stronger position to deliver our goals.

Nick Shepheard

Chairman

FEEDBACK PLC

DIRECTORS REPORT

FOR THE YEAR ENDED 31 MAY 2011

The directors present their report and the audited financial statements for the year ended 31 May 2011.

PRINCIPAL ACTIVITIES OF THE GROUP

The Group is widely accepted as a leader in international markets in its design, manufacture and marketing of electronic, electrical and computer based equipment for education and industry. There has been no change in these activities during the year.

REVIEW OF THE BUSINESS

The Chairman's Statement on pages 2 and 3 includes a general review of the Group's business by subsidiary.

The directors have a number of financial and non financial indicators in place by which the operation of the Group is monitored. These Key Performance Indicators include gross margin percentage (2011 – 37%; 2010 – 41%), outstanding order book (2011 - £ 1,729,000; 2010 - £1,226,000). Efforts have been placed this last year on continuing to move with technology. This has meant increased use of automation in the building of printed circuit boards, on which the latest surface mount components are used. It also improved the production process and enabled a close working relationship with our subcontract partners.

FUTURE DEVELOPMENTS IN THE BUSINESS

The Group will continue to look for opportunities to strengthen and protect its market position and product portfolios. Focus will be maintained on market led development and acquisition of new and improved products, and software combined with improvements in working practices, leading to better customer service and profit. The Group aims to broaden its product base and continues to explore and develop joint ventures with suitable partners in related business areas.

GROUP RESULTS AND DIVIDENDS

The Group loss (2010 – loss) for the year before taxation amounted to £ 840,000 (2010: £250,000).

No dividends are payable for the year under review.

PRINCIPAL RISKS AND UNCERTAINTIES

a) Economic and market risks

The impact of the global economic downturn continues to drive demand for value from customers. Challenges to funding, competitor pricing and product costs can affect the performance of the Group in terms of both sales and costs.

We're focused on delivering quality products that solve problems and completely satisfy customer needs, at prices that represent clear value for all our customers. This is achieved through the reviewing our customer relationships, active management of costs, development of sales propositions and tuning our promotion and marketing activity. While external costs affect our business the Group continues to work hard to mitigate their impact on our overall profitability.

b) Business Strategy

If we adopt the wrong strategy or implement it poorly the Group may be negatively impacted. Strategic risk needs to be properly considered and managed to bring the Group back to profitability and deliver long-term growth for the benefit of all stakeholders.

Our turnaround strategy is based on great products and complimentary services, broadening our reach through non-traditional markets and channels, and improving the efficiency and effectiveness of our people.

The Board regularly reviews progress against these areas and risks. To ensure the strategy is communicated and understood, the Executive Directors engage in regular briefings and workgroup meetings within the Group.

c) Liquidity

Management of liquidity risk concentrates on the maintenance of appropriate credit lines and funding sources to ensure adequate cash resources for the Group's operations. The Group is not highly geared and therefore has access to additional funding if required.

FEEDBACK PLC

DIRECTORS REPORT (continued)

FOR THE YEAR ENDED 31 MAY 2011

FEEDBACK INSTRUMENTS LIMITED

Feedback Instruments designs, manufactures and markets equipment, software and curriculum materials for engineering and technology training in electrical and electronic systems. The Company's markets are worldwide, selling to universities, colleges, service training establishments and industrial and commercial customers.

In recent years, Feedback Instruments has extended its activity by gaining exclusive representation, for the home market, of international companies' products in science teaching equipment.

The Company also manufactures products for other Group trading companies.

FEEDBACK DATA LIMITED

Feedback Data's main business is selling time and attendance terminals together with software for use with this hardware. The Company also supplies access control equipment and software that enables central monitoring of fully integrated access, fire and security systems in larger organisations.

The customers for data collection equipment are predominantly value added resellers, rather than end users, and the Company concentrates on supplying units for incorporation in their systems. Products are often designed in co-operation with the customers who are mainly based in the UK and Europe.

FEEDBACK INCORPORATED

Feedback Incorporated, based in North Carolina, markets products and systems to educational and industrial training organisations throughout the USA and Canada. It also offers both application and technical support for these products and provides curriculum development.

The Company's primary business is in products manufactured by Feedback Instruments but it complements these with compatible offerings from other companies both from the UK and elsewhere.

It uses a network of representative agents strategically located throughout North America.

RESEARCH AND DEVELOPMENT

The Group will continue its policy of investing in development and marketing of improved, innovative, educational, data capture and access control products, all with increasing software content.

DIRECTORS

The directors of the Company during the year were:

D. Barton

M.P. Bird (appointed 17 February 2011)

M.G. Burt (resigned 11 February 2011)

D.J. Marks

N.S. Shephard (appointed 11 February 2011)

Professor J.H. Westcott

FEEDBACK PLC

DIRECTORS REPORT (continued)

FOR THE YEAR ENDED 31 MAY 2011

DIRECTORS' BIOGRAPHIES

Nicholas Steven Shephard, Chairman & Chief Executive Director

Nick has spent the last ten years as an independent consultant advising technology companies on corporate and go-to-market strategy. He had a short engagement in this role in 2007 and was appointed to the Board as Chairman and Chief Executive in February 2011. Nick's early career included Dun & Bradstreet and Butterworths law publishers before time at TSO as General Manager of the London, Edinburgh and Belfast Gazettes.

Mark Peter Bird, Group Sales Director

Mark joined the Board in February 2011 as Group Sales Director. Prior to this he was a founding director of a software startup and he has previously held board positions as either sales or managing director in a number of companies including Steljes Ltd which operates in the education sector.

David John Marks, Group Operations Director

Dave joined Feedback Data in 1980 and worked his way to operating as a director at subsidiary board level for Feedback Instruments Ltd and Feedback Data Ltd where he took responsibility for the general operational activities of the business. He was promoted to Managing Director of Feedback Instruments Ltd in December 2008 and appointed to the Board of Feedback Plc in August 2010. His current role is as Group Operations Director.

John Hugh Westcott, D.Sc., F.R.Eng., F.R.S. – Non-Executive Director and Life President

A founder Director of the Company and Emeritus Professor of Control Systems and a Senior Research Fellow at Imperial College. He has guided the Company on specification and design of equipment. He is a Member of the Group's Remuneration and Audit Committees.

David Barton, Non-Executive Director

Having qualified as a Chartered Accountant with Coopers & Lybrand, he decided to leave the profession to pursue a commercial career. He has been actively engaged in numerous business sectors including banking, property, media and manufacturing. He is Chairman of the Group's Remuneration and Audit Committees.

EMPLOYMENT POLICIES

The Group is committed to employee involvement in the business and there are consultative procedures available for management and other employees to discuss matters of mutual interest.

The Group has a policy of non-discrimination in respect of sex, colour, religion, race, nationality or ethnic origin and the recruitment of disabled persons is only subject to any overriding consideration of access and safety.

CREDITOR PAYMENT POLICIES

The Group's policy for all suppliers is to fix terms of payment when agreeing the terms of each business transaction, to ensure the supplier is aware of those terms and to abide by the agreed terms of payment. Payment terms for the year ended 31 May 2011 averaged 48 days (2010: 59 days).

TREASURY POLICY

The Group has adopted formal treasury policies to control its financial instruments. It is a Group Treasury policy not to undertake transactions of a speculative nature. The Group utilises short-term Group overdraft facilities. Group cash flows are therefore managed centrally and surplus cash is invested in short-term financial instruments. Export business is, wherever possible, carried out in sterling.

Compliance with these policies is monitored by the Board. Other than for currency disclosures, the Group has taken advantage of the exemption permitting it not to treat short-term debtors and creditors as financial instruments.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Group and parent Company financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law the directors are required to prepare the Group and parent Company financial statements in accordance with IFRS's as adopted by the EU.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and parent Company and of the profit and loss of the Group for that period.

