

Feedback PLC
30 October 2009

FEEDBACK PLC (the "Group")

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MAY 2009

Summary

- Improved margins led to a 24% increase in Trading Profit to £603k despite a 15% fall in underlying Revenues
- Gross operating margin improved from 5% to 7.4%
- Strong cash focus with year end net cash balances of £269k
- Ungeared Balance Sheet with Net Assets increasing to £3.9m
- Significant investment into new Instruments product for 2010
- New and extended range of Data terminals to be launched at CeBIT in March 2010

Commenting on the results, Executive Chairman Michael Burt said:

"In a difficult year we are pleased to have recorded a profitable outcome with a strengthened Balance Sheet. Although it was a year in which the Instruments business recorded a strong outcome on substantially maintained revenues the Data business was affected by weak markets which significantly affected customer confidence.

Against this backdrop Feedback has committed significant new funds to both its businesses with Data in particular expected to benefit from new products and sharpened sales focus targeting, for the first time, all market segments. Instruments is also expected to gain from its new international partnerships and stronger sales focus particularly in traditional and new export markets."

30 October 2009

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(Executive Chairman)

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EXECUTIVE CHAIRMAN'S STATEMENT

For the year ending 31 May 2009 Group Trading Profit improved from £485k to £603k, an increase of some 24%, which was achieved despite a reduction in turnover of 15% from £9.6m to £8.2m. The reduction in turnover was mainly contained within Feedback Data where the combination of weak markets and Far East imports significantly affected its business. The Board is taking action to address this situation.

Notwithstanding the Revenue decline, the gross operating margin improved from 5.0% to 7.4%. This was particularly encouraging and reflected the Board's actions in containing costs at all levels within the Group, together with a robust operating performance from Feedback Instruments, where further outsourcing led to a useful improvement in operating margins.

During the year development expenditure in both Feedback Instruments and Feedback Data remained at a high level. In addition significant sums were expended on infrastructure, specifically a new Group IT system at a cost of some £190k, which is currently nearing installation.

Apart from these financial commitments, focus was maintained on working capital management. As a result net cash at the end of the period amounted to £269k and this position still continues. Additionally the Balance Sheet has strengthened with Net Assets as at 31 May 2009 of £3.9m equivalent to 3.6 pence per share. This does not include available group tax losses totalling £2.6m, still available against future profits. Since year end we have taken the opportunity to negotiate new additional committed working capital lines from our bankers on improved terms.

Current trading is in line with the Board's expectations with some small signs of confidence returning, particularly in overseas markets. The UK however remains fragile and difficult particularly on the Data side where recovery is still some way off.

Feedback Instruments Limited

Instruments had a very active year. On a modest decline in revenues operating profits were significantly higher and a number of major contracts were awarded, particularly in Africa and the Middle East.

For many countries in parts of the developing world secondary and university education of its citizens remains a high priority. Feedback Instruments continues to remain a recognised and important supplier of these needs.

We continue to support and invest in our worldwide agent and distribution network with over 80 countries having a Feedback representative.

Sales in the export market continue to prosper. The global recession has affected some traditionally strong markets in the Far East like Malaysia. However, business remains buoyant in the oil-producing countries, particularly in the Middle East.

Saudi Arabia has especially seen Feedback's share of the market increase to a level not seen before. Libya has provided some good orders and, along with Nigeria and other African countries, has shown the significance of the continent. Plans are in place to target emerging economies around the World to increase our export sales.

The UK market, however, is particularly difficult at this time; sales remain on target although slightly reduced with efforts being placed on providing other educational products through our existing channels.

Feedback Incorporated

Feedback Inc had a more encouraging year with revenues showing some stability and as a result of internal cost reductions an improved operating profit was achieved. The complete agent network was reviewed during the year and some changes made. Almost all states within the US are now covered by our agent network and a successful agent's conference was held in Raleigh Durham, North Carolina in March this year with a majority of our agents attending. A number of new products were shown and we have since seen an improvement in sales and enquiries, which should be helpful in achieving the stronger targets accepted by local management.

