



Report of the Directors and
Consolidated Financial Statements
For the year ended 31 May 2018

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Company Information

Directors

Dr A J Riddell
T N Irish
S Sturge
L Melvin

Secretary

L Melvin

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EC2M 7LD

Joint Broker

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The Courtyard
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Chairman's Statement

I am pleased to report that Feedback saw good sales progress during the year to 31 May 2018 as a result of its investment in staff training and new hires, along with the benefits of its improved structure and strategic focus.

During the year, Feedback underwent a restructuring process, bringing its two operating subsidiaries, TexRAD Ltd and Cambridge Computed Imaging Limited (CCI Ltd), together under the Feedback Medical brand. This has already resulted in improved synergies and communication and enables the teams to maximise their expertise and know how. Creating the right company structure and culture is a critical step in galvanising the workforce and delivering success. With the new executive team in place, supported by strong non-executive directors, Feedback is well-positioned to grow into a stronger, more efficient, global company at the forefront of the medical imaging field.

There has been a strong focus on unlocking and developing the potential of the Company's existing products and in building closer collaborations with its partners. Now operating as one company, Feedback is actively building on its existing strong customer base with new, high calibre distributorships broadening its reach into important international markets such as India, China and South Korea. The growth of these distributorship relationships will be a key driver for future sales growth.

In order to also address the huge potential in the US market, post period end, the Company initiated plans for regulatory approval of TexRAD® with the US FDA including 510(k) as a medical device and Title 21 CFR Part 11 compliance for use in clinical trials of drug candidates for FDA marketing approval.

Through strategic partnerships with existing customers we are evaluating the potential for the use of Feedback's analysis and storage products beyond the research stage, as well as exploring applications within the pharmaceutical industry. Following the CE marking of TexRAD Lung, Feedback's proprietary quantitative analysis software for the assessment of lung lesions, the Company is continuing to develop the evidence base for its use in clinical applications. It is undergoing clinical evaluation in pilot installations within three UK hospitals and the results of these pilots will inform the next stage of maximising this important technology for clinical use.

Feedback also recognises the potential in developing new products based on its existing technologies and expertise within software and machine learning. It is working closely with existing customers to identify unmet needs, including further TexRAD derivatives for multiple clinical indications.

Feedback's Board of Directors has been strengthened during the year with the addition of Tim Irish and Simon Sturge as Non-Executive Directors and Lindsay Melvin as Chief Financial Officer. Following the departure of David Crabb as CEO in July 2018, I have stepped up to the role of Executive Chairman with much more involvement in company activities and I believe that with its reorganisation and renewed strategic focus, Feedback has the structure and expertise within the senior management team to enable it to maximise the opportunities and commercial momentum it is seeing. The current management arrangements are working well and have helped the Company keep costs under control. However, now that the funding of the Company has been secured for the foreseeable future, the Company has increased its efforts to recruit a new Chief Executive Officer. A further announcement will be made in due course.

Dr A J Riddell

Chairman

29 November 2018

Strategic Report

Financial summary

In the year to 31 May 2018, Feedback invoiced sales of £771k, a 51% increase on the previous year (FY 2017: £508k), with recognised revenue in the year remaining fairly flat at £458k (FY 2017: £466k). The difference between sales and revenue is due to the contract structures which typically comprise installation costs, a contract for a year or more, followed by 20% annual maintenance fee thereafter. The increased level of sales will take time to work through into increased revenue.

The significant increase in invoiced sales in the period is a result of a two-year contact with an existing major customer and the Company's investment in its employees with training and recruitment of four new hires. The associated recruitment, restructuring and other costs have meant that the Company's operating loss has risen to £750k (FY 2017: £300k). However, the investment has led to significant improvement in sales performance and anticipated long term growth, with the momentum importantly continuing into the 2019 financial year. In line with International Financial Reporting Standards, Feedback's accounting policy is to spread the income from its software licence and support sales over the duration of the contract, usually one to two years. The Group's balance sheet contains a significant deferred revenue liability to reflect this.

