FEEDBACK

Report of the Directors and Consolidated Financial Statements

For the year ended 31 May 2016

Contents

Company Information

Directors
Dr A J Riddell
T E Brown
T W G Charlton
Dr B Ganeshan
M P Hayball
Dr A H Menys

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Cambridgeshire
CB23 2TA

Registered Number
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Share Registrars Limited
The Courtyard
17 West Street
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GU9 7DR

Chairman's Statement

We are pleased to present the results for the year ended 31 May 2016. Revenue for the year was £431,454 (2015: £381,970) and the loss after tax was £183,156 (2015: Loss £1,111,433). Cash as at 31 May 2016 was £105,673 (31 May 2015: £63,261). Cash as at 13 October 2016 was £94,629.

The results show growth in revenue and a substantial reduction in the loss after tax. Cash generation has been better than anticipated and reflects payments received from customers in respect of purchase orders before revenue is recognised. Cambridge Computed Imaging Limited ("CCI") performed steadily during the year as it continued to serve its established customer base. Revenue recognised from TexRAD research version sales was higher than in the previous year. In line with management's expectations, there was a reduction in new purchase orders for TexRAD research versions during the year although there remained a good deal of customer interest from research institutions which were looking to obtain grant funding. Dr Balaji Ganeshan continued to lead the sales effort and his hard work has led to a high level of orders received after the year end from world-renowned institutions carrying out oncology research. The Company has also signed collaborative agreements with companies in Japan and South Korea to explore further selling opportunities in these markets for TexRAD research versions which has had some success. In order to support our research customers we have been looking at ways to assist them in analysing and interpreting the results of their studies. We are working on one such project and this could prove to be a useful additional source of revenue in the future. Dr Ganeshan has been continuing his work supporting research into new potential applications of TexRAD. This has led to the publication of scientific papers on TexRAD's use in assessing different types of carcinomas as well as a number of presentations at scientific conferences including the Beijing Society of Radiology in China and participation in *Healthtech Week* in Auckland, New Zealand.

In November 2015 the Company announced that it had signed a Memorandum of Understanding with Alliance Medical Group ("Alliance") with the intention of integrating Feedback's TexRAD texture analysis software into Alliance's PET-CT lung cancer imaging service. The Company has made good progress on a technical solution that would allow the integration of TexRAD into Alliance's network of PET/CT scanners in UK hospitals and a prototype version has been demonstrated to potential users. The next steps will include applying for a CE mark for a medical device which provides analysis of lung PET/CT images with added prognostication through TexRAD. An abstract has been accepted by the Radiological Society of North America (RSNA) for presentation at its annual conference in November 2016 which will highlight the results from the technical and clinical evaluation. Further abstracts publishing the research findings of our customers using TexRAD have also been accepted for presentation at RSNA.

During the financial year the Company formed two joint venture companies, Stone Checker Software Ltd and Prostate Checker Ltd. Both companies offer the prospect of developing innovative solutions where routine medical images can provide useful additional information for clinicians. The Company sold its 50% equity interest in Stone Checker Software Ltd to Free Association Books Ltd in May 2016 resulting in a gain of £45,000.

After the year end Feedback announced a large-scale collaboration with Future Processing Sp. z o.o. ("Future Processing"), a software development service provider based in Gliwice, Poland to develop medical imaging software. The collaboration will entail a substantially increased development team working on new products and the sharing of intellectual property and future revenues. This collaboration has resulted from Feedback's assistance with a successful EU grant application made by Future Processing. The directors of Feedback believe that by CCI working jointly with the Future Processing healthcare team, CCI's existing product portfolio can be improved and new products developed more rapidly including further applications for TexRAD. Although at this stage only a non-binding letter of intent has been agreed, the intention is for the Company to agree formal licences for new software products to be brought to market in 2017/18 under a shared revenue arrangement. In the current financial year, the Company expects to make substantial savings in software development costs and thereafter expects to benefit from its share of the revenue from sales of new products.

Chairman's Statement

CONTINUED

On 1 June 2016, after the year end, the Company announced my appointment as its new chairman with Tom Charlton moving to non-executive deputy chairman. I have extensive experience of managing companies in the healthcare sector and I look forward to assisting the Company to the next stage of its development.

We remain encouraged by the continued interest shown in TexRAD and the number of research papers being published which highlight its numerous potential applications. The high level of purchase orders for TexRAD research versions which have been received after the year end should lead to a substantial increase in revenue in the second half of the 2016/17 year and growth in revenue for the year as a whole. We believe there will be opportunities to make further sales of TexRAD research versions in China by partnering with a company with a strong local presence. We are also considering other business relationships which could increase sales of TexRAD research versions in other territories. In addition to the TexRAD sales, Feedback now has the opportunity to grow its revenues through the collaboration with Future Processing and the development of a CE marked product for analysis of lung PET/CT images. We will look at investing in product development, regulatory and marketing resource to support our very positive growth prospects.

Dr A J Riddell
Chairman

18 October 2016

Strategic Report

The Directors present their Strategic Report and the audited financial statements for the year ended 31 May 2016.

Principal activities of the Group

The Company has two subsidiaries in the medical imaging sector, CCI and TexRAD. During the year, CCI acted as sales distributor for TexRAD to reduce operating costs.

The Company also entered into two joint ventures, Stone Checker Software Ltd for the potential future clinical application of TexRAD on patients with kidney stones and Prostate Checker Ltd for assisting the detection and diagnosis of prostate cancer. The investment in Stone Checker Software Ltd was sold during the year.

Review of the business

The Chairman's Statement on page 2 includes a general review of the Group's business for the year.

Future developments in the business

The Group will continue to invest in the development of its products. In addition the Group's future strategy may involve the formation of further joint ventures and collaborations where Feedback's valuable intellectual property can be combined with the specialist skills and intellectual property of other companies and research institutions. By adopting this approach the Group is expected to generate licensing and royalty revenue streams and residual equity participation in these joint ventures.

Group results and dividends

The Group loss for the year after taxation amounted to £183,156 (2015: Loss £1,111,433). In 2015 the loss included exceptional costs in relation to the impairment of the intangible assets of £689,142 and termination costs in respect of the former chief executive of £60,000. During 2015, the Directors took the prudent decision to write down the carrying value of the intangible assets in the balance sheet in order to meet the requirements of International Financial Reporting Standards ('IFRS'). However the Directors believe the Company's technology has great potential and this write down does not reflect their commercial assessment of the value of the company's intellectual property. Future expenditure on software development will be capitalised once the provisions of IAS 38 are met or written off as incurred until the criteria are met.

On 3 June 2015 the Company raised £200,000 by the issue of 11,111,111 new ordinary shares at 1.8 pence per share ("Placing Shares"). The Placing included participation by two of Feedback's directors, Tom Charlton who invested £50,400 for 2,800,000 Placing Shares and Trevor Brown who invested £18,000 for 1,000,000 Placing Shares.

On 6 July 2015 the Company issued 216,000 ordinary shares at 1.25 pence per share in lieu of fees for professional services.

On 8 July 2015 the Company issued 1,600,000 shares following notification of the exercise of options at 1.25 pence per share.

The Company now has 203,673,857 ordinary shares in issue.

No dividends are payable for the year under review.

