

Feedback plc
Preliminary Results for the 14 month period ended 31 May 2007

Chairman's and Chief Executive's Statement

The past few years have been very challenging for the Group. We have had to adapt to changing market conditions in all the subsidiary businesses whilst addressing legacy issues such as the pension deficit and operating in unsuitable buildings in Crowborough. We are well advanced in finding permanent solutions to all these difficulties and, although most of the considerable associated costs have been borne during the period ending 31 May 2007, the benefits will become apparent over the coming years. As part of the restructuring process the financial year end was extended from 31 March to 31 May.

The attached results for the 14 month period to 31 May 2007 show an operating profit of £325,600 on a turnover of £9,639,400 compared to £159,500 and £7,638,600 respectively for the 12 months to 31 March 2006. This continues the trend of improving profits at a trading level in recent years.

Exceptional costs associated with the solution to the pension situation, which occurred after the end of this financial period, dilapidations on leased buildings which have been vacated and restructuring amounted to £763,900 (2006 – £nil) and costs associated with the pension fund, which was ongoing during the period, interest and accrued dividends on the now fully converted Preference Shares totalled £391,200 (2006 – £454,800). The loss before tax was £521,900 (2006 – £295,300).

As previously reported the main freehold premises in Park Road, Crowborough had been sold subject to residential planning permission being granted for the site. Three applications were rejected by the local authorities but, after going to appeal, permission was granted for the development of the site in early February 2007. Alternative premises are being investigated with a view to relocating the whole UK company.

All the fundamental difficulties the Group has experienced have been, or are being addressed. This together with the improving trading performance and reduced costs across the Group allow us to be more confident about the future than we have been for some time.

Feedback Instruments Limited

There was another strong performance during the year from the largest of the subsidiary companies. The strategic initiatives that have been referred to in previous Statements; the introduction of new products, improved communications with agents and reductions in costs are continuing to deliver results and helped to increase turnover.

The overall export performance was significantly ahead of the previous year. In particular there were continued strong sales in the Middle East and Far East and a number of our international agents showed an improved commitment and produced strong growth. Some agency arrangements were changed in territories where it was felt performance should improve.

Funding within the Higher Education sector in the UK has been weak for a number of years but the UK sales team, under their new manager, is producing very encouraging results in this challenging market. Of particular note is the success being achieved with the distributed line of science apparatus for schools which is showing significant growth reflecting both the effort being made and the relatively strong funding in this market sector.

In anticipation of the move to new premises two of the leased sites in Crowborough were vacated and all personnel were relocated to Park Road. The temporary loss of some of our metalworking capability, together with the improved level of orders, necessitated the use of more subcontracting. Output has been therefore somewhat restricted for a time.

In recent years the company has suffered from a lack of new products but a number of items of equipment have been introduced recently as part of the ongoing development strategy. Of particular note

is a new range of Control teaching systems which addresses the market sector in which Feedback started and in which it established its reputation for quality and reliability. These new products have been well received and will help the company restore its dominant position in this market.

Feedback Data Limited

Feedback Data produces terminals for collecting data to improve efficiency and security in the workplace. Although it operates in a very competitive market turnover was up on the previous year. It was also encouraging to monitor the improving sales of some of the newer products which had taken longer to gain market acceptance than had been anticipated.

Strategic partnerships with new and established Value Added Resellers were renegotiated which has resulted in stronger sales and less dependence on too few channels to market. More emphasis has been put on obtaining end-user sales and a number of niche markets were identified which are being investigated and are already producing results.

A significant proportion of the company's revenue is derived from field support of installed products. Turnover in this area has been maintained over recent years and ways to increase efficiency and service are being considered.

A new data terminal, the TR1000 was developed to address the mid-range market and to eventually replace the Kestrel and the new platform for the access control market, Evolution, continues to be expanded.

Feedback Incorporated

After the disappointing performance in the preceding year the company returned to profitability. The continuing weakness of the Dollar is however putting pressure on margins and funding in the educational sector in the USA can be uncertain.

The extra field sales personnel have started to contribute and the new products, introduced over the previous 12 months, have been well received by the market. To maintain this momentum a new marketing campaign has been initiated to complement the direct sales effort.

The recent launch of the new range of Control experiments at the American Control Conference in New York went very well. This is a market segment that Feedback had dominated in North America and it is hoped that, with the introduction of these new products, this position can be re-established.