In late March 2018, the Company raised £440k, before expenses, by way of a placing and subscription of 35,200,000 new Ordinary Shares at a price of 1.25 pence per share, with new and existing investors, the proceeds of which were invested in product development, sales and marketing with the balance being used for general working capital purposes. Post year end, in November 2018, the Company raised £1.375m before expenses, by way of a placing and subscription of 91,666,666 new Ordinary Shares at a price of 1.5 pence per share with new and existing investors. The proceeds of this fundraising will be invested in growing Feedback's sales and marketing and product support capabilities as well as working towards US FDA 510(k) approval for TexRAD to open up the significant US market.

Operational cash generation has been satisfactory and reflects customer payments for new purchases and contracts before the periods in which the revenue is recognised. The March 2018 share issue, net of costs, also contributed to a healthy cash balance at the financial year end.

Operational review

Feedback Medical

Feedback's former operating subsidiaries TexRAD Limited and Cambridge Computed Imaging Ltd (CCI Ltd) have now been united under the Feedback Medical brand – CCI Ltd has been renamed Feedback Medical Limited (FM Ltd) and TexRAD Ltd has ceased to trade but continues to hold intellectual property on behalf of FM Ltd. This has resulted in the streamlining and better integration of operations and an improved culture of sharing information, expertise and new business opportunities. FM Ltd develops and sells Group's proprietary technologies – TexRAD®, the quantitative texture analysis platform and Cadran, a Picture Archiving and Communication System (PACS).

TexRAD

TexRAD® technology is currently installed in over 50 of the world's leading research institutions across Europe, North America, Asia and Australasia. It has seen growing interest during the year, with nineteen new customers. These have been driven by international orders facilitated by new distributor agreements with Korea Computer Motion ISG in June 2017 and Boya Digital Technology (Beijing) Co. Ltd. in July 2017 for sales and distribution of TexRAD® in South Korea and the People's Republic of China. Furthermore a major, non-exclusive global distribution agreement was signed with GE Healthcare in April 2018 with the initial focus being on the Indian market. These agreements represent a significant step forward in expanding TexRAD® sales to meet the fast-growing demand in Asian markets.

Strategic Report

CONTINUED

TexRAD® has traditionally been used as a research platform for image analysis in many disease areas, primarily oncology, including all major tumour types – head and neck, oesophagus, breast, lung, liver, renal, prostate, colorectal, soft tissue sarcoma, melanoma and lymphoma. Recent new applications are emerging in non-oncological areas such as cardiovascular and cerebrovascular diseases in the top UK academic university hospitals. Furthermore, TexRAD® also has potential as a clinical decision-making tool where the application of machine learning or AI to TexRAD® algorithms may assist radiologists in their image interpretation. This positions the Group within this exciting new modality as applied to health care decision making.

The Group received its first Class 1, software only, medical device CE certification, for use in the EU., in November 2017 for the particular application in lung cancer (TexRAD® Lung). This application provides additional image analysis beyond the capability of the human eye, for the interpretation of CT and PET scans of patients with lung cancer, giving clinicians a fuller picture of a patient's disease and enabling more informed clinical decision-making.

TexRAD® Lung's quantitative software integrates with existing medical imaging systems, providing an objective assessment of the architecture, evolution and prognosis of lung lesions based on texture analysis. It is run on the Cadran imaging and retrieval system and it is capable of reviewing decades-worth of data extracting information of lesion size, density, heterogeneity and other features of clinical significance which can be missed by radiologists or nuclear-medicine physicians. TexRAD® Lung's software algorithm provides the ability to rapidly assemble an accurate database, a key step in applying machine learning and AI to solving healthcare problems.

To enable Feedback to also address the huge clinical potential for its technology within the US market, post period end it has initiated plans for the regulatory approval of TexRAD® Lung with the US FDA. This will include 510(k) approval as a medical device and Title 21 CFR part 11 compliance for use in clinical trials of drug candidates for FDA marketing approval.

During the year, Feedback initiated pilot installations of TexRAD® Lung at three UK university hospitals: University College Hospitals NHS Trust London, Royal Papworth Hospital Cambridge and Leeds Teaching Hospitals NHS Trust Leeds. Preliminary results from independent pilot studies seek to validate whether TexRAD® Lung has a prognostic ability in routinely acquired staging PET/CT images in lung cancer. An abstract of the results has been submitted for presentation at the European Congress of Radiology in Vienna in February 2019.