In preparing each of the Group and parent Company 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;

FEEDBACK PLC

DIRECTORS REPORT (continued)

FOR THE YEAR ENDED 31 MAY 2011

- state whether they have been prepared in accordance with IFRS's as adopted by the EU subject to any material departures disclosed and explained in the parent Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and parent Company and to enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They have general responsibility for taking such steps as are reasonably open to safeguard the assets of the Group and parent Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations the directors are also responsible for preparing a Directors' Report to comply with that law and those regulations.

In determining how amounts are presented within terms in the income statement and balance sheet the directors have had regard to the substance of the reported transaction or arrangement in accordance with generally accepted accounting principles or practice.

So far as each of the directors is aware at the time the report is approved:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

AUDIT INFORMATION

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, there is no relevant audit information of which the auditors are unaware.

Each of the directors have confirmed that 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.

A resolution to reappoint haysmacintyre as auditors to the Company will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD ON 28 JULY 2011

N.A. Williams

Company Secretary

FEEDBACK PLC

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 MAY 2011

Under the AIM rules the Group is not obliged to implement the provisions of the Combined Code. However, the Group is committed to applying the principles of good governance contained in the Combined Code as appropriate to a Group of this size. The Board will continue to review compliance with the Code at regular intervals.

In common with other organisations of a similar size, the Executive Directors are heavily involved in the day-to-day running of the business and meet regularly on an informal basis as well as at Board Meetings. The Board of Directors meets regularly and is responsible for formulating strategy, monitoring financial performance and approving major items of capital expenditure. All directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are complied with.

The Board comprises three Executive Directors including the Chairman and two Non-Executive Directors. In view of the size and management structure of Feedback Plc, the Company has not complied with certain minor aspects of the Combined Code as discussed below:

BOARD OF DIRECTORS

The Board includes two Non-Executive Directors. The Board has scheduled monthly meetings each year and others as required. The Board retains full responsibility for the direction and control of the Group. No strategic powers have been delegated and for these reasons the Board did not have, during the year, a formal schedule of matters specifically reserved to it (Paragraph A1 of the Code).

There is currently no formal agreed procedure for directors in the furtherance of their duties to take independent professional advice as necessary at the Company's expense (paragraph A5 of the Code).

NON-EXECUTIVE DIRECTORS

The appointment of Non-Executive Directors is a matter for the Board as a whole. Although recommended by the Code, there is currently no formal selection process. The Non-Executive Directors have contracts for services for an unspecified period. (Paragraph A7 of the Code). The Non-Executive Directors are subject to re-election every three years.

Terms and conditions of appointment of the Non-Executive Directors are available for inspection.

EXECUTIVE DIRECTORS

Directors are appointed by the Board of Directors but stand for election by the shareholders at the Annual General Meeting. The Executive Directors are subject to re-election every three years.

BOARD COMMITTEES

A Remuneration Committee is in place comprising two Non-Executive Directors. The Remuneration Committee had two scheduled meeting in the year. Both serving members attended both meetings held in the year.

An Audit Committee is in place comprising the two Non-Executive Directors. The Company's approach to internal control is described below. The Audit Committee had two scheduled meeting in the year. Both serving members attended both meetings held in the year.

There is no Nomination Committee. Given the size of the Group, the Board do not consider a Nomination Committee appropriate (paragraph A4 of the Code).

Complete copies of the terms of reference of the Audit and Remuneration Committee are available on request.

PERFORMANCE EVALUATION

There is currently no formal performance evaluation of the board, its committees and its individual directors (paragraph A6.1 of the Code).

COMMUNICATION WITH SHAREHOLDERS

The Executive Chairman is available to shareholders at any time to discuss strategy and governance matters.

In addition, all Company announcements are published on the Company's website, together with financial results.

All shareholders have the opportunity to ask questions and express their views at the Company's Annual General Meeting, at which all directors are available to take questions.

With the exception of the matters referred to above the Company has complied throughout the financial year with provisions of Section 1 of Revised Combined Code, issued in July 2008.

AUDIT AND INTERNAL CONTROL

The primary role of the Audit Committee is to keep under review the Group's financial systems and controls and its financial reporting procedures. In fulfilling this role, the Committee receives and reviews work carried out by the external auditors and their findings.

The Board has overall responsibility for operating and monitoring the system of internal control within the Group and for monitoring its effectiveness. The system includes an on-going process for identifying, evaluating and managing significant

FEEDBACK PLC

CORPORATE GOVERNANCE STATEMENT (continued)

FOR THE YEAR ENDED 31 MAY 2011

business risks. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Group's system is designed to provide the directors with reasonable assurance that any material problems are identified on a timely basis and dealt with appropriately.

Guidance on the Turnbull Report was issued in September 1999 and gave guidance to directors on the requirements of the Combined Code for reviewing the effectiveness of the Group's system of internal control, encompassing operational, compliance and risk management matters in addition to the traditional financial issues. The Audit Committee reviews the effectiveness of the internal controls on an annual basis on behalf of the Board and considers that, given the small size of the Company and the close involvement of the Executive Directors in the day to day operations, it has complied with the requirements in the Combined Code and the Turnbull Report in the year under review and up to the date of approval of the Annual Report and Accounts.

The key elements of the system, which has been designed to meet the specific needs and business risks of the Group, include:

- clearly defined organisation structures with segregation of duties wherever practicable;
- agreement of Group short term financial objectives and business plans;
- monthly review by the Board of Group Financial Statements and monitoring of results against budgets;
- Board control over treasury, taxation, legal, insurance and personnel issues;
- Board control over appraisal, review and authorisation of capital expenditure.

In common with organisations of similar size the Executive Directors are heavily involved in the day to day running of the business. The directors believe that although the Company's controls may be slightly less formal than those of larger companies, the close involvement of the Executive Directors more than compensates for this.

The Board believes that it is not currently appropriate for the Company to maintain an internal audit function because of the close involvement of the Executive Directors in the running of the business.

The Audit Committee considers the independence and objectivity of the external auditors on an annual basis, with particular regard to non-audit services. The split between audit and non-audit fees for the year and information on the nature of the non-audit fees appear in note 4 to the financial statements. The non-audit fees are considered by the Committee not to affect the independence or objectivity of the auditors. The Audit Committee monitors such costs in the context of the audit fee for the year, ensuring that the value of non-audit services does not increase to a level where it could affect the auditors' objectivity and independence. The Audit Committee also received an annual confirmation of independence from the auditors.

GOING CONCERN

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FEEDBACK PLC

We have audited the financial statements of Feedback plc for the year ended 31 May 2011 which comprise the Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements 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 so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 8, 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 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 May 2011 and of the group's for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- 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 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the 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.

David Cox (Senior statutory auditor)
for and on behalf of haysmacintyre, Statutory Auditor
28 July 2011

Fairfax House
15 Fulwood Place
London
WC1V 6AY

FEEDBACK PLC
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2011

	Note	2011 £000	2010 £000
REVENUE	2	6,308	7,443
Cost of Sales		<u>(3,969)</u>	<u>(4,392)</u>
GROSS PROFIT		2,339	3,051
Other Operating Expenses	3	<u>(3,170)</u>	<u>(3,305)</u>
OPERATING LOSS	4	(831)	(254)
Net interest	5	<u>(9)</u>	<u>4</u>
Loss on ordinary activities before taxation		(840)	(250)
Tax charge	7	<u>(22)</u>	<u>(191)</u>
Loss for the year attributable to the equity shareholders of the Company		(862)	(441)
Other comprehensive expense			
Translation differences on overseas operations		<u>(36)</u>	<u>28</u>
Total comprehensive expense for the year		<u>(898)</u>	<u>(413)</u>
LOSS PER SHARE (pence)			
Basic and diluted	9	<u>(0.79)</u>	<u>(0.40)</u>

Turnover and operating loss are derived from continuing activities.