Post Balance Sheet Events

Of most significance is the solution to the deficit in the defined benefit Feedback Pension Scheme. This scheme was closed during 2004 but due the size of the deficit, relative to Group turnover and profitability, the future viability of the Group was seriously compromised. At the same time as the scheme was closed an agreement was reached with Opra (Occupational Pensions Regulatory Authority) to address the deficit over 15 years.

With the change in funding requirements brought in by The Pensions Regulator, which succeeded Opra, and the adoption of FRS17 a different, permanent solution was required.

After lengthy and complex negotiations with the Trustees of the scheme, The Pensions Regulator and the Pension Protection Fund (PPF) an agreement was reached whereby responsibility for the deficit was assumed by the PPF in return for certain conditions being met. A formal Company Voluntary Arrangement (CVA) was announced under which all creditors other than the PPF were to be paid in full. The Group would pay the PPF £1,200,000 (£700,000 from the proceeds of a £1,400,000 placing and £500,000 after vacation of the Park Road premises) plus provide shares totalling 18% of the enlarged share capital after restructuring. The CVA and restructuring was agreed at meetings of shareholders and creditors held on 2 July 2007. The company will be formally released from the CVA once the final £500,000 is paid to the Trustees.

The following proforma Balance Sheet is for illustrative purposes only. If the changes to the pension scheme and the completion of the sale of the Park Road premises had taken place on 31 May 2007 the table shows how the Balance Sheet would have changed (the proforma Balance Sheet is unaudited and is not a statutory Balance Sheet under S.240 of the Companies Act 1985).

CONSOLIDATED PRO FORMA BALANCE SHEET

	Actual 31 May 2007 £000 (audited)	Proforma 31 May 2007 £000 (unaudited)
Fixed assets		
Tangible assets	59.9	59.9
Current assets		
Stocks	1,179.5	1,179.5
Debtors	2,630.9	1,725.9
Cash at bank and in hand	486.4	1,387.9
	<u>4,296.8</u>	<u>4,293.3</u>
Creditors: amounts falling due within one year		
Borrowings	(414.8)	(414.8)
Other creditors	(2,117.8)	(2,067.7)
	<u>(2,532.6)</u>	<u>(2,482.5)</u>
Net current assets	1,764.2	1,810.8
	<u>1,764.2</u>	<u>1,810.8</u>
Total assets less current liabilities	1,824.1	1,870.7
Creditors: amounts falling due after more than one year		
Borrowings	(505.5)	-
Net assets excluding pension liability	<u>1,318.6</u>	<u>1,870.7</u>
Pension liability	(7,974.4)	-
Net (liabilities)/assets including pension liability	<u>(6,655.8)</u>	<u>1,870.7</u>

Finding the solution to this problem has been extremely time consuming and has caused a significant diversion of management attention. We would like to thank all the advisors who have worked tirelessly on our behalf. For further information please see note 8.

Current Trading & Future Prospects

The inflow of orders is satisfactory and the Order Book is healthy. However, production bottlenecks, arising from the consolidation of all the UK companies' operations onto one site at Park Road, ahead of moving to new premises, have resulted in some delays in the dispatch of sales. These problems are being actively addressed. This has been a year of tremendous achievement and the Board looks forward to the future with renewed confidence.

David Harding
Chairman

David Sawyer
Chief Executive

26 September 2007

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CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the 14 month period ended 31st May 2007

	Total 2007 £000 14 months	Total 2006 £000
TURNOVER	9639.4	7638.6
Cost of Sales	(5534.8)	(4255.9)
Gross profit	4104.6	3382.7
Other Operating Expenses	(3779)	(3223.2)
OPERATING PROFIT	325.6	159.5
Profit on sale of fixed asset	307.6	-
Exceptional reorganisation costs	(763.9)	-
Net interest payable	(143.2)	(148.8)
Other finance costs	(248)	(306)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(521.9)	(295.3)
Tax on loss on ordinary activities	-	-
RETAINED LOSS AFTER TAXATION	(521.9)	(295.3)
LOSS PER SHARE (pence)		
Basic	(3.34)	(2.4)
Diluted	(3.34)	(2.4)

The results for 2007 relate to continuing operations.