The outcomes from these pilot installations will guide the strategy on rolling out TexRAD® Lung across Feedback's global customer base and also on applying the platform technology to other clinical indications. The Company will continue to seek clinical guidance and input from qualified clinicians and key opinion leaders to ensure that future products are primed for adoption based on clinical need.

Discussions with Alliance Medical for integrating TexRAD Lung into its network of PET/CT scanners in UK hospitals continue. The Company recognises that there has been little announced progress on these discussions, but with the assistance of new Medical Director, Prof Rory Shaw, we believe our improved company structure will result in progress on these discussions in the near term.

Cadran

TexRAD® is typically installed on the Cadran picture archiving platform. Cadran PACS technology provides storage and display of medical images throughout a hospital. It has been used successfully at the Royal Papworth Hospital for over 15 years and a further two-year contract renewal for the Cadran platform was announced in April 2018. Cadran is also installed in a number of NHS sites in the East of England. The Cadran platform has significant potential to bring a competitive product offering to new global markets especially in developing economies. Cadran products can support the storage and viewing needs of individual clinicians right up to mid-scale hospital departments and specialist centres.

Strategic Report

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R&D progress

Feedback recognises the potential in developing new products from its existing technologies and expertise within software and machine learning. It is working closely with existing customers to identify unmet needs, including further TexRAD derivatives for multiple clinical indications. To increase its software development capabilities the Company is continuing and expanding its collaboration with Future Processing to develop new imaging software products.

This year Feedback has started to capitalise development costs for writing off against income generated in future accounting periods. The Directors consider that this development expenditure will generate future economic benefits. This is based upon customer feedback on required product enhancements.

Current trading and outlook

The increased sales momentum seen particularly towards the end of the last financial year is continuing into the current financial year, with significant traction coming from the Asian markets. With Feedback's first clinical product approved in the EU and pilot launches underway, there is additional sales growth potential to be addressed in the mid to long term.

On 7 June 2018, Feedback announced its revised strategy to build a global Company. This strategy, of operating as one company, building strategic partnerships with customers and distributors, developing the clinical evidence base for the TexRAD platform and bringing new products to market, is already being implemented.

The benefits of this strategy are evident from sales for the first quarter of the current financial year with a 100% increase in invoiced sales of both TexRAD® and Cadran product licences in the first quarter to £236k, compared to £117k in the first quarter of FY 2018. International sales accounted for most of this growth, increasing by over 200%.

With the most recent fundraising, Feedback is well positioned to be able to capitalise on the growing industry recognition and need for AI and machine learning. Ongoing investment in its sales and marketing, product development and in talented staff will continue to grow short to medium term sales whilst the Company's longer term strategy will be enabled by addressing the large opportunity within the US market.

Principal risks and uncertainties

Economic and market risks

FM Ltd is in the medical imaging market. The market is fragmented and the future success of the business is dependent on the ability of Feedback Medical 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 Company'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.

Regulatory approval

The development, evaluation and marketing of the Company's products and ongoing research and development activities are subject to regulation by governments and regulatory agencies in all territories within which the Company intends to market its products (whether itself or through a partner) and there can be no assurance that any of the Company'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 Company's ability to trade in the long term.

Strategic Report

CONTINUED

The time taken to obtain regulatory approval varies between territories and there can be no assurance that any of the Company'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 Company'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 Company's business and/or revenue streams.

Product Development Risk

The Group capitalises development costs where there is an expectation that commercially successful products will be developed. 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 product development 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 Company's operations. The Board regularly monitors the cash position of the Company and ongoing cash requirements. The Board believes the Company is likely to have access to adequate cash resources from a combination of operational cash generation and by obtaining further equity finance from the financial markets to support its corporate strategy.

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. Credit risk is managed through credit review and approval processes for new customers and ongoing review of each customer's credit history.

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 15 November 2018, the Company raised £1.375 million by the issue of 91,666,666 new ordinary shares at a price of 1.5 pence per share.

Key performance indicators

During the year the Company maintained its cash position as a key performance indicator. The cash balance at 31 May 2018 was £632,285 (2017 £696,811). The other key performance indicator being invoiced sales.

By Order of the Board on 29 November 2018

Dr A J Riddell

Directors' Report

The Directors present their report and the Financial Statements for the year ended 31 May 2018.