The notes on pages 17 to 32 form part of these financial statements.

FEEDBACK PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2011

GROUP	Share Capital £000	Share Premium £000	Capital Reserve £000	Retained Earnings £000	Translation Reserve £000	Total £000
At 1 June 2009	273	633	300	2,960	(206)	3,960
Total comprehensive expense for the Year	-	-	-	(441)	28	(413)
At 31 May 2010	273	633	300	2,519	(178)	3,547
Total comprehensive expense for the Year	-	-	-	(862)	(36)	(898)
At 31 May 2011	273	633	300	1,657	(214)	2,649
COMPANY			Share Capital £000	Share Premium £000	Retained Earnings £000	Total £000
At 1 June 2009			273	633	2,769	3,675
Total comprehensive expense for the year			-	-	(137)	(137)
At 31 May 2010			273	633	2,632	3,538
Total comprehensive expense for the year			-	-	(1,808)	(1,808)
At 31 May 2011			273	633	824	1,730

The notes on pages 17 to 32 form part of these financial statements.

FEEDBACK PLC
CONSOLIDATED BALANCE SHEET
AT 31 MAY 2011

	Notes	2011 £000	2010 £000
ASSETS			
Non-current assets			
Property, plant and equipment	11	1,505	1,603
Intangible assets	12	732	733
Deferred tax asset	7	134	156
		<u>2,371</u>	<u>2,492</u>
Current assets			
Inventories	13	1,030	1,300
Trade receivables		930	1,578
Other receivables	14	233	176
Cash and cash equivalents		9	25
		<u>2,202</u>	<u>3,079</u>
Total assets		<u>4,573</u>	<u>5,571</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	7	198	199
Current liabilities			
Trade payables		909	959
Other payables	15	817	866
		<u>1,726</u>	<u>1,825</u>
Total liabilities		<u>1,924</u>	<u>2,024</u>
TOTAL NET ASSETS		<u>2,649</u>	<u>3,547</u>
EQUITY			
Capital and reserves attributable to the Company's equity shareholders			
Called up share capital	17	273	273
Share premium account		633	633
Capital reserve		300	300
Retained earnings		1,443	2,341
TOTAL EQUITY		<u>2,649</u>	<u>3,547</u>

The financial statements were approved and authorised for issue by the Board of Directors on 28 July 2011 and were signed below on its behalf by:

N.S. Shephard
Chairman

The notes on pages 17 to 32 form part of these financial statements.

COMPANY BALANCE SHEET

AT 31 MAY 2011

	Notes	2011 £000	2010 £000
ASSETS			
Non-current assets			
Property, plant and equipment	11	91	188
Investments	10	282	202
Deferred tax asset	7	17	17
		<u>390</u>	<u>407</u>
Current assets			
Other receivables	14	1,514	3,126
Cash and cash equivalents		78	161
		<u>1,592</u>	<u>3,287</u>
Total assets		<u>1,982</u>	<u>3,694</u>
LIABILITIES			
Current liabilities			
Trade payables		61	64
Other payables	15	191	92
		<u>252</u>	<u>156</u>
Total current liabilities		<u>252</u>	<u>156</u>
TOTAL NET ASSETS		<u>1,730</u>	<u>3,538</u>
EQUITY			
Capital and reserves attributable to the Company's equity shareholders			
Called up share capital	17	273	273
Share premium account		633	633
Retained earnings		824	2,632
		<u>1,730</u>	<u>3,538</u>
TOTAL EQUITY		<u>1,730</u>	<u>3,538</u>

The financial statements were approved and authorised for issue by the Board of Directors on 28 July 2011 and were signed below on its behalf by:

N.S. Shepheard

Chairman

FEEDBACK PLC
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MAY

	2011		2010
	£000	£000	£000
Cash flows from operating activities			
Loss before tax		(818)	(250)
<i>Adjustments for:</i>			
Net finance expenditure	-		(4)
Depreciation and amortisation	565		439
Foreign exchange difference	(36)		28
Decrease in inventories	270		34
Decrease in trade receivables	956		130
(Increase)/decrease in other receivables	(8)		53
(Decrease)/increase in trade payables	(357)		214
(Decrease) in other payables	(111)		(284)
	<u>1,279</u>		<u>610</u>
Net cash generated in operating activities		461	360
Cash flows from investing activities			
Interest received	-		5
Purchase of tangible fixed assets	(98)		(122)
Purchase of intangible assets	(370)		(486)
	<u>(468)</u>		<u>(603)</u>
Net cash used in investing activities		(468)	(603)
Cash flows from financing activities			
Interest paid	(9)		(1)
	<u>(9)</u>		<u>(1)</u>
Net cash used from financing activities		(9)	(1)
Net decrease in cash and cash equivalents		(16)	(244)
Cash and cash equivalents at beginning of year		25	269
		<u>9</u>	<u>25</u>
Cash and cash equivalents at end of year		<u><u>9</u></u>	<u><u>25</u></u>

The notes on pages 17 to 32 form part of these financial statements.

FEEDBACK PLC
COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MAY 2011

	2011		2010	
	£000	£000	£000	£000
Cash flows from operating activities				
Loss before tax		(1,808)		(137)
<i>Adjustments for:</i>				
Finance charges	9		1	
Depreciation and amortisation	150		51	
Decrease in other receivables	1,612		103	
(Decrease)/increase in trade payables	(3)		25	
Increase/(decrease) in other payables	19		(74)	
	<u> </u>	1,787	<u> </u>	106
Net cash used in operating activities		<u>(21)</u>		<u>(31)</u>
Cash flows from investing activities				
Purchase of tangible fixed assets	(53)		(84)	
Net cash used in investing activities		<u>(53)</u>		<u>(84)</u>
Cash flows from financing activities				
Interest paid	(9)		(1)	
Net cash used in financing activities		<u>(9)</u>		<u>(1)</u>
Net decrease in cash and cash equivalents		<u>(83)</u>		<u>(116)</u>
Cash and cash equivalents at beginning of year		161		277
Cash and cash equivalents at end of year		<u><u>78</u></u>		<u><u>161</u></u>

The notes on pages 17 to 32 form part of these financial statements.

FEEDBACK PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2011

1. ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements (July 2011). The policies set out below have been consistently applied to all the years presented.

These consolidated financial statements have been prepared under the historical cost convention.

No separate income statement is presented for the parent Company as provided by Section 408, Companies Act 2006.

(b) Basis of consolidation

The Group financial statements consolidate the financial statements of Feedback plc and its subsidiaries (the "Group") for the years ended 31 May 2010 and 2011.

The accounts of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them, are eliminated. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

(c) Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be reliably measured.

The significant intangible assets relate to software development of products that are integral to the trade of the Group; including educational, data capture and access control products. Amortisation is recognised in other operating expenses in the income and expenditure account.

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstance indicate that the carrying value may not be recoverable. Impairment losses are recognised in other operating expenses in the income and expenditure account.

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that have a finite useful life and that have been capitalised are amortised from the commencement of the commercial production of the product on a straight line basis over a period of 36 months.

(d) Valuation of Investments

Investments held as non-current assets are stated at cost less any provision for impairment.

(e) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(f) Goodwill

Business combinations on or after 1 April 2006 are accounted for under IFRS 3 using the purchase method. Any excess of the cost of business combinations over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the balance sheet as goodwill and is not amortised.

After initial recognition, goodwill is not amortised but is stated at cost less any accumulated impairment loss, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstance indicate that the carrying value may be impaired.

