

**Feedback plc**  
**("Feedback" or "the Company")**

**Final Results for the year ended 31 May 2011**

**Chairman's Statement**

**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 clocks 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 (Feedback 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 (Feedback 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.

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 Shepherd**  
Chairman

**Statement of Comprehensive Income  
for the year ended 31 May 2011**

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

**Consolidated Statement of Changes in Equity  
for the year ended 31 May 2011**

	<b>Share Capital £000</b>	<b>Share Premium £000</b>	<b>Capital Reserve £000</b>	<b>Retained Earnings £000</b>	<b>Translation Reserve £000</b>	<b>Total £000</b>
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

**Consolidated Balance Sheet  
at 31 May 2011**

		<b>2011</b>		<b>2010</b>	
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5		1,505		1,603
Intangible assets	6		732		733
Deferred tax asset			134		156
			<u>2,371</u>		<u>2,492</u>
<b>Current assets</b>					
Inventories	7	1,030		1,300	
Trade receivables		930		1,578	
Other receivables		233		176	
Cash and cash equivalents		<u>9</u>		<u>25</u>	
			<u>2,202</u>		<u>3,079</u>
<b>Total assets</b>			<u>4,573</u>		<u>5,571</u>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Deferred tax liabilities			198		199
<b>Current liabilities</b>					
Trade payables		909		959	
Other payables	8	<u>817</u>		<u>866</u>	
			<u>1,726</u>		<u>1,825</u>
<b>Total liabilities</b>			<u>1,924</u>		<u>2,024</u>
<b>TOTAL NET ASSETS</b>			<u>2,649</u>		<u>3,547</u>
<b>EQUITY</b>					
<b>Capital and reserves attributable to the Company's equity shareholders</b>					
Called up share capital			273		273
Share premium account			633		633
Capital reserve			300		300
Retained earnings			<u>1,443</u>		<u>2,341</u>
<b>TOTAL EQUITY</b>			<u>2,649</u>		<u>3,547</u>

**Consolidated Cash Flow Statement  
for the year ended 31 May 2011**

	<b>2011</b>		<b>2010</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cash flows from operating activities</b>			
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
<b>Cash flows from investing activities</b>			
Interest received	-		5
Purchase of tangible fixed assets	(98)		(122)
Purchase of intangible assets	(370)		(486)
Net cash used in investing activities		(468)	(603)
<b>Cash flows from financing activities</b>			
Interest paid	(9)		(1)
Net cash used from financing activities		<u>(9)</u>	<u>(1)</u>
Net decrease in cash and cash equivalents		(16)	(244)
Cash and cash equivalents at beginning of year		<u>25</u>	<u>269</u>
<b>Cash and cash equivalents at end of year</b>		<u><u>9</u></u>	<u><u>25</u></u>

## 1. ACCOUNTING POLICIES

### 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 accounting policies have been consistently applied to all the years presented.

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

The financial information set out above does not comprise the Company's statutory accounts for the periods ended 31 May 2011 or 31 May 2010. Statutory accounts for 31 May 2010 have been delivered to the Registrar of Companies and those for 31 May 2011 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their report was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis of matter without qualifying their report and did not contain statements under section 498(2) or (3) of the Companies Act 2006 in respect of the accounts for 2011 or for 2010.

## 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.

### Year ended 31 May 2011

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

### Year ended 31 May 2010

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

Reported segment assets are reconciled to total assets as follows:

	<b>2011</b> <b>£000</b>	<b>2010</b> <b>£000</b>
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 segment liabilities are reconciled to total liabilities as follows:

	<b>2011</b> <b>£000</b>	<b>2010</b> <b>£000</b>
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>

	<b>External revenue by location of customer</b>		<b>Total assets by location of assets</b>		<b>Capital expenditure by location of assets</b>	
	<b>2011</b> <b>£000</b>	<b>2010</b> <b>£000</b>	<b>2011</b> <b>£000</b>	<b>2010</b> <b>£000</b>	<b>2011</b> <b>£000</b>	<b>2010</b> <b>£000</b>
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

	<b>2011</b> <b>£000</b>	<b>2010</b> <b>£000</b>
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>

### 4. 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.

## 5. PROPERTY, PLANT AND EQUIPMENT

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

## 6. INTANGIBLE ASSETS

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

At 31 May 2010

733

## 7. INVENTORIES

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

## 8. OTHER PAYABLES

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year</b>		
Other payables	260	368
Other taxes and social security	102	114
Accruals and deferred income	455	384
	<hr/>	<hr/>
	817	866
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## 9. PUBLICATION OF ANNOUNCEMENT AND REPORT AND ACCOUNTS

A copy of this announcement will be available at the Company's registered office (Park Road, Crowborough, East Sussex TN6 2QR) and on its website . [www.feedback-group.com](http://www.feedback-group.com).

This announcement is not being sent to shareholders. The Annual Report will be posted to shareholders shortly and will be made available on the website.

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