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:

Dr B Ganeshan	(Resigned 14 April 2018)
M P Hayball	(Resigned 14 April 2018)
Dr A H Menys	(Resigned 16 April 2018)
T Brown	(Resigned 8 June 2017)
Dr AJ Riddell	
T N Irish	(Appointed 29 June 2017)
D Crabb	(Appointed 14 February 2018, Resigned 19 July 2018)
L Melvin	(Appointed 16 March 2018)
S Sturge	(Appointed 16 April 2018)

Directors' shareholdings

The shareholdings in the Company of the Directors as at 31 May 2018 were:

	No. of Shares	%
Dr A J Riddell	6,000,000	2.13
D Crabb	1,000,000	0.36
S Sturge	4,000,000	1.42

Significant shareholders

Shareholders who have notified the Company of shareholdings in excess of 3% as at 31 May 2018 are:

	No. of Shares	%
T W G Charlton	67,600,000	24.00
University of Sussex	9,400,000	3.34

Directors' Report

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Directors' Biographies

Dr Alastair Riddell, 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 NASDAQ listed drug development company based in New York; Cristal Therapeutics, a Netherlands based company specialising in nanoparticle medicines; and Nemesis Biosciences a private Cambridge based company developing products to combat antibiotic resistance. 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.

Tim Irish, Non-Executive Director (appointed 29 June 2017)

Tim is a Professor of Practice at Kings College London as well as a board member of Bournemouth University. Tim joined the board of the National Institute for Health and Care Excellence (NICE) in April 2016 and became the Senior Independent Director in May 2017. Tim has worked in the life sciences industry for thirty years. His career has spanned global health technology companies across Europe and North America, including GSK, GE and Philips the latter two in senior positions responsible for medical imaging. Tim also currently holds a number of non-executive positions in health and technology related entities.

Lindsay Melvin, Chief Financial Officer (appointed 16 March 2018)

Lindsay is a chartered accountant and brings 30 years of financial and business experience to Feedback. Most recently he was Chief Executive Officer of the Chartered Institute of Payroll Professionals (CIPP) for eight years until July 2016. CIPP was voted the UK's best association in the 2016 Associations Excellence Awards and was also voted as one of the Sunday Times "Best 100 Not for Profit Organisations" in 2016. Previously, Mr Melvin held Director-level roles in small- to medium-sized public and private companies including Arthur Shaw & Co plc where he was Finance Director for six years. Lindsay started his career at Grant Thornton where he spent 11 years.

Simon Sturge Non-Executive Director (appointed 16 April 2018)

Simon joined Merck Healthcare in 2014 and is currently Chief Operating Officer and member of the Healthcare Executive Committee. He is an experienced healthcare executive in the UK and has built a very strong reputation not only in the biotechnology industry but also in the investment community. His experience includes eight years at Celltech, and he was the founder and CEO of RiboTargets which later reversed into Vernalis Plc. After serving as CEO of OctoPlus N.V. for two years, he became Senior Vice President of Boehringer Ingelheim's Biopharmaceutical Business. Simon is a regular speaker at conferences including the World Economic Forum.

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.

Directors' Report

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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 2018 averaged 32 days (2017: 30 days).

Treasury policy

The Group has adopted formal treasury policies to control its financial instruments. It has 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 are 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.

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.

Directors' Report

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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 29 November 2018.

Dr A J Riddell

Executive Chairman

Corporate Governance Statement

The Board has adopted the QCA Code, in line with the London Stock Exchange's changes to the AIM Rules requiring all AIM quoted companies to adopt and comply with a recognised corporate governance code and detail how it complies with that code, and where it departs from its chosen corporate governance code an explanation of the reasons for doing so. The Board believes that the application of the QCA code supports the company's medium to long-term success.

Board of Directors

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 majority of the year the Board comprised two Executive Directors and three Non-Executive Directors. It currently has an Executive Chairman, a Chief Finance Officer and two Non-Executive Directors.

Dr Alastair Riddell is currently the Executive Chairman, but this is only a temporary measure pending a Chief Executive being appointed. The Chief Finance Officer, Mr Lindsay Melvin, has increased duties and responsibilities whilst the Company is in the process of appointing a Chief Executive.