For the purposes of impairment testing, goodwill is allocated to the related cash generating units monitored by management. Where the recoverable amount of the cash generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the income statement.

FEEDBACK PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MAY 2011

1. ACCOUNTING POLICIES (continued)

(g) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation.

Land is not depreciated. Depreciation on other assets is provided on cost or valuation less estimated residual value in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Buildings	2.5% p.a
Plant and equipment	10 – 50% p.a.
Motor vehicles	25 – 33% p.a.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

(h) Leases

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation. Rental costs under operating leases are charged to the income statement in equal annual amounts over the period of the lease.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost represents materials, direct labour and appropriate production overheads.

(j) Foreign currency

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the income statement. Assets and liabilities of the overseas subsidiaries are translated into sterling at the closing rate of exchange and trading results at the average rate of exchange for the period. These translation differences are dealt with as a movement in reserves.

(k) Revenue recognition

Revenue, which is stated net of Value Added Tax, represents the total amount receivable in the ordinary course of business after eliminating intra-Group transactions.

(l) Pension Costs

The Company operated a defined contribution pension scheme during the year. The pension charge represents the amounts payable by the Company to the scheme in respect of the year.

Defined benefit scheme

The Company formerly operated a defined benefit pension scheme. During 2007 the scheme was transferred to the Pension Protection Fund for assessment which is still ongoing. The Company no longer makes contributions to the scheme and on the basis that it has no ongoing obligations in relation to the scheme it does not recognise the deficit/surplus on its balance sheet.

(m) Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

1. ACCOUNTING POLICIES (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

(n) Financial instruments

In relation to the disclosures made in note 16:

- short term debtors and creditors are not treated as financial assets or financial liabilities except for the currency disclosures.
- the Group does not hold or issue derivative financial instruments for trading purposes.

(o) Employee share options

The Group has applied the requirements of IFRS 2 Share-based Payment. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 April 2006.

The Group issues equity-settled share-based payment transactions to certain employees. Equity-settled share-based payment transactions are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured by use of the Black Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

FEEDBACK PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MAY 2011

2. SEGMENTAL REPORTING

The directors have determined the operating segments based on the management reports that are used to make strategic decisions. The Group's business is analysed below between the Instruments segment and the Data segment. The Instruments segment primarily relates to the subsidiary companies Feedback Instruments Limited and Feedback Incorporated. The Data segment primarily relates to the subsidiary company Feedback Data Limited and Feedback Data GmbH. Details of these companies are included in the Directors' Report.

Year ended 31 May 2011

	Instruments £000	Data £000	Other £000	Total £000
Revenue				
External	4,558	1,750	-	6,308
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Finance expense	-	-	9	9
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Loss before tax	(466)	(23)	(351)	(840)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance sheet				
Assets	1,359	975	3,329	5,663
Liabilities	(1,096)	(985)	(1,635)	(3,716)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	263	(10)	1,694	1,947
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital expenditure	6	37	53	96
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Year ended 31 May 2010

	Instruments £000	Data £000	Other £000	Total £000
Revenue				
External	5,828	1,615	-	7,443
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Finance expense	-	-	1	1
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Profit/(loss) before tax	(53)	(233)	36	(250)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance sheet				
Assets	2,249	991	5,219	8,459
Liabilities	(3,019)	(999)	(1,612)	(5,630)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	(770)	(8)	3,607	2,829
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital expenditure	10	21	90	121
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

FEEDBACK PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MAY 2011

2. SEGMENTAL REPORTING (continued)

Reported segments' assets are reconciled to total assets as follows:

	2011	2010
	£000	£000
Segment assets for reportable segments	5,663	8,459
Unallocated:		
Inter-company receivables adjustment	(1,541)	(3,340)
Intangible assets	732	733
Investments	(281)	(281)
Total assets per the balance sheet	<u>4,573</u>	<u>5,571</u>

Reported segments' liabilities are reconciled to total liabilities as follows:

	2011	2010
	£000	£000
Segment liabilities for reportable segments	3,716	5,630
Inter-company payables adjustment	(1,990)	(3,805)
Deferred tax	198	199
Total liabilities per the balance sheet	<u>1,924</u>	<u>2,024</u>

	External revenue by location of customer		Total assets by location of assets		Capital expenditure by location of assets	
	2011	2010	2011	2010	2011	2010
	£000	£000	£000	£000	£000	£000
United Kingdom	2,820	2,841	4,312	5,181	95	117
Rest of Europe	879	1,245	14	135	-	-
United States of America	734	815	247	255	1	4
Other Americas	148	47	-	-	-	-
Asia	792	1,322	-	-	-	-
Africa	192	446	-	-	-	-
Middle East	743	727	-	-	-	-
Total	<u>6,308</u>	<u>7,443</u>	<u>4,573</u>	<u>5,571</u>	<u>96</u>	<u>121</u>

3. OTHER OPERATING EXPENSES

	2011	2010
	£000	£000
Distribution costs	1,352	1,662
Administrative costs:		
Research and development	526	420
Other	1,292	1,223
	<u>3,170</u>	<u>3,305</u>

FEEDBACK PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MAY 2011

4. OPERATING LOSS

	2011	2010
	£000	£000
This is stated after charging/(crediting)		
Depreciation and amortisation		
Owned assets	565	439
Auditors' remuneration		
Audit of parent company and group accounts	17	15
Audit of subsidiaries	26	21
Tax and other services	11	20
Operating lease rentals		
Plant and machinery	110	80
Land and buildings	11	14
	<u> </u>	<u> </u>

5. NET FINANCE COSTS

	2011	2010
	£000	£000
Bank loans and overdrafts	9	1
	<u> </u>	<u> </u>
Interest receivable	9	1
	-	(5)
	<u> </u>	<u> </u>
	9	(4)
	<u> </u>	<u> </u>

The bank overdraft borrowings included are in sterling and based upon varying margins above NatWest Bank base rate depending upon the overdraft level utilised.

6. DIRECTORS AND EMPLOYEES

	2011		2010	
	Average	Year end	Average	Year end
Number of employees				
Production	32	31	37	35
Selling and distribution	26	26	25	26
Administration	9	9	14	14
Research and development	9	9	8	8
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	76	75	84	83
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

	2011	2010
	£000	£000
Staff costs		
Wages and salaries	2,149	2,222
Social security costs	241	238
Payments to defined contribution pension scheme	77	73
	<u> </u>	<u> </u>
	2,467	2,533
	<u> </u>	<u> </u>

FEEDBACK PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MAY 2011

6. DIRECTORS AND EMPLOYEES (continued)

The value of all elements of remuneration received by each Director in the year was as follows:

	Salary £000	Fees £000	Benefits in kind £000	Pension contributions £000	Total £000
At 31 May 2011					
Executive Directors					
M.P. Bird	26	-	2	1	29
M.G. Burt	75	-	-	-	75
D.J. Marks	76	-	13	8	97
N.S. Shepheard	30	-	-	-	30
Non-executive Directors					
D. Barton	-	18	-	-	18
Professor J.H. Westcott	15	-	-	-	15
Total	<u>222</u>	<u>18</u>	<u>15</u>	<u>9</u>	<u>264</u>
At 31 May 2010					
Executive Directors					
M.G. Burt	75	-	-	-	75
D.J. Marks	76	-	10	7	93
Non-executive Directors					
D. Barton	-	18	-	-	18
Professor J.H. Westcott	15	-	-	-	15
Total	<u>166</u>	<u>18</u>	<u>10</u>	<u>7</u>	<u>201</u>

Mr D.J. Marks holds options on 500,000 (2010: 500,000) shares granted in 2008 and exercisable on or after December 2011. Further details can be found under Note 17.