Feedback Data Limited

The slowdown in the UK has had a serious effect on the results of Feedback Data during the period. Operating profits were significantly reduced and current trading since the start of the new financial year has shown no signs of recovery.

Demand for Data Capture Terminals, the Company's core business, was significantly weaker than anticipated and served to reinforce the strategy of developing related products for market sectors available outside the traditional core business area. The past lack of investment coupled with the economic downturn has highlighted the weaknesses of the Company's ageing Terminal range. This makes them less competitive in comparison to the multitude of Terminals now being offered to resellers from the Far East.

On the Access Control side of the business lack of previous management focus on new customer sales led to a haemorrhaging of orders with few new sales, however, the Evolution Access Control solution is capable of being a class leader and new users have been enthusiastic as to its capabilities. As a consequence we will be re-launching Evolution as a branded product so that it competes more effectively in the market place. Much of the revenue from this side of the business has been generated from current users expanding their existing systems. To address this issue, new sales staff have been appointed and initial market reception has proved positive.

Notwithstanding the weakness of trading, new investment in the Company by the Board has been committed and has resulted in the implementation of a strategy that will take Data into new business areas. It is hoped that these actions will strengthen its current market position.

The first stages of this strategy have been implemented. An innovative Staff Monitoring System, the Nohmad, was unveiled to our resellers earlier in the year. The product's unique attributes generated an unprecedented amount of interest and has since attracted new resellers

operating in areas which had previously been denied to us. In addition the product addressed pricing issues which had also affected sales.

Interest in the product has not been restricted solely to our traditional resellers, but has also generated interest from a diverse cross section of industries including contract cleaning, logistics, mining and the auto industry. The imminent planned release of new variants of the Nohmad, including Biometric and Time Clock versions are being launched in November with a Proximity version in the first quarter of 2010.

The sales team has recently been boosted by new staff who will sell the Evolution Access Control Product exclusively to end users. They will also manage all existing end user accounts and seek new security resellers. The Evolution product has matured over the last 18 months and is considered to be a competitive and comparable product in relation to those being offered by major players in the Access industry. It is believed that this side of the business is now well positioned for market expansion.

The development of the next generation of product is well advanced. The products planned will share many common components and communication techniques and build costs will be reduced. The new range is designed to be at the forefront of market expectation in terms of design, price and technology. The entry model in particular is designed to meet pricing and specification issues in the volume market where foreign importers have made significant inroads.

External industrial design consultants have been employed to assist in producing a distinctive 'product family' and provide a modern identity that will endure into the future. The designers will liaise with the Group's communications and branding consultants, to assist in the promotion of the product sets. The first products of the new range will launch at the CeBIT trade show in Hanover in March 2010.

Our German subsidiary, Feedback GmbH, operated profitably during the period, but at lower levels. Pricing and product are still key issues but current developments are expected to address this. Additional effort is being put into broadening both our overseas reseller base and direct sales and we have been encouraged by early interest from the Middle East.

Current Trading and Future Prospects

The past year saw your company able to finally focus on trading issues without having to devote management time to legacy issues. Although we are still awaiting final clearance from

the PPF with respect to the Feedback Defined Pension Scheme we are advised that this matter should be finally resolved towards the end of the current financial year.

Feedback plc commenced the current trading year in a solid position with a strong asset position, cash in the bank and an order book only slightly reduced from that prevailing at the same time last year. June saw a very strong month for orders for Feedback Instruments, particularly from the Middle East, which took its order book to levels not seen for some time.

The current position is also encouraging and a number of significant export contracts are likely to be awarded during the current financial year. The UK market, although weaker than previously anticipated, is showing signs of resilience and, with a refocused and more structured sales effort, we believe we will maintain our market position.

In the current year Instruments should benefit from a number of new product launches. Additionally, new associations and partnerships have been formed with a number of major international educational companies, which will significantly extend our reach both in product and marketing terms and provide new routes to markets. The first portfolio of product for one partner is well advanced and will be offered to their supply chain before the end of the year.

In support of these developments we are very pleased to welcome to the Board David Marks, Managing Director of Feedback Instruments who has been responsible for the improvement of Instruments performance.