Alastair has over 30 years' experience in the pharmaceutical, life science and biotech industries, with 18 years as a main board director and 12 years as CEO for three UK biotech companies. He is currently on the Board of three biotechnology companies. Lindsay is a chartered accountant and brings 30 years of financial and business experience. He was recently a Chief Executive Officer to a Chartered Institute. Previously, he held Director-level roles in small- to medium-sized public and private companies.

The Company currently has two Non-Executive Directors, therefore providing a suitable balance of executive and non-executive directors. The two Non-Executive Directors are: Tim Irish, who is a Professor of Practice at Kings College London, as well as a board member of Bournemouth University. Tim has worked in the life sciences industry for thirty years and currently holds a number of non-executive positions in healthcare and technology related entities. Simon Sturge is Chief Operating Officer at Merck Healthcare and a member of their Healthcare Executive Committee. He is an experienced healthcare executive in the UK and has built a very strong reputation, not only in the biotechnology industry but also in the investment community.

Based on the mix of experience and skills held by the directors, as detailed above, the Board believes it has the necessary qualities and capabilities to deliver the Company's strategy.

For the year under review, the Board included up to four Non-Executive Directors which was considered appropriate. The Board has scheduled monthly meetings and others as required. In the year to 31 May 2018 ten meetings were held. The attendance records at these meetings has been consistently high and no director has been absent from more than one meeting. 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. The Board receives monthly board papers which cover operational, financial and key stakeholder up to date information. Board minutes are recorded and approved at the next meeting. All Board members have held positions of responsibilities on other boards and are well versed in their roles and responsibilities. All Directors have direct access to the advice and services of the Company's professional advisers, enabling them access to all required information in the furtherance of their duties.

Since the year end the current chairman has undertaken executive responsibilities due to the vacancy created by the departure of the chief executive. The non-executive directors are expected to spend an average of 2 days a month in their current roles. The Chair currently spends 50% of his time in his executive role. The CFO is currently working at least 80% of his time in both a financial and operational capacity.

Corporate Governance Statement

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The Board have sought professional legal, HR and NOMAD advice as and when appropriate to do so, given the level of skills, knowledge and experience of each Board member. Each director ensures that their skillset is up to date by attending events, reading appropriate journals and news bulletins and in discussions with colleagues.

Non-executive Directors

The appointment of Non-Executive Directors is a matter for the Board as a whole. There is currently no formal selection process, which the Board deems appropriate for the size and nature of the Company. The Non-Executive Directors have contracts for services for an unspecified period. 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.

Both Tim Irish and Simon Sturge are considered to be independent directors as neither of them have any notifiable conflict of interest and neither of them have any managerial responsibilities in the Company. Although Simon Sturge is a shareholder in the Company (he currently holds 3.44 per cent.) the Board does not believe that this impugns his independence.

Executive Directors

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

Board committees

A Remuneration Committee is in place comprising the Non-Executive Directors. The Remuneration Committee has two scheduled meetings in the year. All serving members attended both meetings held in the year. Its purpose is to regularly review the remuneration package of all senior employees.

An Audit Committee is in place comprising the 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. Its purpose is to ensure that the audit process is rigorous and consistent.

The Audit Committee considered that the internal control procedures were more than adequate for the size of the Group. Internal processes are reviewed every quarter and improvements implemented. Given the size of the Group the audit committee does not consider it necessary to prepare a formal audit committee report as its significant work and actions are reported on elsewhere in this statement.

There is no Nomination Committee. Given the size of the Group, the Board does not consider it necessary or appropriate to have a Nomination Committee.

Current business model and risk management

The Company is focused on the following areas:

- Developing and marketing its Cadran Research PACS, especially in the Asian market.
- Developing and marketing its TexRAD® Research software, especially through worldwide distributorships.
- Developing and marketing its TexRAD® Lung CE marked product.

Further details on Feedback's strategy are contained within the Strategic Report on pages 3-6 of this document.

Corporate Governance Statement

CONTINUED

The Company has a management group who meet weekly to discuss operational issues, strategic relationships, sales opportunities, planned meetings and events and strategic issues. Actions from the meetings are recorded and followed up at the next management meeting. The Chair and the CFO are both part of the management group.