Mr N.S. Shepheard holds options on 1,000,000 (2010: nil) shares granted in 2011 and exercisable on or after February 2014. Further details can be found under Note 17.

FEEDBACK PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MAY 2011

7. TAXATION LOSS ON ORDINARY ACTIVITIES

	2011 £000	2010 £000
(a) The tax charge for the period:		
UK Corporation tax	-	-
	<u> </u>	<u> </u>
Current tax	-	-
Deferred tax charge	(22)	(191)
	<u> </u>	<u> </u>
	(22)	(191)
	<u> </u>	<u> </u>
(b) Tax reconciliation		
Loss on ordinary activities before tax	(840)	(250)
	<u> </u>	<u> </u>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 28% (2010 - 28 %)	(235)	(70)
Effects of:		
Expenses non deductible for tax purposes	7	4
Depreciation for the period in excess of capital allowances	32	(30)
Research & development relief	(7)	-
Excess tax losses carried forward	203	87
Other timing differences	-	9
Deferred tax charge	(22)	(191)
	<u> </u>	<u> </u>
Tax	(22)	(191)
	<u> </u>	<u> </u>

(c) Factors which may affect future tax charges

In view of the tax losses carried forward there is a deferred tax amount of approximately £1,086,000 which has not been recognised in these Financial Statements. This contingent asset will be realised when the Group makes sufficient taxable profits in the relevant Company.

(d) Deferred tax - group

The deferred tax included in the balance sheet is as follows:

Deferred tax asset	2011 £000	2010 £000
Losses carried forward	134	156
	<u> </u>	<u> </u>

The deferred tax asset is recognised as the Group's projections show that the relevant companies will generate sufficient taxable profit over the next few years to utilise the tax losses available.

Deferred tax liability	2011 £000	2010 £000
Deferred tax on development expenditure	198	199
	<u> </u>	<u> </u>

(e) Deferred tax - company

The deferred tax included in the balance sheet is as follows:

Deferred tax asset	2011 £000	2010 £000
Losses carried forward	17	17
	<u> </u>	<u> </u>

The deferred tax asset is recognised as the Company's projections show that the company will generate sufficient taxable profit over the next few years to utilise the tax losses available.

FEEDBACK PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MAY 2011

8. RESULTS OF FEEDBACK PLC

As permitted by Section 408 of the Companies Act 2006, the income and expenditure account of the parent Company is not presented as part of these financial statements. The consolidated loss for the financial period includes a loss before dividends of £ 1,808,000 (2010: £137,000) which is dealt with in the financial statements of the parent Company.

9. LOSS PER SHARE

Basic earnings per share is calculated by reference to the loss on ordinary activities after taxation of £862,000 (2010: £441,000) and on the weighted average of 109,146,746 (2010: 109,146,746) shares in issue.

10. INVESTMENTS

	Total £000
COMPANY - Shares in Group undertakings	
Cost	
At 1 June 2010	1,989
Additions	80
	<u> </u>
At 31 May 2011	2,069
	<u> </u>
Provisions	
At 1 June 2010 and at 31 May 2011	1,787
	<u> </u>
Net Book Value	
At 31 May 2011	282
	<u> </u>
At 31 May 2010	202
	<u> </u>

All of the above investments are unlisted.

Subsidiary companies

During the year Feedback Data Limited transferred its investment in Feedback Black Box Company Limited to Feedback Plc.

Particulars of principal subsidiary companies, all the shares of which are beneficially held by Feedback PLC, are as follows:

Company	Activity	Country of operation and incorporation	Proportion of Shares held
Feedback Instruments Limited	Design, manufacture and sale of electronic equipment for industry, commerce and education	England	100% Ordinary £1
Feedback Data Limited	Design, manufacture and sale of computer peripheral equipment for industry and commerce	England	100% Ordinary £1
Feedback Incorporated	Distribution of products for Feedback Instruments Limited and other companies	Unites States of America	100% Common Stock
Feedback Data GmbH	Distribution of products for Feedback Data Limited	Germany	100% Specific capital
Brickshield Limited	Holding company of property located at Park Road, Crowborough	England	100% Ordinary £1

Feedback Data GbmH is a subsidiary of Feedback Data Limited.

All the subsidiary companies have been included in these consolidated financial statements.

FEEDBACK PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MAY 2011

11. PROPERTY, PLANT AND EQUIPMENT

GROUP	Land and Buildings £000	Plant and Equipment £000	Motor Vehicles £000	Total £000
Cost of valuation				
At 31 May 2009	1,441	696	14	2,151
Additions	-	117	5	122
Disposals	-	(71)	-	(71)
Exchange adjustments	-	15	-	15
	<u>1,441</u>	<u>757</u>	<u>19</u>	<u>2,217</u>
At 31 May 2010	1,441	757	19	2,217
Additions	-	96	-	96
Exchange adjustments	-	2	-	2
	<u>1,441</u>	<u>855</u>	<u>19</u>	<u>2,315</u>
At 31 May 2011	1,441	855	19	2,315
Depreciation				
At 31 May 2009	47	515	12	574
Charge for the year	24	69	3	96
Disposals	-	(71)	-	(71)
Exchange adjustments	-	15	-	15
	<u>71</u>	<u>528</u>	<u>15</u>	<u>614</u>
At 31 May 2010	71	528	15	614
Charge for the year	23	170	1	194
Exchange adjustments	-	2	-	2
	<u>94</u>	<u>700</u>	<u>16</u>	<u>810</u>
At 31 May 2011	94	700	16	810
Net Book Value				
At 31 May 2011	<u>1,347</u>	<u>155</u>	<u>3</u>	<u>1,505</u>
At 31 May 2010	<u>1,370</u>	<u>229</u>	<u>4</u>	<u>1,603</u>

COMPANY	Plant and Equipment £000	Total £000
Cost or valuation		
At 31 May 2009	155	155
Additions	84	84
	<u>239</u>	<u>239</u>
At 31 May 2010	239	239
Additions	53	53
	<u>292</u>	<u>292</u>
At 31 May 2011	292	292
Depreciation		
At 31 May 2009	1	1
Charge for the year	50	50
	<u>51</u>	<u>51</u>
At 31 May 2010	51	51
Charge for the year	150	150
	<u>201</u>	<u>201</u>
At 31 May 2011	201	201
Net Book Value		
At 31 May 2011	<u>91</u>	<u>91</u>
At 31 May 2010	<u>188</u>	<u>188</u>

FEEDBACK PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MAY 2011

12. INTANGIBLE ASSETS

	Development Expenditure £000
GROUP	
Cost	
At 31 May 2009	3,239
Additions	486
	<hr/>
At 31 May 2010	3,725
Additions	370
	<hr/>
At 31 May 2011	4,095
	<hr/>
Amortisation	
At 31 May 2009	2,649
Charge for the year	343
	<hr/>
At 31 May 2010	2,992
Charge for the year	371
	<hr/>
At 31 May 2011	3,363
	<hr/>
Net Book Value	
At 31 May 2011	732
	<hr/> <hr/>
At 31 May 2010	733
	<hr/> <hr/>

13. INVENTORIES

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Raw materials and consumables	432	492	-	-
Work in progress	11	431	-	-
Finished goods	587	377	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,030	1,300	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

14. OTHER RECEIVABLES

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Amounts falling due within one year				
Amounts owing by subsidiary undertakings	-	-	1,463	3,097
Other receivables	88	32	24	24
Prepayments	145	144	27	5
	<hr/>	<hr/>	<hr/>	<hr/>
	233	176	1,514	3,126
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

FEEDBACK PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MAY 2011

15. OTHER PAYABLES

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Amounts falling due within one year				
Amounts due to Subsidiary	-	-	80	-
Other payables	260	368	25	24
Other taxes and social security	102	114	17	-
Accruals and deferred income	455	384	69	68
	<u>817</u>	<u>866</u>	<u>191</u>	<u>92</u>

16. FINANCIAL INSTRUMENTS

The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance.