Feedback Data is still seeing tough markets for the reasons highlighted above. The launch of new products should be a significant help in arresting this position, although the benefit will not be seen, at the earliest, until the second half.

As with Instruments, Data is looking to enter into partnership arrangements, particularly in overseas markets where new products have been well received and fresh opportunities will be available. In this respect a number of the Instrument's agents have indicated a willingness to become a Data partner which, although early days, is likely to bring new benefits.

We now believe that we are able to focus on future opportunities to grow the business both organically and via acquisition. With an un-gearred liquid Balance Sheet opportunities may arise which will be considered. At the same time there is still work to be done with the core divisions. Clearly, having now returned to profit, maintaining this position is mandatory.

Towards year end, we were pleased to receive an extension to the planning consent on our site at Park Road to 2014.

Your Board is well aware that shareholders have been without an ordinary dividend for a number of years and although it was not a consideration in the year under review it will be considered at the end of the current year if, as anticipated, a further profitable outcome is seen.

I would also like to take this opportunity of thanking all the employees of the Group who without their dedication, loyalty and commitment the results seen would not have been possible.

Michael G Burt

Executive Chairman

30 October 2009

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MAY 2009

	2009	2008
	£000	£000
REVENUE	8,163	9,607
Cost of Sales	(4,568)	(6,030)
	-----	-----
GROSS PROFIT	3,595	3,577
Other Operating Expenses	(2,992)	3,092
	-----	-----
TRADING PROFIT	603	485
Write back of pension deficit	-	6,294
	-----	-----
OPERATING PROFIT	603	6,779
Profit on sale of fixed asset	27	87
Reorganisation cost	-	(479)
Gain on cancellation of loan	-	402
	-----	-----
Net interest	630	6,789
	(1)	(5)
	-----	-----
Profit on ordinary activities before taxation		
	629	6,784
Tax credit	18	398

Profit for the year attributable to the equity shareholders of the Company

647	7,182
=====	=====

PROFIT PER SHARE (pence)

Basic and diluted

0.59	9.25
=====	=====

Diluted and diluted

0.55	0.62
=====	=====

Turnover and operating profit are derived from continuing activities.

CONSOLIDATED BALANCE SHEET

AT 31 MAY 2009

	2009 £000	£000	2008 £000	£000
ASSETS				
Non-current assets				
Property, plant and equipment		1,577		1,459
Intangible assets		590		668
Deferred tax asset		313		316
		-----		-----
		2,480		2,443
Current assets				
Inventories	1,334		1,259	
Trade receivables	1,699		1,408	
Other receivables	223		248	
Cash and cash equivalents	269		567	
		-----		-----
		3,525		3,482
		-----		-----
Total assets		6,005		5,925
		-----		-----
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities		165		187
Current liabilities				

Trade payables	745	605
Other payables	1,135	1,748
Borrowings	-	4
	<u>1,880</u>	<u>2,357</u>
Total liabilities	<u>2,045</u>	<u>2,544</u>
TOTAL NET ASSETS	<u><u>3,960</u></u>	<u><u>3,381</u></u>
EQUITY		
Capital and reserves attributable to the Company's equity shareholders		
Called up share capital	273	273
Share premium account	633	633
Capital reserve	300	300
Retained earnings	2,754	2,175
TOTAL EQUITY	<u><u>3,960</u></u>	<u><u>3,381</u></u>

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MAY 2009

	2009 £000	2008 £000	2008 £000	£000
Cash flows from operating activities				
Profit before tax		629		6,784
Adjustments for:				
Finance charges	-		5	
Depreciation and amortisation	511		568	
Impairment of intangible fixed assets	-		132	
Profit on disposal of tangible fixed assets	(27)		(87)	
Foreign exchange difference	(68)		(140)	
Increase in inventories	(75)		(80)	
(Increase)/decrease in trade receivables	(291)		91	
Decrease/(increase) in other receivables	25		(21)	
Increase in trade payables	140		82	
(Decrease)/increase in other payables	(613)		141	
Pension contributions paid	-		(35)	
Share option charge	-		10	
Pension written back	-		(6,294)	
Loan written back	-		(403)	
	<u>-----</u>		<u>-----</u>	