Strategic Report
CONTINUED

Principal risks and uncertainties

Economic and market risks

The subsidiary companies are both in the medical imaging market. The market is fragmented and the future success of the business is dependent on the ability of the companies to secure new and renew current contracts. These contracts are often with Government supported organisations and the timing of these can be dependent on market conditions. The Group's dependence on the award or renewal of contracts means that its revenue stream is not constant and has the potential to be particularly irregular.

Joint venture risk

The joint ventures and collaborations that have been formed by the Group may not produce any product advancement on the TexRAD product and therefore may not lead to any future income for the Group, although the Group has reduced the cost of any development by forming the joint venture or collaboration. The joint ventures will report progress regularly to the Board and the Board will be able to manage any potential risk to the Group by taking measures to reduce any exposure to the joint ventures.

Regulatory approval

The development, evaluation and marketing of the Group's products and ongoing research and development activities are subject to regulation by governments and regulatory agencies in all territories within which the Group intends to market its products (whether itself or through a partner) and there can be no assurance that any of the Group's products will successfully complete the trial process or that regulatory approvals to market these products will ultimately be obtained. Failure to obtain regulatory approvals for its products could threaten the Group's ability to trade in the long term.

The time taken to obtain regulatory approval varies between territories and there can be no assurance that any of the Group's products will be approved in any territory within the timescale envisaged by the Board, or at all, and this may result in a delay, or make impossible, the commercial exploitation of the Group's products. Furthermore, each regulatory authority may impose its own requirements and may refuse to grant, or may require additional data before granting an approval, even though the relevant product may have been approved by another country's authority.

If regulatory approval is obtained, products will be subject to continual review and there can be no assurance that such approvals will not be withdrawn or restricted. Changes in applicable legislation or regulatory policies, or discovery of problems with products may result in the imposition of restrictions on sale, including withdrawal of the product from the market, or may otherwise have an adverse effect on the Group's business and/or revenue streams.

Product Development Risk

The products in development may cost more and/or take longer to develop than the current estimates. It is possible that commercially successful products may not be developed. The Board monitors progress on the product on a regular basis and discusses with potential customers their requirements to mitigate this risk.

Liquidity

Management of liquidity risk concentrated on the maintenance of appropriate credit lines and funding sources to ensure adequate cash resources for the Group's operations. The Board regularly monitors the cash position of the Group and ongoing cash requirements. The Board believes the Group is likely to have access to adequate cash resources from a combination of operational cash generation and by obtaining equity finance from the financial markets or by way of loans from its major shareholders to support its corporate strategy.

Strategic Report

CONTINUED

Credit Risk

The Company's credit risk is primarily attributable to its cash and cash equivalents and trade receivables. The credit risk on other classes of financial assets is considered insignificant.

Other Risks

There is a risk that existing and new customer relationships will not lead to the income currently forecast (especially, as noted above, from new products currently in development). As with other technology businesses, the Company is reliant on a small number of highly skilled staff.

Post Balance Sheet Events

On 28 July 2016 the Company signed a collaboration agreement with Future Processing Sp. z o.o. ("Future Processing"), a software development service provider based in Gliwice, Poland to develop medical imaging software. The collaboration will entail a substantially increased development team working on new products and the sharing of intellectual property and future revenues. The directors of Feedback believe that by CCI working jointly with the Future Processing healthcare team, CCI's existing product portfolio can be improved and new products developed more rapidly including further applications for TexRAD. Although at this stage only a non-binding letter of intent has been agreed, the intention is for the Company to agree formal licences for new software products to be brought to market in 2017/18 under a shared revenue arrangement. In the current financial year, the Company expects to make substantial savings in software development costs and thereafter expects to benefit from its share of the revenue from sales of new products.

Key Performance Indicators

During the year the Company maintained its cash position as the key performance indicator. The cash balance at 31 May 2016 was £105,752 (2015 £63,261). Cash at 13 October 2016 was £94,629. Other performance indicators which the board reviews include monthly order intake and recognised revenue.

By Order of the Board on 18 October 2016

Dr A J Riddell
Director

Directors' Report

The Directors present their report and the Financial Statements for the year ended 31 May 2016.

Future developments

The future developments for the Group are discussed in the Chairman's Statement and the Strategic Report.

Directors

The Directors of the Company during the year were:

S G Barrell	(Resigned 5 November 2015)
T E Brown	
T W G Charlton	
Dr B Ganeshan	(Appointed 5 November 2015)
M P Hayball	(Appointed 5 November 2015)
Dr A H Menys	(Appointed 5 November 2015)

On 1 June 2016 Dr A J Riddell was appointed as Non-Executive Chairman.

Directors' shareholdings

The shareholdings in the Company of the Directors as at 31 May 2016 were:

	No. of Shares
T E Brown	55,089,111
T W G Charlton	49,517,408
Dr B Ganeshan	2,860,000
M P Hayball	5,670,600
Dr A H Menys	nil

Significant shareholders

Shareholders who have notified the Company of shareholdings in excess of 3% as at 31 May 2016 are:

	No. of Shares	%
T E Brown	55,089,111	27.05
T W G Charlton	49,517,408	24.31
W R Ruffler	12,597,893	6.19
University of Sussex	9,400,000	4.62

Directors' Report

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Directors' biographies

Dr Alastair Riddell, Non-Executive Chairman (appointed 1 June 2016)

Alastair has over 30 years' experience in the pharmaceutical, life science and biotech industries, with 18 years as a main board director. After 10 years directing phases 1-4 clinical trials of antibiotics, oncology and intensive care products for companies including Lederle (now Pfizer) and Centocor (now J&J), he spent five years managing sales and marketing for oncology and imaging products for Amersham International (now GE Healthcare). This led to 12 years as CEO for three UK biotech companies, Pharmagene, Paradigm Therapeutics and Stem Cell Sciences; in these roles he was the principal involved in an IPO on UK's main list, trade sales to international companies in Japan and the USA and significant fund raising rounds. He has been Chairman of Silence Therapeutics (AIM listed) and Chairman of Definigen Ltd, a private Cambridge University spinout. He is currently on the Board of three biotechnology companies; AzurRx Biotherapeutics, a private New York based drug development company; Cristal Therapeutics, a Netherlands based company specialising in nanoparticle medicines; and Skyline Vet Pharma, a US based private company repurposing human drugs for use in companion animals. He is also Chairman of the SWAHSN (South West Academic Health Science Network), which seeks to improve and sustain the healthcare provision in the south-west of England by linking innovation from industry, academia and the NHS. Alastair is on the Remuneration Committee.

Tom Charlton, Non-Executive Deputy Chairman

Tom previously served as a director of Feedback plc between January 2003 and November 2004 and has been a significant shareholder in the Company since December 1997. He acted as chairman of Pinnacle Staffing Group plc from September 2008 until April 2011. Earlier in his career he was a managing director of Merrill Lynch Investment Managers and a director of Mercury Asset Management Ltd. Tom is on both the Audit and Remuneration Committees.

Trevor Brown, Non-Executive Director

Trevor has been a strategic investor in real estate and equities for more than 30 years. He is the chief executive officer of Braveheart Investment Group plc and Flying Brands Ltd and is a director of Peterhouse Corporate Finance Ltd. Trevor is on the Audit Committee.

Dr Balaji Ganeshan, Executive Director (appointed 5 November 2015)

Balaji is a Senior Imaging Scientist at the Institute of Nuclear Medicine, University College London and an Honorary Visiting Research Fellow at the Brighton & Sussex Medical School, University of Sussex. He was instrumental in the original development of the TexRAD texture analysis technology which resulted from his PhD in Biomedical Engineering. He is responsible for developing new business opportunities for TexRAD and the Feedback Group.