The Group's financial instruments comprise cash and cash equivalents and various items such as trade payables and receivables that arise directly from its operations. The Group is exposed through its operations to the following risks:

- Credit risk
- Foreign currency risk
- Liquidity risk
- Cash flow interest rate risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks and consequently the objectives, policies and processes are unchanged from the previous period.

The Board has overall responsibility for the determination of the Group's risk management policies. The objective of the Board is to set policies that seek to reduce the risk as far as possible without unduly affecting the Group's competitiveness and effectiveness. Further details of these policies are set out below:

Credit risk

The Group is exposed to credit risk primarily on its trade receivables, which are spread over a range of customers and countries, a factor that helps to dilute the concentration of the risk.

It is Group policy, implemented locally, to assess the credit risk of each new customer before entering into binding contracts. Each customer account is then reviewed on an ongoing basis (at least once a year) based on available information and payment history.

The maximum exposure to credit risk is represented by the carrying value in the balance sheet. The amount of the exposure shown in the balance sheet is stated net of provisions for doubtful debts.

FEEDBACK PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MAY 2011

16. FINANCIAL INSTRUMENTS (continued)

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Loans and receivables	
	2011	2010
	£000	£000
Current financial assets		
Trade and other receivables	1,163	1,754
Cash and cash equivalents	9	25
	<u>1,172</u>	<u>1,779</u>

Analysis of trade receivables £'000

	Total	Current	30 days past due	90 days past due	90 days past due
2011	930	689	160	69	12
	<u>930</u>	<u>689</u>	<u>160</u>	<u>69</u>	<u>12</u>
2010	1,578	1,130	272	38	138
	<u>1,578</u>	<u>1,130</u>	<u>272</u>	<u>38</u>	<u>138</u>

The Group policy is to make a provision against those debts that are overdue, unless there are grounds for believing that all or some of the debts will be collected. During the year the value of provisions made in respect of bad and doubtful debts was £ 10,000 (2010: £5,000) which represented less than 1% (2010: 1%) of revenue. This provision is included within the management and administration costs in the Consolidated Income Statement.

Foreign currency risk

Foreign exchange transaction risk arises when individual Group operations enter into transactions denominated in a currency other than their functional currency. The general policy for the Group is to sell to customers in the same currency that goods are purchased in reducing the transactional risk. Where transactions are not matched excess foreign currency amounts generated from trading are converted back to sterling and required foreign currency amounts are converted from sterling and the use of forward currency contracts is considered.

Foreign exchange translation risk arises on translation of the balance sheets of Group operations whose functional currency is different to that of the Group as a whole. The predominant area where this risk applies is

The Group's main foreign currency risk is the short-term risk associated with accounts receivable and payable denominated in currencies that are not the subsidiaries functional currency. The risk arises on the difference in the exchange rate between the time invoices are raised/received and the time invoices are settled/paid. For sales denominated in foreign currencies the Group will try to ensure that the purchases associated with the sale will be in the same currency.

All monetary assets and liabilities of the Group were denominated in sterling with the exception of the following items which were denominated in US dollars and Euros, and are included in the financial statements at the sterling value based on the exchange rate ruling at the balance sheet date.

The following table shows the net assets exposed to exchange rate risk that the Group has at 31 May 2011:

	2011	2010
	£000	£000
Trade receivables	41	176
Cash and cash equivalents	109	32
Trade payables	(5)	(20)
	<u>145</u>	<u>188</u>

The Group is exposed to currency risk because it undertakes trading transactions in US dollars and euros. The Directors do not generally consider it necessary to enter into derivative financial instruments to manage the exchange risk arising from its operations, (but from time to time when the Directors consider foreign currencies are weak and it is known that there will be a requirement to purchase those currencies, forward arrangements are entered into. There were no outstanding forward arrangements as at 31 May 2011.

16. FINANCIAL INSTRUMENTS (continued)

The effect of a strengthening of 10% in the rate of exchange in the currencies against sterling at the balance sheet date would have resulted in an estimated net increase in the pre-tax loss for the year and a decrease in net assets of approximately £ 15,000 (2010: £ 33,000) and the effect of a weakening of 10% in the rate of exchange in the currencies against sterling at the balance sheet date would have resulted in an estimated net decrease in the pre-tax loss for the year and an increase in net assets of approximately £ 15,000 (2010: £ 33,000).

Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group. Rolling forecasts of the Group's liquidity requirements are monitored to ensure it has sufficient cash to meet operational needs.

	Financial liabilities measured at amortised cost	
	2011 £000	2010 £000
Current financial liabilities		
Trade and other payables	1,726	1,825
	<u>1,726</u>	<u>1,825</u>

The following are maturities of financial liabilities, including estimated contracted interest payments.

	Carrying amount	Contractual cash flow	6 months or less	6-12 months	1 or more years
2011					
Trade and other payables	1,726	1,726	1,726	-	-
	<u>1,726</u>	<u>1,726</u>	<u>1,726</u>	<u>-</u>	<u>-</u>
2010					
Trade and other payables	1,825	1,825	1,825	-	-
	<u>1,825</u>	<u>1,825</u>	<u>1,825</u>	<u>-</u>	<u>-</u>

Cash flow interest rate risk

The Group presently has no substantial interest rate exposure.

Capital under management

The Group considers its capital to comprise its ordinary share capital, share premium account, capital reserve and accumulated retained earnings.

In managing its capital, the Group's primary objective is to maximise returns for its equity shareholders.

17. SHARE CAPITAL

	2011 £000	2010 £000
Allotted, called up and fully paid share capital:		
109,146,746 New Ordinary Shares of 0.25p each (2010: 109,146,746)	273	273
	<u>273</u>	<u>273</u>
	<u><u>273</u></u>	<u><u>273</u></u>

Share Options

Share options are granted to directors and employees. Options are conditional on the employee completing a specific length of service (the vesting period). The options are exercisable from the end of the vesting period and lapse after ten years after the grant date. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

FEEDBACK PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MAY 2011

17. SHARE CAPITAL (continued)

The options issued in the year were valued using the Black-Scholes option pricing model and no performance conditions were included in the fair value calculations. The risk free rate was 2.67%. The expected volatility is based on historical volatility over the last two years and is estimated to be 55%. The average share price during the year was 1.75 pence. During the year the Company had the following share options in issue:

Number of options						
At June 1 2010	Granted	Cancelled	At 31 May 2011	Exercise price (pence)	Exercise date	
500,000	-	-	500,000	2.13	11/12/11 to 10/12/18	
-	1,000,000	-	1,000,000	1.63	23/02/14 to 23/02/21	
500,000	1,000,000	-	1,500,000			

250,000 of the options at June 1 2010 are only exercisable upon meeting of the performance condition that the shares reach a mid-market price of 10 pence or more for a minimum period of 90 days.

All share options vest three years after the grant date. Each option can only be exercised from three years after the grant date to ten years after the date of grant.

18. FINANCIAL COMMITMENTS

The Company has given cross guarantees in respect of bank borrowings of its UK subsidiary undertakings at the year end of £ 562,000 (2010: £502,000).

19. CONTINGENT LIABILITIES

There are contingent liabilities in the event of any claim for breach or non-performance of the terms of overseas contracts against which bank guarantees have been issued totalling to £84,000 (2010: £144,000).

20. PENSIONS

The Company operated a defined contribution scheme during the year and the assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost represents contributions payable by the Company and amounted to £ 77,000 (2010: £72,000). There were no outstanding or prepaid contributions at the year end.