	-	-	
		(398)	(6,031)
		-----	-----
	-	-	-
Net cash generated in operating activities	231		753
Cash flows from investing activities			
Interest received	-	10	
Purchase of tangible fixed assets	(185)	(1,453)	
Proceeds from sale of tangible fixed assets	40	992	
Purchase of intangible assets	(379)	(416)	
	-----	-----	
	-	-	
Net cash used in investing activities	(524)		(867)
Cash flows from financing activities			
Issue of ordinary shares	-	1,820	
Interest paid	(1)	(15)	
Capital element of finance leases and rental payments			
	(4)	(12)	
Payments made to Pension Protection Fund	-	(1,200)	
	-----	-----	
	-	-	
Net cash (used)/generated from in financing activities	(5)		593
	-----	-----	
	-	-	
Net (decrease)/increase in cash and cash equivalents	(298)		479
Cash and cash equivalents at beginning of year	567		88
	-----	-----	
	-	-	
Cash and cash equivalents at end of year	269		567
	=====	=====	

NOTES TO THE FINANCIAL STATEMENTS

1. The information in this announcement, which was approved by the Board of Directors on 29 October

2009, does not comprise statutory accounts for the years ended 31 May 2008 or 31 May 2009. The

statutory accounts for the year ended 31 May 2008 have been delivered to the Registrar of Companies

and those for the year ended 31 May 2009 will be delivered to the Registrar of Companies following

the Company's Annual General Meeting. The auditors have reported on these accounts, their reports

were unqualified and did not contain statements under s.498(2) or (3) of the Companies Act 2006. The

information contained in this statement does not constitute statutory accounts within the meaning of

section 434 of the Companies Act 2006.

The Report and Accounts will be posted to shareholders on 3 November 2009 and the Annual General Meeting will be held at 11.00 am on 27 November 2009. Copies will be available from the Company at Park Road, Crowborough East Sussex TN6 2QR, England and will be available to download from the Company's website www.feedback.plc.uk.

2. SEGMENTAL REPORTING

The turnover, result before taxation and net assets of the Group are attributable to one business segment, the design, manufacture and sale of electronic and computer peripheral equipment for industry and education.

Analysis by geographical market

	Turnover		Pre tax (loss)/profit		Assets	Liabilities	Assets	Liabilities
	2009	2008	2009	2008	2009	2009	2008	2008
	£000	£000	£000	£000	£000	£000	£000	£000
				Restated		Restated		Restated
By origin								
United Kingdom	7,197	8,557	307	396	5,556	(1,334)	5,436	(2,483)
Continental Europe	314	362	271	150	270	(644)	324	(13)
United States	652	688	51	21	179	(67)	165	(48)
Exceptional items	-	-	-	6,217	-	-	-	-
	8,163	9,607	629	6,784	6,005	(2,045)	5,925	(2,544)
	==	==	==	==	==	==	==	==

All capital expenditure incurred by the Group was in the United Kingdom.

	2009	2008
	£000	£000
Turnover by destination	£000	£000
United Kingdom	3,119	3,899
Rest of Europe	700	1,545
Americas	929	1,115
Africa	929	172
Middle East	1,257	1,410
Far East	1,229	1,466
	8,163	9,607
	=====	=====

3. PROFIT PER SHARE

Basic earnings per share is calculated by reference to the profit on ordinary activities after taxation of £647,000 (2008: £7,182,000) and on the weighted average of 109,146,746 (2008: 77,628,244) shares in issue.

The calculation of diluted earnings per share is based on the profit on ordinary activities after taxation and the diluted weighted average of 109,163,193 (2008: 77,628,244).

Adjusted EPS figures based on trading profit have been included for information purposes. The adjusted earnings per share has been calculated by reference to the trading profit of £603,000 (2008: £485,000) and on the weighted average 109,146,746 (2008: 77,628,244) shares in issue.