Mike Hayball, Executive Director (appointed 5 November 2015)

Mike started his career as a medical physicist at Addenbrooke's Hospital in Cambridge where he took his MSc in Radiation Physics. From there he worked on cardiac imaging at Papworth Hospital before forming Cambridge Computed Imaging Limited in 2001 where he is Managing Director. Mike is Technical Director for the Feedback Group.

Dr Alex Menys, Non-Executive Director (appointed 5 November 2015)

Alex obtained his PhD at University College London focusing on imaging of the gastrointestinal tract with MRI. He is the founder and chief executive of Motilent Ltd, a developer of advanced medical imaging software aimed at maximising the effectiveness of radiology in the evaluation of gastrointestinal function. Alex is on both the Audit and Remuneration Committees.

Directors' Report

CONTINUED

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 2016 averaged 30 days (2015: 30 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. Group cash flows are managed centrally and surplus cash is invested in short-term financial instruments. The Group does not undertake hedging transactions in foreign currencies. Foreign currencies are generally converted automatically into sterling on receipt.

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.

Strategic report

Information regarding the Group's principal risks, results, future developments, dividends and key performance indicators is provided in the Strategic Report.

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 International Financial Reporting Standards (IFRS) 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;
- state whether they have been prepared in accordance with IFRSs 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.

Directors' Report

CONTINUED

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 Strategic Report and 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.

The directors are also responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 18 October 2016.

Dr A J Riddell
Director

Corporate Governance Statement

Under the AIM rules the Group is not obliged to implement the provisions of the UK Corporate Governance Code ('the Code'). However, the Group is committed to applying the principles of good governance contained in the Code as appropriate to a group of this size.

In common with other organisations of a similar size, the Executive Directors are heavily involved in the day-to-day running of the business. The Board of Directors meets regularly and is responsible for formulating strategy, and for the trading subsidiaries, monitoring financial performance and approving major items of capital expenditure.

During the year the Board comprised two Executive Directors and three Non-Executive Directors. In view of the size and management structure of Feedback plc, the Company has not complied with certain aspects of the Combined Code as discussed below.

Board of Directors

The Board included up to three Non-Executive Directors which was considered appropriate. The Board has scheduled monthly meetings 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 B5 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 B2 of the Code). 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 was in place comprising the three Non-Executive Directors. The Remuneration Committee has two scheduled meetings in the year. All serving members attended both meetings held in the year.

An Audit Committee was in place comprising three Non-Executive Directors. The Company's approach to internal control is described below. The Audit Committee has two scheduled meetings in the year. All 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 B2 of the Code).

Performance evaluation

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

Corporate Governance Statement

CONTINUED

Communication with shareholders

The Directors are 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.

Audit and internal control

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

The Board had 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 business risks.

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

Guidance to Directors of UK Companies on internal control procedures and good practice on risk management is provided by the Financial Reporting Council.

The Audit Committee reviewed the effectiveness of the internal controls on an annual basis on behalf of the Board and considered that they have complied throughout the year ended 31 May 2016 with those provisions of the Code which they consider to be practicable and appropriate for a relatively small public company.

The key elements of the system, which had 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;
- regular 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 and the Non-Executive Directors are heavily involved in the day-to-day running of the business. The directors believe that although the Group's controls may be slightly less formal than those of larger groups and companies, the continued close involvement of the Non-Executive Directors more than compensated for this.

The Board believes that it is not currently appropriate for the Group to maintain an internal audit function because of the small size of the Group.

Corporate Governance Statement

CONTINUED

The Audit Committee considered 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 6 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.

With the exception of the matters referred to above the Group has complied throughout the financial year with provisions of The UK Corporate Governance Code (September 2014 edition).

Going concern

The Directors consider that the Group and the Company are likely to have access to adequate cash resources for at least the next twelve months from the date of this report from a combination of operational cash generation and by obtaining equity finance from the financial markets or by way of loans from the major shareholders. The Directors believe that the Company is a going concern and have therefore prepared the financial statements on a going concern basis. Further information in respect of the Director's consideration of going concern is included in note 3(c) to the financial statements.

Independent Auditors' Report

We have audited the financial statements of Feedback plc for the year ended 31 May 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company 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 9, 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 and express an opinion on 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- 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.

Emphasis of matter – Going Concern

In forming our opinion, which is not modified, we have considered the adequacy of the disclosures made within Note 3c of the accounting policies regarding the group and parent company's ability to continue as a going concern. The group incurred a net loss of £183,156 in the year and had net current assets at the year-end date of £33,741. These factors, along with the matters explained in note 3c of the accounting policies indicate the existence of a material uncertainty which may cast a significant doubt about the group and company's ability to continue as a going concern.

The financial statements do not include the adjustments that would result if the group and company were unable to continue as a going concern.

Independent Auditors’ Report

CONTINUED

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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.

George Crowther (Senior statutory auditor)
for and on behalf of haysmacintyre, Statutory Auditor

26 Red Lion Square
London
WC1R 4AG

18 October 2016

FEEDBACK

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MAY 2016

	Note	2016 £	2015 £
Revenue	4	431,454	381,970
Cost of sales		(7,438)	(1,434)
Gross profit		424,016	380,536
Other operating expenses	5	(676,596)	(888,600)
Impairment of intangible assets	14	–	(689,142)
Total operating expenses		(676,596)	(1,577,742)
Operating loss	6	(252,580)	(1,197,206)
Net finance income	7	1,361	908
Loss on ordinary activities before taxation		(251,219)	(1,196,298)
Tax credit	9	23,063	84,865
Loss on ordinary activities after tax		(228,156)	(1,111,433)
Profit on disposal of investment	12	45,000	–
Loss for the year attributable to the equity shareholders of the Company		(183,156)	(1,111,433)
Other comprehensive income			
Translation differences on overseas operations		–	108
Total comprehensive expense for the year		(183,156)	(1,111,325)
Loss per share (pence)			
Basic and diluted	11	(0.09)	(0.58)

The notes on pages 22 to 42 form part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 MAY 2016

Group

	Share Capital £	Share Premium £	Capital Reserve £	Retained Earnings £	Translation Reserve £	Convertible Debt Option Reserve £	Total £
At 1 June 2014	476,867	1,409,334	299,900	(966,339)	(210,104)	189,000	1,198,658
Share option and warrant costs	–	–	–	1,289	–	–	1,289
Total comprehensive expense for the year	–	–	–	(1,111,433)	108	–	(1,111,325)
At 31 May 2015	476,867	1,409,334	299,900	(2,076,483)	(209,996)	189,000	88,622
New Shares issued	32,318	190,382	–	–	–	–	222,700
Costs associated with the raising of funds	–	(6,580)	–	–	–	–	(6,580)
Share option and warrant costs	–	–	–	8,163	–	–	8,163
Total comprehensive expense for the year	–	–	–	(183,156)	–	–	(183,156)
At 31 May 2016	509,185	1,593,136	299,900	(2,251,476)	(209,996)	189,000	129,749

Company

	Share Capital £	Share Premium £	Retained Earnings £	Convertible Debt Option Reserve £	Total £
At 1 June 2014	476,867	1,409,334	(875,918)	189,000	1,199,283
Share option and warrant costs	–	–	1,289	–	1,289
Total comprehensive expense for the year	–	–	(1,172,124)	–	(1,172,124)
At 31 May 2015	476,867	1,409,334	(2,046,753)	189,000	28,448
New shares issued	32,318	190,382	–	–	222,700
Costs associated with the raising of funds	–	(6,580)	–	–	(6,580)
Share option and warrant costs	–	–	8,163	–	8,163
Total comprehensive expense for the year	–	–	(224,563)	–	(224,563)
At 31 May 2016	509,185	1,593,136	(2,263,153)	189,000	28,168

The notes on pages 22 to 42 form part of these financial statements.