CONSOLIDATED BALANCE SHEET AT 31st MAY 2007

	2007 £000	2007 £000	2006 £000	2006 £000
Fixed assets				
Tangible assets		59.9		714.9
Current assets				
Stocks	1179.5		1000.3	
Debtors	2630.9		1616.3	
Cash at bank and in hand	486.4		805.7	
	<u>4296.8</u>		<u>3422.3</u>	
Creditors: amounts falling due within one year				
Borrowings	(414.8)		(1132.1)	
Other creditors	(2117.8)		(1447.4)	
	<u>(2532.6)</u>		<u>(2579.5)</u>	
Net current assets		<u>1764.2</u>		<u>842.8</u>
Total assets less current liabilities		1824.1		1557.7
Creditors: amounts falling due after more than one year:				
Borrowings		<u>(505.5)</u>		<u>(579)</u>
Net assets excluding pension liability		1318.6		978.7
Pension liability		(7974.4)		(8233)
Net liabilities including pension liability		<u>(6655.8)</u>		<u>(7254.3)</u>
Capital and reserves				
Called up share capital		1761.2		1234.5
Share premium account	936.6		409.9	
Revaluation reserve	-		595.6	
Capital reserve	299.9		299.9	
Profit and loss account	(9653.5)		(9794.2)	
Total reserves		<u>(8417)</u>		<u>(8488.8)</u>
Deficiency of shareholders' funds - equity interest		<u>(6655.8)</u>		<u>(7254.3)</u>

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Group	
	2007	2006
	£000	£000
	14 months	
Loss for the financial period	(521.9)	(295.3)
Unrealised surplus on revaluation of land and buildings	-	223.2
Currency translation differences on foreign currency net investments	22.9	86.5
Actual return less expected return on pension scheme assets	(265.0)	1,315.0
Experience gains and losses arising on liabilities	-	596.0
Changes in the assumptions underlying the present value of the scheme liabilities	285.0	(2,068.0)
Total losses relating to the period	(479.0)	(142.6)

CONSOLIDATED CASH FLOW STATEMENT

	2007 £000 14 months	2007 £000	2006 £000	2006 £000
Net cash (outflow) / inflow from operating activities		(527.2)		62.7
Returns on investments and servicing of finance				
Finance lease interest paid	(1)		-	
Interest paid	(49.9)		(47.8)	
Interest received	3.7		-	
	<u>3.7</u>		<u>-</u>	
Net cash outflow from returns on investments and servicing of finance		(47.2)		(47.8)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(32.2)		(26)	
Sale of tangible fixed assets	50		-	
	<u>50</u>		<u>-</u>	
Net cash inflow / (outflow) from capital expenditure and financial investments		17.8		(26)
Financing				
Repayments of bank and other loans	(32.5)		(30)	
Capital element of finance leases and rental payments	(8.1)		-	
	<u>(8.1)</u>		<u>-</u>	
Net cash outflow from financing		(40.6)		(30)
Decrease in cash in the year		<u>(597.2)</u>		<u>(41.1)</u>

Notes

Note 1:

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985 nor the Group's statutory accounts for the period ended 31 May 2007 or the year ended 31 March 2006.

The financial information for the year ended 31 March 2006 is extracted from the Group's financial statements to that date which received an unqualified auditor's report and have been filed with the registrar of companies. The financial information for the period ended 31 May 2007 is extracted from the Group's financial statements to that date which received an unqualified auditor's report and will be filed with the registrar of companies. The auditor's report did not contain a statement under section 237(2) or (3) of the Companies Act 1985 in either period. The auditor's report for the period ended 31 May 2007 includes an emphasis of matter paragraph describing a material uncertainty concerning the impact of the post balance sheet Company Voluntary Arrangement and restructuring which may cast significant doubt about the ability of the Group to continue as a going concern. This is further described in Notes 3 and 8. The financial information does not include the adjustments that would result if the Group was unable to continue as a going concern.

Note 2:

The financial information is prepared in accordance with the historical cost convention as modified by the revaluation of the freehold property (disposed of during the period) and in accordance with applicable accounting standards, except in the case of FRS 17, as described in Note 4.

The Group changed its Accounting Reference Date from 31 March to 31 May, with effect from 31 May 2007. Therefore the financial information presented is for the fourteen month period from 1 April 2006 to 31 May 2007. The comparatives for the previous year are for the twelve month period 1 April 2005 to 31 March 2006.

Note 3:

At the Extraordinary General Meeting held on 2 July 2007, the proposal for resolving the pension deficit was adopted by the shareholders and consequently the Group entered a Company Voluntary Arrangement (CVA). At the date of approval of the accounts, the CVA has not been completed. The final requirement is to remit to the Pension Protection Fund the amount of £500,000 on completion of the sale of the Park Road site. The Directors are not aware of any matters which are likely to prevent the successful conclusion of the CVA, and therefore have prepared the accounts on a going concern basis.