The Company's defined benefit pension scheme was transferred to the Pension Protection Fund (PPF) in 2007. The PPF continue to assess the scheme and are seeking to verify the data on all members. Once this verification process has been completed, which is expected to be this year, the PPF will value the scheme to determine whether to accept it into the fund or to sell it to a third party. The Company therefore has no obligation or liability in respect of the scheme.

21. STANDARDS IN ISSUE NOT YET IN FORCE

Standards issued but not yet effective up to the date of issuance of the company's financial statements are listed below. This listing is of standards and interpretations issued, which the company reasonably expects to be applicable at a future date. The company intends to adopt those standards when they become effective. The company does not expect the impact of such changes on the financial statements to be material.

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The company does not expect any impact on its financial position or performance.

Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and de-recognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the company's financial assets. The company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

21. STANDARDS IN ISSUE NOT YET IN FORCE (continued)

IFRS 10 Consolidated Financial Statements

The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The standard is effective for annual periods beginning on or after 1 January 2013. The standard may be applied to an earlier accounting period, but, where doing so, entities must disclose that the standard is early adopted and must also apply IFRS 11 'Joint Arrangements', IFRS 12 'Disclosures of Interests in Other Entities', IAS 27 'Separate Financial Statements', and IAS 28 'Investments in Associates and Joint Ventures'.

IFRS 11 Joint Arrangements

The core principle of IFRS 11 is that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement. The standard is effective for annual periods beginning on or after 1 January 2013. The standard may be applied to an earlier accounting period, but, where doing so, entities must disclose that the standard is early adopted and must also apply IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosures of Interests in Other Entities', IAS 27 'Separate Financial Statements', and IAS 28 'Investments in Associates and Joint Ventures'.

IFRS 12 Disclosure of Interests in Other Entities

The objective of IFRS 12 is to require the disclosure of information that enables users of financial statements to evaluate:

- the nature of, and risks associated with, its interests in other entities
- the effects of those interests on its financial position, financial performance and cash flows.

IFRS 12 is applicable to annual reporting periods beginning on or after 1 January 2013. Early application is permitted.

Entities are encouraged to voluntarily provide the information required by IFRS 12 prior to its adoption. Providing some of the disclosures required by IFRS 12 does not compel an entity to comply with all of the requirements of the IFRS or to also apply

Improvements to IFRSs (issued in May 2010)

The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The amendments listed below, are considered to have a reasonable possible impact on the presentation of the company's financial statements:

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements

The company, however, expects no impact from the adoption of the amendments on its financial position or performance.

(Registered Address: Park Road, Crowborough, East Sussex, TN6 2QR)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the fifty third annual general meeting of Feedback Plc (the 'Company') will be held at Lawrence Graham LLP, 4 More London Riverside, London SE1 2AU on 2nd September 2011 at 11 a.m. at which the following resolutions will be proposed, in the case of resolutions 1 to 6 as ordinary resolutions and in the case of resolutions 7 to 9 as special resolutions:

As Ordinary Resolutions:

1. To receive and adopt the report of the Directors and the statement of accounts of the Company for the period ended 31 May 2011 with the auditors' report thereon.
2. To re-elect Nick Shephard as a Director who was appointed to the board on 11 February 2011.
3. To re-elect Mark Bird as a Director who was appointed to the board on 17 February 2011.
4. To re-elect David Barton as a Director who retires by rotation and being eligible, offers himself for re-election.
5. To re-appoint haysmacintyre as auditors of the Company until the conclusion of the next annual general meeting and to authorise the Directors to fix their remuneration.
6. THAT, in substitution for all previous authorities and in accordance with section 551 of the Companies Act 2006 (the "Act"), the Directors be and they are hereby generally and unconditionally authorised to allot shares in the Company or grant rights to subscribe for or convert any securities into shares ("Rights"), provided that this authority shall be limited to the allotment of up to an aggregate nominal amount of £90,955 provided that this authority shall expire at the earlier of the next annual general meeting of the Company or 30 November 2012 and that the Company may before such expiry make an offer or agreement which would or might require shares or Rights to be granted in pursuance of any such offer or agreement notwithstanding that the authority conferred hereby has expired.

As Special Resolutions:

7. THAT, subject to the passing of resolution 6 above, but in substitution for all previous authorities, and in accordance with section 570 of the Act, the Directors be and they are hereby empowered to allot equity securities (as defined in section 560 of the Act) pursuant to the authority conferred by the previous resolution as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
 - a. in connection with an offer of such equity securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange and;
 - b. up to an aggregate nominal amount of £54,573 provided that this authority shall expire at the earlier of the next annual general meeting of the Company or 30 November 2012 and that the Company may before such expiry make an offer or agreement which would or might require equity securities to be granted in pursuance of any such offer or agreement notwithstanding that the authority conferred hereby has expired.
8. THAT, the Company be generally and unconditionally authorised pursuant to section 701 of the Act, to make market purchases (as defined by section 693(4) of the Act) of ordinary shares of 0.25p each in the capital of the Company ("Ordinary Shares") provided that:
 - a. the maximum aggregate number of shares authorised to be purchased is 16,361,097 Ordinary Shares;
 - b. the minimum price which shall be paid for the Ordinary Shares is 0.25p for each share, and the maximum price (exclusive of expenses) which may be paid for such shares is 5 per cent above the average of the middle market quotations derived from the London Stock Exchange Daily Official List for the five business days before the purchase is made;
 - c. unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the earlier of the next annual general meeting of the Company or 30 November 2012; and
 - d. the Company may, before such expiry, make a contract to purchase its own shares under the authority hereby conferred which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of its own shares in pursuance of such a contract.
9. THAT,
 - a. the existing Articles of Association of the Company be amended by deleting all of the provisions of the Company's Memorandum of Association which, by virtue of section 28 of the Act, are to be treated as part of the Company's Articles of Association; and

- b. the Articles of Association produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of the existing Articles of Association. An explanation of the principal changes are summarised in the Appendix hereto.

Dated 28 July 2011

By Order of the Board

N. A. Williams, Company Secretary

Explanatory Notes to Resolutions 6, 7, 8 and 9:

The Companies Act 2006 prohibits the Directors from allotting new shares without shareholder approval. Resolution 6 will be proposed as an ordinary resolution to grant the Directors authority to allot shares or to grant rights to subscribe for or convert any securities into shares up to an aggregate nominal amount of £90,955 representing one-third of the Company's total issued ordinary share capital as at the date of this Notice, such authorities to expire at the conclusion of next year's annual general meeting or 6 months after the Company's accounting reference date, whichever is the earlier. Other than fulfilling the Company's obligations under its various share option schemes, the Directors have no present intention of issuing ordinary shares.

Associated with Resolution 6 is Resolution 7, which grants the Directors authority to issue ordinary shares for cash otherwise than to existing shareholders in proportion to their existing holdings, notwithstanding the pre-emption provisions of the Companies Act 2006. Resolution 7 asks shareholders to waive such pre-emption rights in respect of the allotment of equity securities having a maximum aggregate nominal value of £54,573 representing 20 per cent of the Company's total issued ordinary share capital as at the date of this Notice, such authority to expire at the conclusion of next year's annual general meeting or 6 months after the Company's accounting reference date, whichever is the earlier. Other than fulfilling the Company's obligations under its share option schemes, the Directors have no present intention to exercise this authority.

Resolution 8, which is proposed as a special resolution, is to authorise the Company to purchase up to 16,361,097 ordinary shares in the market, representing approximately 14.99 per cent of the Company's total issued share capital as at the date of this Notice, at a price not less than the nominal value of the ordinary shares derived from the London Stock Exchange Daily Official List for the five business days before the purchase is made. The Company may either cancel any shares that it purchases under this authority or transfer them into treasury (and subsequently sell or transfer them out of treasury or cancel them). This authority will expire at the conclusion of next year's annual general meeting or 6 months after the Company's accounting reference date, whichever is the earlier. The Company intends to renew this authority annually if approved by shareholders. The Company has no current intention of utilising the buy-back authority if granted but will keep the matter under review, taking into account the cash reserves of the Company, the Company's share price and the other investment opportunities available to the Company. The authority will be exercised only if the Directors believe that to do so would be in the interests of the shareholders generally.