FEEDBACK

Consolidated Balance Sheet

AT 31 MAY 2016

	Notes	2016 £	2015 £
Assets			
Non-current assets			
Property, plant and equipment	13	3,639	6,915
Intangible assets	14	110,747	139,558
Investments	12	1,000	–
		115,386	146,473
Current assets			
Trade receivables		40,894	110,870
Other receivables	15	63,910	101,259
Cash and cash equivalents		105,673	63,261
		210,477	275,390
Total assets		325,863	421,863
Equity			
Capital and reserves attributable to the Company's equity shareholders			
Called up share capital	18	509,185	476,867
Share premium account		1,593,136	1,409,334
Capital reserve		299,900	299,900
Translation reserve		(209,996)	(209,996)
Retained earnings		(2,251,476)	(2,076,483)
		(59,251)	(100,378)
Convertible debt option reserve	19	189,000	189,000
Total Equity		129,749	88,622
Liabilities			
Deferred tax liabilities	9	19,378	27,911
		19,378	27,911
Current Liabilities			
Trade payables		21,546	40,368
Other payables	16	155,190	264,962
		176,736	305,330
Total Liabilities		196,114	333,241
Total Equity and Liabilities		325,863	421,863

The financial statements were approved and authorised for issue by the Board of Directors on 18 October 2016 and were signed below on its behalf by:

Dr A J Riddell
Chairman

The notes on pages 22 to 42 form part of these financial statements.

Company Balance Sheet

AT 31 MAY 2016

Company Number 00598696

	Notes	2016 £	2015 £
Assets			
Non-current assets			
Investments	12	1,000	–
		1,000	–
Current assets			
Other receivables	15	16,661	52,993
Cash and cash equivalents		60,492	43,636
		77,153	96,629
Total assets		78,153	96,629
Equity			
Capital and reserves attributable to the Company's equity shareholders			
Called up share capital	18	509,185	476,867
Share premium account		1,593,136	1,409,334
Retained earnings		(2,263,153)	(2,046,753)
		(160,832)	(160,552)
Convertible debt option reserve	19	189,000	189,000
Total Equity		28,168	28,448
Current liabilities			
Trade payables		16,901	33,723
Other payables	16	33,084	34,458
Total current liabilities		49,985	68,181
Total Equity and Liabilities		78,153	96,629

The financial statements were approved and authorised for issue by the Board of Directors on 18 October 2016 and were signed below on its behalf by:

Dr A J Riddell
Chairman

The notes on pages 22 to 42 form part of these financial statements.

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 MAY 2016

	2016 £	2015 £
Cash flows from operating activities		
Loss before tax	(251,219)	(1,196,298)
Adjustments for:		
Share option costs	8,163	1,289
Net finance income	(1,361)	(908)
Depreciation and amortisation	46,052	184,170
Impairment of intangible assets	–	689,142
Decrease/(Increase) in trade receivables	69,976	(23,260)
Decrease in other receivables	42,402	52,396
Decrease in trade payables	(18,852)	(184,789)
Decrease in other payables	(109,772)	(163,588)
Corporation tax received	9,506	–
	46,114	554,560
Net cash used in operating activities	(205,105)	(641,738)
Cash flows from investing activities		
Purchase of tangible fixed assets	(104)	(9,329)
Purchase of intangible assets	(13,860)	(161,012)
Net finance income received	1,361	908
Proceeds from sale of joint venture	46,000	–
Purchase of shares in joint ventures	(2,000)	–
Net cash generated/(used by) from investing activities	31,397	(169,433)
Cash flows from financing activities		
Net proceeds of share issue	216,120	–
Net cash generated from financing activities	216,120	–
Net increase/(decrease) in cash and cash equivalents	42,412	(811,171)
Cash and cash equivalents at beginning of year	63,261	874,432
Cash and cash equivalents at end of year	105,673	63,261

The notes on pages 22 to 42 form part of these financial statements.

Company Cash Flow Statement

FOR THE YEAR ENDED 31 MAY 2016

	2016 £	2015 £
Cash flows from operating activities		
Loss before tax	(224,563)	(1,172,124)
Adjustments for:		
Share options costs	8,163	1,289
Profit on sale of investments	(45,000)	–
Net finance income	(1,356)	–
Provision against intercompany receivable	49,880	356,693
Provision against investment in subsidiaries	–	467,455
(Increase)/decrease in other receivables	(13,548)	49,221
Decrease in trade payables	(16,822)	(125,014)
(Decrease)/increase in other payables	(1,374)	2,670
	(20,057)	752,314
Net cash used in operating activities	(244,620)	(419,810)
Cash flows from investing activities		
Loans to subsidiary undertakings	–	(155,000)
Net finance income	1,356	–
Purchase of joint ventures	(2,000)	–
Proceeds on sale of joint venture	46,000	–
Net cash generated from/(used in) investing activities	45,356	(155,000)
Cash flows from financing activities		
Net proceeds of share issue	216,120	–
Net cash generated from financing activities	216,120	–
Net increase/(decrease) in cash and cash equivalents	16,856	(574,810)
Cash and cash equivalents at beginning of year	43,636	618,446
Cash and cash equivalents at end of year	60,492	43,636

The notes on pages 22 to 42 form part of these financial statements.

Notes to the Financial Statements

1. General information

The Company is a public limited company domiciled in the United Kingdom and incorporated under registered number 00598696 in England and Wales. The Company's registered office is Unit 5, Grange Park, Broadway, Bourn, Cambridgeshire, CB23 2TA.

The Company is admitted to trading on the AIM market of the London Stock Exchange. These Financial Statements were authorised for issue by the Board of Directors on the 18 October 2016.

2. Adoption of new and revised International Financial Reporting Standards

No new International Financial Reporting Standards ("IFRS"), amendments or interpretations became effective in the year ended 31 May 2016 which had a material effect on this financial information.

At the date of approval of this financial information, the following IFRS Standards and Interpretations, which have not been applied in these Financial Statements, were in issue but not yet effective. These new Standards, Amendments and Interpretations are those in issue but not yet effective which are expected to apply to the Group and are effective for accounting periods beginning on or after the dates shown below:

IFRS Standards and Interpretations issued (and EU adopted) but not yet effective:

IFRS 9 Financial Instruments (effective periods beginning 1 January 2018)

IFRS 15 Revenue from Contracts with Customers (effective periods beginning 1 January 2018)

IFRS 16 Leases (effective periods beginning 1 January 2019)

The Group has not early adopted these amended standards and interpretations. The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the reported results.

3. Significant 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. The policies set out below have been consistently applied to all the years presented.

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 2015 and 2016 using the acquisition method.

The financial statements 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. Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost within the consolidated balance sheet. The Group's joint ventures did not trade in the year.