A risk register covering all business areas was prepared by the management team, is updated regularly, and is reviewed and approved by the Board.

Business processes are regularly reviewed and possible enhancements debated, evaluated and, if appropriate, implemented.

Company culture

The Company has not yet defined a formal set of ethical values and behaviours. However, the Company endorses a 'no-blame' culture and has an 'open door' policy with regular staff meetings and management meetings. Management conduct regular one-to-one meetings with all staff, through which they are able to support staff in ensuring the Company's values are being recognised and reflected and assist in any staff training needs. The Board are committed to developing a high standard in both ethical behaviours and values and are very supportive of employee wellbeing.

The Directors believe that this culture is desirable to move the business forwards in its strategic growth and its present objectives and business model.

Performance evaluation

There is currently no formal performance evaluation of the board, its committees or its individual directors. The members of the Board are relatively new to the Company and no-one has served on the Board for more than three years. During 2018, four directors have resigned from the Board and three have joined. It is not, therefore, appropriate to conduct any formal board evaluation at present but the Board intend to review both its performance and that of its individual members, annually, commencing in 2019. The Non-Executive Directors are currently responsible for informally reviewing the Directors' performance and highlighting any issues identified.

In addition, one-third of the Board is required to retire and seek re-election at the AGM, in accordance with good governance. The Board is seeking to appoint a new Chief Executive and the Chief Financial Officer joined the Board in March 2018. The Board will continue to be mindful of succession planning.

Communication with shareholders

Feedback encourages two-way communication with its investors and responds quickly to queries received. The Company has an email address (IR@fbk.com) where shareholders can communicate with the Board. The Directors are available to shareholders at any time to discuss strategy and governance matters. The Chairman communicates regularly with major shareholders and ensures that their views and concerns are fully communicated back to the Board and management team.

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 Directors are available to take questions. Should voting decisions not be in line with Board's expectations then the Board will liaise with shareholders in order to address any issues.

Further details on the Company's consideration of wider stakeholder and social responsibilities can be found on the Company's website at www.fbkmed.com/plc-landing-page/governance.

Corporate Governance Statement

CONTINUED

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 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 2018 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;
- monthly review by the Board of Group Management Accounts 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.

The Audit Committee considers the independence and objectivity of the external auditors on an annual basis, with particular regard to non-audit services. The split between audit and non-audit fees for the year and information on the nature of the non-audit fees appear in note 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.

Corporate Governance Statement

CONTINUED

Risk management

Further information on the Company's principal risks and uncertainties can be found with the Strategic Report on pages 3-6 of this document. The Board considers business risk at every Board meeting (held approximately 10 times a year). This includes risks associated with its key customers and suppliers, ongoing trading performance and budgets. The risk register is prepared and updated by the management team and is reviewed by the Board at board meetings. The management team hold regular meetings, at least three a month, when they review the risk register and ensure that it is updated and accurately reflects the risks to the Company. The management team consists of all the Company's managers. The risks identified are evaluated into cause, impact on the Company, likelihood and seriousness, mitigating actions, timelines and responsibilities.

Going concern

In March 2018 the Company raised a total of £440,000 (before expenses) through a placing.

On 15 November 2018 the Company raised a total of £1.375 million (before expenses) via a placing, by Peterhouse Capital Limited, and subscription of a total of 91,666,666 new ordinary shares ("New Ordinary Shares") at an issue price of 1.5 pence per New Ordinary Share. Approximately £832,000 (before expenses) has been raised pursuant to the Company's existing share authorities and a further £543,000 (before expenses) has been raised following shareholder approval at a General Meeting of the Company.

Having updated the Group's formal business plan and cash flow forecasts 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 existing cash balances. Accordingly, the Directors believe that the Group and Company are a going concern and have therefore prepared the financial statements on a going concern basis.

Independent Auditors' Report

Opinion

We have audited the financial statements of Feedback PLC ("Feedback") for the year ended 31 May 2018 which comprise the group statement of comprehensive income, the group and parent company balance sheets, the group and parent company statements of changes in equity, the group and parent company cash flow statements and the notes to the financial statements, including its significant accounting policies. 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.