Resolution 9, which is proposed as a special resolution, is to make amendments to the Company's Articles of Association to reflect changes in company law as a result of the enactment of the Companies Act 2006. A summary of the proposed amendments to the Company's existing Articles of Association is set out at Appendix I of this document. A copy of the Articles of Association incorporating the proposed amendments will be available for inspection at the Company's registered office and the offices of the Company's solicitors, Lawrence Graham LLP, 4 More London Riverside, London SE1 2AU during normal business hours from the date of this document until the close of the Annual General Meeting and for at least 15 minutes prior to and during the meeting.

Notes:

1. A member entitled to attend and vote at the above meeting convened by this notice is entitled to appoint one or more proxies to attend, speak and vote at the meeting. A proxy need not be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the meeting or another person as your proxy using the Form of Proxy are set out in the notes to the Form of Proxy.
2. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy please contact Capita Registrars on 0871 664 0300 (calls cost 10p per minute + network extras. Lines are open Monday to Friday 8.30 a.m. to 5.00 p.m.) UK callers only. Overseas callers should call +44 20 8639 3399 standard international rates will apply.
3. A Form of Proxy is enclosed. To be effective, the Form of Proxy, together with any power of attorney or other written authority under which it is signed, or a notarially certified copy or a certified copy in accordance with the Powers of Attorney Act 1971 of such power or written authority must be completed signed and to be valid the proxy must be duly executed and deposited with the Company at the offices of the Company's registrars, Capita Registrars (Proxies Department) PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 11.00 a.m. on 31st August 2011.
4. Completion and return of a form of proxy will not prevent a member from attending and voting in person if he or she so wishes.
5. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 to be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members not less than 48 hours before the time of the meeting or, in the event that the meeting is adjourned, on the Register of Members of the Company not less than 48 hours before the time of any adjourned meeting, and only such members shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after 11.00 a.m.

on 31st August 2011 or, in the event that the meeting is adjourned, not less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend and vote at the meeting.

6. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of any other joint holders. For these purposes, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
7. In the case of a corporation, the Form of Proxy must be executed under its common seal or signed on its behalf by a duly authorized attorney or duly authorized officer of the corporation.
8. A vote withheld option is provided on the Form of Proxy to enable you to instruct your proxy not to vote on any particular resolution. However, it should be noted that a vote withheld in this way is not a "vote" in law and will not be counted in the calculation of the proportion of votes "For" and "Against" a resolution.
9. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy and would like to change the instructions using another hard-copy proxy form, please contact Capita Registrars. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
10. In order to revoke a proxy instruction you will need to inform the Company using one of the following methods:

By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Registrars (Proxies Department), The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

In either case, the revocation notice must be received by Capita Registrars no later than 11.00 a.m. on 31st August 2011.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

11. As at 5.00 p.m. on the date immediately prior to this notice the Company's issued share capital comprised 109,146,746 ordinary shares of 0.25 pence each ("Ordinary Shares"). Each Ordinary Share carries the right to one vote at a general meeting of the Company and therefore the total number of voting rights in the Company as at 5.00 p.m. on the date immediately prior to this Notice is 109,146,746.

APPENDIX I

SUMMARY OF THE PRINCIPAL PROPOSED

AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

It is proposed that the Company adopt new articles of association (the "New Articles") in order to update the Company's current articles of association (the "Current Articles") primarily to take account of the coming into force of the Companies (Shareholders' Rights) Regulations 2009 (the "Shareholders' Rights Regulations") and the implementation of the remaining provisions of the Companies Act 2006 (the "2006 Act").

The principal changes introduced in the New Articles are summarised below. Other changes, which are of a minor, technical or clarifying nature and also minor changes which merely reflect changes made by the 2006 Act, the Shareholders' Rights Regulations or conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills have not been noted below. The New Articles showing all the changes to the Current Articles are available for inspection, as stated in the notes to this document.

1. Articles which duplicate statutory provisions

Provisions in the Current Articles which replicate provisions contained in the 2006 Act are in the main to be removed in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution.

2. Change of name

Under the Companies Act 1985, a company could only change its name by special resolution. Under the 2006 Act, a company will be able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enable the directors to pass a resolution to change the Company's name.

3. Provisions of the Company's Memorandum of Association (the "Memorandum")

The provisions regulating the operations of the Company are currently set out in the Memorandum and the Current Articles. The Memorandum contains, among other things, the objects clause which sets out the scope of the activities the company is authorised to undertake. This is drafted to give a wide scope.

The 2006 Act has significantly reduced the constitutional significance of a company's memorandum of association. The 2006 Act provides that a company's memorandum of association will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the 2006 Act the objects clause and all other provisions which are currently contained in a company's memorandum of association, for existing companies at 1 October 2009, will be deemed to be contained in a company's articles of association but the company can remove these provisions by special resolution.

Further, the 2006 Act states that unless a company's articles of association provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have object clauses. For the foregoing reasons, the Company is proposing to remove the objects clause together with all other provisions of its Memorandum which, by virtue of the 2006 Act, are to be treated as forming part of the Company's Current Articles. Resolution 9(a) confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's Memorandum regarding limited liability, the New Articles also contain an express statement regarding the limited liability of shareholders.

4. Authorised share capital and unissued shares

The 2006 Act abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the 2006 Act, save in respect of employee share schemes.

5. Authorised share capital and unissued shares

Under the 2006 Act, if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The 2006 Act enables directors to determine such matters instead provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the directors would need shareholders' authority to issue new shares in the usual way.

6. Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital

Under the Companies Act 1985, a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the 2006 Act, a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly, the relevant enabling provisions have been removed in the New Articles.

7. Provision for employees on cessation on business

The 2006 Act provides that the powers of the directors of a company to make provisions for a person employed or formerly employed by the company or any of its subsidiaries in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary, may only be exercised by the directors if they are so authorised by the company's articles or by the company in general meeting. The New Articles provide that the directors may exercise this power.

8. Use of seals

Under the Companies Act 1985, a company required authority in its articles to have an official seal for use abroad. Under the 2006 Act, such authority will no longer be required. Accordingly, the relevant authorisation has been removed in the New Articles.

The New Articles provide an alternative option for execution of documents (other than share certificates). Under the New Articles, when the seal is affixed to a document it may be signed by one authorised person in the presence of a witness, whereas previously the requirement was for signature by either a director and the secretary or two directors.

9. Suspension of registration of share transfers

The Current Articles permit the directors to suspend the registration of transfers. Under the 2006 Act share transfers must be signed as soon as practicable. The power in the Current Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, the power has been removed in the New Articles.

10. Vacation of office by directors

The Current Articles specify the circumstances in which a director must vacate office. The New Articles update these provisions to reflect the approach taken on mental and physical incapacity in the model articles for public companies produced by the Department for Business, Innovation and Skills.

11. Voting by proxies on a show of hands

The Shareholders' Rights Regulations have amended the 2006 Act so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolutions and by one or more members to vote against the resolution. The Current Articles have been amended to reflect these changes.

12. Voting by corporate representatives

The Shareholders' Rights Regulations have amended the 2006 Act in order to enable multiple representatives appointed by the same corporate member to vote in different ways on a show of hands and a poll. The New Articles contain provisions which reflect these amendments.

13. General

Generally the opportunity has been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills.



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