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

(c) Going Concern

The Directors consider that the Group and the Company are likely to have access to adequate cash resources for at least the next twelve months from the date of this report from a combination of operational cash generation and by obtaining equity finance from the financial markets or by way of loans from the major shareholders. The Directors believe that the company is a going concern and have therefore prepared the financial statements on a going concern basis.

(d) 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 asset cost related to software development of products which are integral to the trade of the Group's medical imaging 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. Impairment reviews are carried out annually.

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 expenditure is recognised as an expense as incurred. Development costs that have a finite useful life and that have been capitalised were amortised from the commencement of the commercial production of the product on a straight line basis as follows:

Intangible asset	Useful economic life
Patents	Over the life of the patent
Customer relationships	4 years

(e) Valuation of Investments

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

(f) 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. When used, bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(g) Goodwill

Business combinations on or after 1 April 2006 are accounted for under IFRS 3 using the acquisition 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 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.

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

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.

(h) Property, plant and equipment

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

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.

(i) Leases

Rental costs under operating leases are charged to the income statement in equal annual amounts over the period of the lease.

(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.

(k) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of VAT. The Company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities, as described below.

Revenue relating to software development that is contracted on a time and materials basis is recognised as the services are performed and the group has a right to receive income.

Revenue relating to the sale of software licences is recognised over the period to which the licence relates.

Revenue from services provided is determined by management's assessment of the percentage completed of each contract. Management determine the percentage of completion by considering the work performed to date based upon internal reports and agreed project milestones. This assessment includes a consideration of when the group has a right to receive income.

(l) Pension Costs

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

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

(m) Taxation

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

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.

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 17:

- 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 and warrants

The Group has applied the requirements of IFRS 2 Share-based Payment.

The Group issues equity-settled share-based payment transactions to certain employees and has issued warrants to the vendors of the acquired subsidiary, TexRAD Limited. 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.

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

(p) Key sources of estimating uncertainty

The preparation of financial statements requires the Board of Directors to make estimates and judgments that affect reported amounts of assets, liabilities, revenues and expenses. These estimates are based on historical experience and various other assumptions that management and the Board of Directors believe are reasonable under the circumstances, the results which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources.

- Intangible assets – Patents are included at cost less amortisation and impairment. Customer lists are included at cost less amortisation. Other intangible assets are recognised only when it is probable that a project will be a success. There is a risk therefore that a project previously assessed as likely to be successful fails to reach the desired level of commercial or technological feasibility. Where there is no probable income to be generated from these assets an estimation of the carrying value and the impairment of the intangible assets, including goodwill, is made.

- Fair value measurement – a number of assets included in the Group's and Company's financial statements require measurement at fair value. The following items are carried in the financial statements at fair value:

  o The fair value of the intercompany receivables less the estimate of any provision in respect of the recoverability of those receivables.

  o The fair value of the share options and warrants issued.

4. Segmental reporting

The Directors have determined that the operating segments based on the management reports which are used to make strategic decisions are medical imaging and head office.

Year ended 31 May 2016

	Medical Imaging £	Head Office £	Total £
Revenue			
External	431,454	–	431,454
Expenditure			
Impairment	–	–	–
Executive directors remuneration	122,970	–	122,970
Loss before tax	(26,657)	(224,562)	(251,219)
Balance sheet			
External Assets	247,710	78,153	325,863
External Liabilities	(146,129)	(49,985)	(196,114)
	101,581	28,168	129,749
Capital expenditure	13,964	–	13,964

Notes to the Financial Statements

CONTINUED

4. Segmental reporting (continued)

Year ended 31 May 2015

	Medical Imaging £	Head Office £	Total £
Revenue			
External	381,970	–	381,970
Expenditure			
Impairment	689,142	–	689,142
Executive directors remuneration	170,000	–	170,000
Loss before tax	(848,281)	(348,017)	(1,196,298)
Balance sheet			
External Assets	342,143	79,720	421,863
External Liabilities	(265,060)	(68,181)	(333,241)
	77,083	11,539	88,622
Capital expenditure	170,341	–	170,341

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

	External revenue by location of customer		Total assets by location of assets		Capital expenditure by location of assets	
	2016 £	2015 £	2016 £	2015 £	2016 £	2015 £
United Kingdom	325,190	268,053	320,817	421,863	13,964	170,341
Europe	47,751	74,882	–	–	–	–
Rest of the world	58,513	39,035	–	–	–	–
Total	431,454	381,970	320,817	421,863	13,964	170,341

5. Other operating expenses

	2016 £	2015 £
Administrative costs:		
Other	630,544	644,430
Amortisation and depreciation costs	46,052	184,170
Termination costs	–	60,000
Impairment of intangible assets	–	689,142
	676,596	1,577,742

Notes to the Financial Statements

CONTINUED

6. Operating loss

	2016 £	2015 £
This is stated after charging		
Depreciation and amortisation		
Owned assets	3,380	3,858
Amortisation of intangible assets	42,671	180,312
Impairment of intangible assets	–	689,142
Development Expenditure	53,540	128,100
Auditors' remuneration		
Audit of parent company and group financial statements	10,500	10,000
Audit of subsidiaries	9,000	9,000
Tax and other services	4,000	4,000
Operating lease rentals		
Land and buildings	8,643	8,115

7. Net finance income

	2016 £	2015 £
Interest received	1,361	908
	1,361	908

8. Directors and employees

	2016		2015	
	Average	Year end	Average	Year end
Number of employees				
Selling and distribution	4	4	1	4
Administration	3	3	4	3
Research and development	2	2	2	2
	9	9	8	9

	2016 £	2015 £
Staff costs		
Wages and salaries	251,461	358,445
Redundancy payments	–	60,000
Social security costs	23,731	42,627
Payments to defined contribution pension scheme	25,291	9,345
	300,483	470,417

Notes to the Financial Statements

CONTINUED

8. Directors and employees (continued)

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

	Salary £	Fees £	Termination payments £	Total £
Year ended 31 May 2016				
Executive Directors				
M P Hayball	36,729	–	–	36,729
B Ganeshan	35,000	–	–	35,000
Non-executive Directors				
S G Barrell*	–	17,100	–	17,100
T E Brown	–	15,500	–	15,500
A H Menys	10,286	–	–	10,286
T W G Charlton	–	–	–	–
Total	82,015	32,600	–	114,615
Year ended 31 May 2015				
Executive Director				
N S Shepheard	110,000	–	60,000	170,000
Non-executive Directors				
S G Barrell*	–	47,650	–	47,650
T E Brown	–	–	–	–
T W G Charlton	–	–	–	–
Total	110,000	47,650	60,000	217,650

Prior to their appointment as Directors, M P Hayball and B Ganeshan were considered to be Key Management Personnel. Their combined remuneration was £51,241.

During the year, retirement benefits under money purchase pension schemes were accruing to 2 directors (2015: 2).

* S G Barrell was paid consultancy fees through an agreement with SGB Consulting.

M P Hayball holds interests in share options over 5,200,000 ordinary shares (2015: 5,200,000).

Dr B Ganeshan holds interests in 3,575,000 warrants exercisable into ordinary shares (2015: 3,575,000).