Note 4:

As part of the CVA negotiations, an actuarial valuation of the defined benefit pension scheme was carried out as at 28 February 2007, and this formed the basis for computing the deficit. Consequently the Directors have used this valuation, amended to reflect payments made between 28 February and 31 May 2007, as representing the liability in the balance sheets of the Group. This represents a departure from Financial Reporting Standard 17 "Retirement Benefits" but the Directors believe that this gives a true valuation of the liability at the balance sheet date.

Note 5:

The Report and Accounts will be posted to shareholders by 28 September 2007 and the Annual General Meeting will be held at 11.00am on 30 October 2007. Statutory financial statements will be filed with the Registrar of Companies following the Annual General Meeting.

Note 6:

This preliminary announcement was approved by the Board and authorised for issue on 27 September 2007.

Note 7:

Loss per share

Basic loss per share for the period ended 31 May 2007 is based on the Group loss on ordinary activities after taxation of £521,900 (2006 loss of £295,300) attributed to 15,623,305 Ordinary Shares, being the weighted average number of shares in issue throughout the period (2006 – 12,319,645).

Note 8:

Post Balance Sheet Events

a) Agreement with the Pension Protection Fund (PPF) and Company Voluntary Arrangement (CVA)

On 2 July 2007, the Company and its trading subsidiaries, Feedback Instruments Limited (FIL) and Feedback Data Limited (FDL) entered into a Company Voluntary Arrangement with its creditors under which all external creditors will be paid in full save for:

- (i) the liability to the Trustees of the Feedback Pension Scheme and
- (ii) the liability to Mr T.W.G. Charlton in respect of the loan made by him to the Company.

In connection with the CVA, the Company announced a Proposed Share Capital Reorganisation and Reduction of Capital and Placing of 46,666,667 New Ordinary Shares of 3 pence per share. The Company, together with FIL and FDL, agreed terms with the Board of the PPF whereby the Company:

- (i) is required to pay the net sum of £1,200,000 in cash to the Trustees of the Feedback Pension Scheme, £700,000 of which is to be paid from the proceeds of the Placing and £500,000 of which is to be paid from the proceeds of the sale of the Company's freehold premises at Park Road, Crowborough and
- (ii) allocates to the Trustees of the Feedback Pension Scheme such number of New Ordinary Shares as equal 18% of the enlarged share capital of the Company.

At the date of this financial information, £700,000 has been paid to the Trustees from the proceeds of the Placing. The Company is in ongoing negotiations for the relocation from its Park Road site, and the final amount of £500,000 due will be paid upon completion of the contract for sale.

In addition, the Company agreed with Mr Charlton that the loan of \$1,000,000 provided by him would be written down by 80% and the balance to be satisfied by the allotment of 3,355,141 New Ordinary Shares at the Placing price.

b) Placing of 46,666,667 New Ordinary Shares at 3 pence per share

The Placing, which was successfully completed on 3 July 2007, raised £1,400,000 before expenses. These shares, which represented 56.58% of the total issued share capital of the Company following the proposals were admitted to the Alternative Investment Market on 3 July 2007. Certain of the Group's directors agreed to participate in the Placing. Of the Company's directors, Messrs. Sawyer and Bushell agreed to acquire 500,000 shares and 250,000 shares respectively and Mrs H. Westcott, spouse of Professor J.H. Westcott, agreed to acquire 3,333,333 shares.

c) Share Capital Reorganisation

At an Extraordinary General Meeting of the Company and separate Shareholder Meetings held on 2 July 2007, it was resolved that:

- (i) each of the existing 17,611,841 issued Ordinary Shares of 10 pence in the capital of the Company would be subdivided in one New Ordinary Share of 0.25 pence and one Deferred Share of 9.75pence;
- (ii) the remaining authorised but unissued Ordinary Shares of 10 pence each be subdivided into 40 New Ordinary Shares of 0.25 pence each;
- (iii) subject to the approval of the Court, the Company's Share Premium Account be cancelled;
- (iv) the ordinary share capital of the Company be reduced from £3,000,000 divided into 513,138,201 New Ordinary Shares of 0.25 pence and 17,611,841 Deferred Shares of 9.75 pence each to £1,282,845.5025 divided into 513,138,201 New Ordinary Shares of 0.25 pence each and such reduction be effected by cancelling and extinguishing altogether the 17,611,841 Deferred Shares of 9.75 pence each.

Application has been made to the Court for the hearing of the Company's petition, and this is provisionally scheduled to take place in November 2007.

d) Pro Forma Balance Sheet

A pro forma balance sheet, for illustrative purposes only, has been included within the Chairman's and Chief Executive's Statement.