Notes to the Financial Statements

CONTINUED

9. Taxation on loss on ordinary activities

	2016 £	2015 £
(a) The tax credit for the year:		
UK Corporation tax	(23,063)	(84,865)
Current tax credit	(5,046)	(32,776)
Under provision in prior year	(9,483)	–
Deferred tax charge	(8,534)	(52,089)
	(23,063)	(84,865)

(b) Tax reconciliation		
Loss on ordinary activities before tax	(251,219)	(1,196,298)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 20.00% (2015 – 20.83 %)	(50,244)	(249,215)
Effects of:		
Expenses non-deductible for tax purposes	10,593	1,436
Additional deduction for R&D expenditure	(7,134)	(11,884)
Gain on disposal of investment	9,000	–
Other timing differences and goodwill amortisation	14,722	174,668
Tax charge for the year	(23,063)	(84,865)

(c) Factors which may affect future tax charges

In view of the tax losses carried forward there is a deferred tax amount of approximately £295,000 (2015: £299,130) 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:

	2016 £	2015 £
Deferred tax liability		
Deferred tax on development expenditure		
As at 1 June 2015	27,911	80,000
Charge in the year	(8,533)	(52,089)
As at 31 May 2016	19,378	27,911

(e) Deferred tax – company

In view of the tax losses carried forward there is a deferred tax amount of approximately £249,000 (2015: £268,000) which has not been recognised in these Financial Statements. This contingent asset will be realised when the Company makes sufficient taxable profits.

Notes to the Financial Statements

CONTINUED

10. 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 Company's loss for the financial year is £224,563 (2015: £1,172,124 after provision for the cost of investment and the repayment of intercompany loans following the write down of the intangible assets under the requirements of IFRS).

11. Loss per share

Basic earnings per share is calculated by reference to the loss on ordinary activities after taxation of £183,156 (2015: £1,111,433) and on the weighted average of 203,514,709 (2015: 190,746,746) shares in issue.

	As at 31 May 2016 £	As at 31 May 2015 £
Net loss attributable to ordinary equity holders	(183,156)	(1,111,433)

	As at 31 May 2016	As at 31 May 2015
Weighted average number of ordinary shares for basic earnings per share	203,514,709	190,746,746
Effect of dilution:		
Share Options	–	–
Warrants	–	–
Weighted average number of ordinary shares adjusted for the effect of dilution	203,514,709	190,746,746
Loss per share (pence)		
Basic	(0.09)	(0.58)
Diluted	(0.09)	(0.58)

There is no dilutive effect of the share options and warrants as the dilution would be negative.

Notes to the Financial Statements

CONTINUED

12. Investments

	Share in group undertakings	Shares in joint venture	Total £
Company			
Cost			
At 1 June 2014	2,334,455	–	2,334,455
At 31 May 2015	2,334,455	–	2,334,455
Additions	–	2,000	2,000
Disposals	–	(1,000)	(1,000)
As at 31 May 2016	2,334,455	1,000	2,335,455
Provisions			
At 1 June 2013	1,867,000	–	1,867,000
Provided in the year	–	–	–
At 31 May 2014	1,867,000	–	1,867,000
Provided in the year	467,455	–	467,455
At 31 May 2015	2,334,455	–	2,334,455
Provided in the year	–	–	–
At 31 May 2016	2,334,455	–	2,334,455
Net Book Value			
At 31 May 2016	–	1,000	1,000
At 31 May 2015	–	–	–
At 31 May 2014	467,455	–	467,455

All of the above investments are unlisted.

Following the prudent write down of the intangible assets under the requirements of IFRS in the subsidiaries, the subsidiaries' financial statements show that they have net liabilities. The directors have made full provision against the cost of investment in the subsidiaries due to the net liabilities shown in the subsidiary financial statements.

Notes to the Financial Statements

CONTINUED

12. Investments (continued)

Particulars of principal subsidiary and joint venture companies during the year, all the shares of which being beneficially held by Feedback PLC, were as follows:

Company	Activity	Country of and incorporation operation	Proportion of Shares held
Feedback Black Box Company Limited	Non trading	England	100% Ordinary £1
Feedback Data GmbH	Non trading (liquidated October 2015)	Germany	100% Specific capital
Brickshield Limited	Non trading	England	100% Ordinary £1
Cambridge Computed Imaging Limited	Medical Imaging	England	100% A Ordinary £1 100% B Ordinary 1p
TexRAD Limited	Medical Imaging	England	100% Ordinary 1p
Prostate Checker Ltd	Non trading	England	50% Ordinary £1

TexRAD Limited is owned 100% by virtue of a direct holding by Feedback plc of 91% and an indirect holding via Cambridge Computed Imaging Limited of 9%.

Feedback Data GmbH was a subsidiary of Feedback plc following the transfer of ownership from Feedback Data plc on 31 May 2013. The company was liquidated in October 2015.

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

During the year Feedback PLC entered into two joint venture arrangements as follows:

Stone Checker Software Ltd

Feedback plc invested £1,000 in Stone Checker Software Ltd in July 2015 for a 50% equity interest and subsequently licenced its TexRAD software to it for exclusive use in relation to kidney stone analysis. On 3 May 2016 the 50% equity interest was sold to Free Association Books Limited for £46,000 cash. This resulted in a profit of £45,000.

Prostate Checker Ltd

Feedback plc has a 50% stake in Prostate Checker Ltd with a cost of £1,000, effective 26 August 2015 (date of incorporation) with QUIBIM S.L holding the remaining 50%. This company assists the detection and diagnosis of prostate cancer. The company has not traded during the year.

Notes to the Financial Statements

CONTINUED

13. Property, plant and equipment

	Plant and Equipment £	Total £
Group		
Cost of valuation		
At 31 May 2014	1,444	1,444
Additions	9,329	9,329
At 31 May 2015	10,773	10,773
Additions	104	104
As 31 May 2016	10,877	10,877
Depreciation		
At 31 May 2014	–	–
Charge for the year	3,858	3,858
At 31 May 2015	3,858	3,858
Charge for the year	3,380	3,380
At 31 May 2016	7,238	7,238
Net Book Value		
At 31 May 2016	3,639	3,639
At 31 May 2015	6,915	6,915
At 31 May 2014	–	–

Notes to the Financial Statements

CONTINUED

14. Intangible assets

	Software £	Customer relationships £	Patents £	Goodwill £	Total £
Group					
Cost					
31 May 2014	435,000	100,000	41,585	271,415	848,000
Additions	128,099	–	32,913	–	161,012
At 31 May 2015	563,099	100,000	74,498	271,415	1,009,012
Additions	–	–	13,860	–	13,860
At 31 May 2016	563,099	100,000	88,358	271,415	1,022,872
Amortisation					
At 31 May 2014	–	–	–	–	–
Charge for the year	145,372	25,000	9,940	–	180,312
Impairment charge in the year	417,727	–	–	271,415	689,142
At 31 May 2015	563,099	25,000	9,940	271,415	869,454
Charge for the year	–	25,000	17,671	–	42,671
At 31 May 2016	563,099	50,000	27,611	271,415	912,125
Net Book Value					
At 31 May 2016	–	50,000	60,747	–	110,747
At 31 May 2015	–	75,000	64,558	–	139,558
At 31 May 2014	435,000	100,000	41,585	271,415	848,000

In accordance with the accounting policies and IFRS the Directors have assessed the carrying value of the intangible assets. In the year ended 31 May 2015, the Directors took the prudent decision to write down the carrying value of the software development costs in the balance sheet in order to meet the requirements of IFRS. During the year ended 31 May 2016 all similar development costs have been expensed as incurred. However the Directors believe the Group's technology has great potential and this write down does not reflect their commercial assessment of the value of the Group's intellectual property. Expenditure on software development is being written off as incurred until the provisions of IFRS are met. The customer lists and patents are deemed to have ongoing value to the Group.

Notes to the Financial Statements
CONTINUED

15 Other receivables

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Amounts falling due within one year				
Amounts owing by subsidiary undertakings	–	–	–	16,909
Other receivables	8,684	14,290	5,168	5,699
Corporation tax recoverable	37,828	32,775	–	–
Prepayments	17,398	54,194	11,493	30,385
	63,910	101,259	16,661	52,993

16. Other payables

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Amounts falling due within one year				
Other payables	4,885	9,396	1,042	16
Other taxes and social security	15,386	33,047	292	16,418
Accruals	31,750	28,701	31,750	18,024
Deferred income	103,169	193,818	–	–
	155,190	264,962	33,084	34,458

17. 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 financial risks:

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

Fair value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

— Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

— Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly

— Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

Notes to the Financial Statements

CONTINUED

17. Financial instruments (continued)

The share options and warrants issued by the group during the year are valued under level three above as noted in note 18 below. The Group has no other financial instruments held at fair value.

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 countries, a factor that helps to dilute the concentration of the risk.

Group policy, implemented locally, is 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 carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

	Cash, loans and receivables	
	2016 **£**	**2015** **£**
Current financial assets		
Trade and other receivables	104,804	212,129
Cash and cash equivalents	105,673	63,261
	210,477	275,390

Analysis of trade receivables

	Total	**Current**	**30 days past due**	**60 days past due**	**90 days past due**
2016	40,894	37,052	3,842	–	–
2015	110,870	17,957	69,259	3,591	20,063

The Group policy is to make provisions against those debts that are overdue, unless there are grounds for believing that all or some of the debts would be collected. During the year the value of provisions made in respect of bad and doubtful debts was £5,882 (2015: £Nil). The expense is included within the management and administration costs in the Consolidated Income Statement.

17. Financial instruments (continued)

Foreign currency risk

Foreign exchange transaction risk arises when the Group enters into transactions denominated in a currency other than the functional currency. Foreign currency amounts generated from trading are converted back to sterling and required foreign currency amounts for suppliers will be converted from sterling and the use of forward currency contracts is considered.

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 were raised/received and the time invoices were settled/paid.

The following table shows the net assets, stated in pounds sterling, exposed to exchange rate risk that the Group has at 31 May 2016:

	2016 £	2015 £
Trade receivables	16,351	43,787
Cash and cash equivalents	–	–
	16,351	43,787

The Group is exposed to currency risk because of the subsidiaries undertaking 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 where the Directors consider foreign currencies are weak and it is known that there would be a requirement to purchase those currencies, forward arrangements may be entered into. There were no outstanding forward arrangements as at 31 May 2016 or at 31 May 2015.

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	
	2016 £	2015 £
Current financial liabilities		
Trade and other payables	73,567	111,512

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
2016					
Trade and other payables	73,567	73,567	73,567	–	–
2015					
Trade and other payables	111,512	111,512	111,512	–	–

Notes to the Financial Statements

CONTINUED

17. Financial instruments (continued)

Cash flow interest rate risk

The Group presently has no substantial interest rate risk exposure.

Capital under management

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

The group's objectives when managing the capital are:

- To safeguard the group's ability to remain a going concern.
- To maximise returns for shareholders in order to meet capital requirements and appropriately adjust the capital structure, the group may issue new shares, dispose of assets to pay down debt, return capital to shareholders and vary dividend payments.

There have been no changes to the group's capital management objectives in the year.

18. Share capital and reserves

	2016 **£**	**2015** **£**
Authorised and issued share capital		
Ordinary shares of 0.25 pence each	509,185	476,867

Allotted, called up and fully paid share capital:

	Number	**Number**
As at 1 June 2015	190,746,746	190,746,746
Issued	12,927,111	–
As at 31 May 2016	**203,673,857**	**190,746,746**

Notes to the Financial Statements

CONTINUED

18. Share capital and reserves (continued)

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.

Share options are valued using the Black-Scholes option pricing model and no performance conditions are included in the fair value calculations. The risk free rate was 1.64%. The expected volatility is based on historical volatility over the last two years and is estimated to be 25%. The average share price during the year was 1.85 pence. During the year the Company had the following share options in issue:

Number of options

At 1 June 2015	Lapsed	Exercised	At 31 May 2016	Exercise price (pence)	Exercise date
4,800,000	800,000	1,600,000	2,400,000	1.25	21/05/14 to19/05/24
4,000,000	–	–	4,000,000	3.00	21/05/15 to19/05/24
4,000,000	–	–	4,000,000	5.00	21/05/15 to19/05/24
12,800,000	800,000	1,600,000	10,400,000		

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

In June 2015 1,600,000 options were exercised at a price of 1.25p.

In March 2016 800,000 options lapsed.

Warrants

Warrants were issued to the vendors of TexRAD Limited at the time of acquisition. The warrants are exercisable from the end of the vesting period and lapse ten years after the grant date. The Group has no legal or constructive obligation to repurchase or settle the warrants in cash.

Warrants are valued using the Black-Scholes pricing model and no performance conditions are included in the fair value calculations. The risk free rate was 1.64%. The expected volatility is based on historical volatility over the last two years and is estimated to be 25%. The average share price during the year was 1.85 pence. During the year the Company had in existence the following warrants:

Number of warrants

At 1 June 2015	Granted	Cancelled	At 31 May 2016	Exercise price (pence)	Exercise date
4,550,000	–	–	4,550,000	1.25	19/05/16 to 19/05/24
18,200,000	–	–	18,200,000	3.00	19/05/17 to 19/05/24
22,750,000	–	–	22,750,000		

Notes to the Financial Statements

CONTINUED

18. Share capital and reserves (continued)

Reserves

The nature and purpose of each reserve within equity is as follows:

Share premium	Amount subscribed for share capital in excess of nominal value.
Capital reserve	Reserve on consolidation of subsidiaries.
Translation reserve	Gains and losses on the translation of overseas operations into GBP.
Retained earnings	All other net gains and losses and transactions with owners not recognised elsewhere.
Convertible debt option reserve	Amount of proceeds on issue of convertible debt relating to the equity component of the debt.

19. Convertible debt option reserve

	Group		Company	
	2016 **£**	**2015** **£**	**2016** **£**	**2015** **£**
Convertible loan	189,000	189,000	189,000	189,000

The loan is from Tom Charlton a Director and shareholder of the Company and is repayable on the earlier of (i) 1 December 2016 or (ii) such date that certain conditions are satisfied relating to the dilution of Mr Charlton's shareholding in the Company to less than 10 per cent. of the ordinary shares then in issue. Feedback plc also has the right after 1 June 2016, at its sole discretion, to issue up to 15.12 million new ordinary shares at a deemed issue price of £0.0125 per ordinary share in satisfaction of the loan. No interest shall accrue on the Shareholder Loan.

20. Financial commitments

The Group has no financial commitments as 31 May 2016.

21. 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 and amounted to £25,291 (2015: £9,345). There were no outstanding or prepaid contributions at the year end.

Notes to the Financial Statements

CONTINUED

22. Related party transactions

On the 20 May 2014 a convertible loan of £189,000 was received from Tom Charlton a director of the Company and is repayable on the earlier of (i) 1 December 2016 or (ii) such a date that certain conditions are satisfied relating to the dilution of Mr Charlton's shareholding in the Company less than 10 per cent. of the Ordinary Shares then in issue. Feedback also has the right after 1 June 2016, at its sole discretion, to issue up to 15.12 million new Ordinary Shares at a deemed issue price of £0.0125 per Ordinary Share in satisfaction of the loan. No interest shall accrue on the shareholder loan. The loan has been classified as an equity instrument and added to the convertible debt option reserve.

Trevor Brown is a director and shareholder in Peterhouse Corporate Finance Limited who were appointed as joint brokers to the Company on 6 March 2014 at a fee of £12,000 per annum (2015: £12,000). A fee of £12,000 has been charged to the statement of comprehensive income for the year ended 31 May 2016 and £3,000 was outstanding at the year end.

On 3 May 2016, the Company sold its 50% equity interest in Stone Checker Software Ltd to Free Association Books Limited, a company connected to Trevor Brown, for a cash consideration of £46,000. Mr Brown was a director and secretary of Free Association Books Limited until 14 May 2015.

Key management personnel

Prior to their appointment as directors, Mike Hayball and Balaji Ganeshan were considered to be key management personnel. Further information about the remuneration of directors is provided in note 8.

The Directors' interests in the shares of the Company are contained in the Directors' Report.

23. Post balance sheet events

On 28 July 2016 the Company signed a collaboration agreement with Future Processing Sp. z o.o. ("Future Processing"), a software development service provider based in Gliwice, Poland to develop medical imaging software. The collaboration will entail a substantially increased development team working on new products and the sharing of intellectual property and future revenues. The directors of Feedback believe that by CCI working jointly with the Future Processing healthcare team, CCI's existing product portfolio can be improved and new products developed more rapidly including further applications for TexRAD. Although at this stage only a non-binding letter of intent has been agreed, the intention is for the Company to agree formal licences for new software products to be brought to market in 2017/18 under a shared revenue arrangement. In the current financial year, the Company expects to make substantial savings in software development costs and thereafter expects to benefit from its share of the revenue from sales of new products.

24. Ultimate controlling party

There is no ultimate controlling party.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of Feedback plc (the "**Company**") will be held at the offices of Allenby Capital Limited, 3 St Helen's Place, London EC3A 6AB at 10 a.m. on 23 November 2016. You will be asked to consider and, if thought fit, pass the resolutions below.

Resolution 7 will be proposed as a special resolution. All other resolutions will be proposed as ordinary resolutions.

As Ordinary Resolutions:

1. To receive and adopt the Company's annual accounts for the financial year ended 31 May 2016 together with the Directors' report and the auditors' report on those accounts.
2. To re-elect T W G Charlton, who retires by rotation pursuant to the articles of association of the Company and who, being eligible, offers himself for re-election as a Director.
3. To re-elect B Ganeshan, who retires by rotation pursuant to the articles of association of the Company and who, being eligible, offers himself for re-election as a Director.
4. To elect A J Riddell, who retires pursuant to the articles of association of the Company and who, being eligible, offers himself for re-election as a Director.
5. To re-appoint haysmacintyre as auditors of the Company to hold office 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 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 £339,456.42 provided that this authority shall expire at the earlier of the next annual general meeting of the Company or 30 November 2017 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 a Special Resolution:

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 for cash:
   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. the allotment (otherwise than under sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £101,836.92 (representing 20% of the issued share capital for the time being);
   c. provided that this authority shall expire at the earlier of the next annual general meeting of the Company or 30 November 2017 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.

Dated 26 October 2016

By Order of the Board

T W G Charlton
Director

Registered Address: Grange Park, Broadway, Bourn, Cambridgeshire, CB23 2TA *Registered Number: 00598696*

Notice of Annual General Meeting

CONTINUED

Explanatory Notes to the Notice of Annual General Meeting

The notes on the following pages give an explanation of the proposed resolutions. Resolutions 1 to 6 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolution 7 is proposed as a special resolution. This means that for the resolution to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

Resolution 1: Approval of the annual report and accounts

The Company is required to present its report and accounts to shareholders at its AGM. This provides an opportunity to discuss the performance of the Company during the year, its management and prospects for the future.

Resolutions 2-4: Re-election of directors

The Company's articles of association require one-third (but if the number of current Directors of the Board is not three or a multiple of three, as close to one-third as possible), of the Board to retire and seek re-election at each AGM. As a consequence, Tom Charlton and Balaji Ganeshan retire by rotation and being eligible, the Board proposes their re-election as Directors of the Company. Alastair Riddell is retiring at the first AGM since his appointment and the Board proposes him for election as a Director of the Company.

Resolution 5: Auditors reappointment and remuneration

It is a requirement that the Company's auditor must be reappointed at each general meeting at which financial statements are laid, in effect, at each AGM. After considering relevant information, the Audit Committee recommended to the Board the reappointment of haysmacintyre. The resolution proposes haysmacintyre's reappointment and to authorise the Directors to determine their remuneration.

Resolution 6: Directors' power to allot relevant securities

Under section 551 of the Act, relevant securities may only be issued with the consent of the shareholders, unless the shareholders pass a resolution generally authorising the Directors to issue shares without further reference to the shareholders. This resolution authorises the general issue of shares up to an aggregate nominal value of £339,456.42 which is equal to two thirds of the nominal value of the current share capital of the Company. Such authority will expire at the conclusion of the next AGM of the Company or six months after the Company's accounting reference date (whichever is the earlier).

Resolution 7: Disapplication of pre-emption rights on equity issues for cash

Section 561 of the Act requires that a company issuing shares for cash must first offer them to existing shareholders following a statutory procedure which, in the case of a rights issue, may prove to be both costly and cumbersome. This special resolution excludes that statutory procedure as far as rights issues are concerned. It also enables the Directors to allot shares up to an aggregate nominal value of £101,836.92, which is equal to 20% of the nominal value of the current share capital of the Company, assuming resolution 6 being passed. The Directors believe that the powers provided by this resolution will maintain a desirable degree of flexibility. Unless previously revoked or varied, the disapplication will expire on the conclusion of the next AGM of the Company or six months after the Company's accounting reference date (whichever is the earlier).

Notice of Annual General Meeting

CONTINUED

Notes

1. A member of the Company entitled to attend and vote at the meeting convened by this notice is entitled to appoint one or more proxies to exercise any of his rights to attend, speak and vote at that meeting on his behalf. A proxy need not be a member of the Company but must attend the meeting to represent you.
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 Share Registrars on 01252 821390, overseas callers should call +44 1252 821390.
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, Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR or by scan and email to Share Registrars at proxies@shareregistrars.uk.com, not later than 10 a.m. on 21 November 2016.
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, only those shareholders entered in the register of members of the Company at the close of business on 21 November 2016 (or in the event of any adjournment, on the day which is two days before the day of the adjourned meeting) shall be entitled to attend and vote at the AGM in respect of the shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote at the AGM.
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 authorised attorney or duly authorised 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 Form of Proxy, please contact Share 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 Share Registrars Ltd, The Courtyard, 17 West Street, Farnham, Surrey, GU9 7DR. 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 Share Registrars no later than 10 a.m. on 21 November 2016.

    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 203,673,857 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 203,673,857.

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