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 2018 and of the group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We draw attention to the Note 3c in the financial statements, which indicates that the group incurred a net loss of £630,787 and had a net cash outflow of £357,585 from operating activities during the year ended 31 May 2018. As stated in Note 3c, these facts, along with other matters may indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report

CONTINUED

Key audit matter	Our response
Fraud and error in revenue recognition	<p>We reviewed the group's revenue streams to consider whether revenue is recognised and treated appropriately, and in accordance with IFRS. Our review included an assessment of deferred revenue and substantive testing procedures.</p> <p>In addition to our review of income recognised during the year we reviewed the recognition and recoverability of trade receivables at the year-end to assess the validity of their recognition and carrying values as at 31 May 2018.</p> <p>Upon the completion of our work we did not note any unadjusted material misstatements of revenue.</p>
Intangible assets – Capitalised development costs	<p>We reviewed and agreed the amounts incurred through the use of third party developers to develop the group's products. The rationale for recognition of these costs was discussed with management and the group's technical director, and the group's business plans reviewed.</p> <p>Upon completion of our work we considered management's judgement in respect of the recognition of development costs and subsequent decision to recognise these costs as an intangible asset to be reasonable, however as noted in Note 3p of the financial statements there remains a risk that a project currently assessed as being likely to be successful may fail to reach the desired level of commercial or technological feasibility.</p>

Our application of materiality

The scope and focus of our audit was influenced by our assessment and application of materiality. We define materiality as the magnitude of misstatement that could reasonably be expected to influence the readers and the economic decisions of the users of the financial statements. We use materiality to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Due to the nature of the group and its operations we considered expenditure and related funding to be the main focus for the readers of the financial statements, accordingly this consideration influenced our judgement of materiality. Based on our professional judgement, we determined materiality for the group to be £14,000, based on 2% of the pre tax net loss of the group. For the parent company, £4,000 is used as materiality being approximately 1% of the loss for the year. This lower level is considered appropriate given the status of the company and its role within the group which is that of a parent holding company bearing administrative expenses.

Based on our risk assessments and our assessment of the overall control environment, our judgement was that performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the group was 75% of materiality, namely £10,500. The equivalent figure for the parent company was set at £3,000.

We agreed to report to the Audit Committee all audit differences more than £700, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also reported to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Independent Auditors' Report

CONTINUED

An overview of the scope of our audit

As Feedback is a group comprising three trading entities based in Cambridge the scope of our work was the audit of the financial statements of the group and the individual financial statements of the subsidiaries. Our audit strategy was developed by using our audit planning process to obtain an understanding of the group, its activities, developments in the year and its control environment. Our audit testing was informed by this understanding of the group and accordingly was designed to focus on areas where we assessed there to be the most significant risks of material misstatement.

During the audit we performed specifically designed audit tests on significant transactions, balances and disclosures. Our testing included a review of systems and controls relevant to our audit and our approach was primarily based around substantive audit tests and analytical review.

To maintain and reinforce our knowledge of the group and the risks it faces we met with management and Non-Executive directors prior to the audit planning process. This information gathering process continued throughout the audit process, as we reassessed and re-evaluated audit risks where necessary and amended our approach accordingly.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Independent Auditors' Report

CONTINUED

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Laura Mott (Senior Statutory Auditor)
For and on behalf of haysmacintyre, Statutory Auditors

10 Queen Street Place
London
EC4R 1AG

29 November 2018

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MAY 2018

	Note	2018 £	2017 £
Revenue	4	458,389	465,885
Cost of sales		(16,083)	(11,007)
Gross profit		442,306	454,878
Other income		–	150
Other operating expenses	5	(1,190,159)	(755,960)
Operating loss	6	(747,853)	(300,932)
Net finance income	7	59	5
Loss on ordinary activities before taxation		(747,794)	(300,927)
Tax credit	9	117,007	34,924
Loss on ordinary activities after tax attributable to the equity shareholders of the Company		(630,787)	(266,003)
Total comprehensive expense for the year		(630,787)	(266,003)
Loss per share (pence)			
Basic and diluted	11	(0.25)	(0.11)

The notes on pages 26 to 44 form part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 MAY 2018

Group

	Share Capital £	Share Premium £	Capital Reserve £	Retained Earnings £	Translation Reserve £	Convertible Debt Option Reserve £	Total £
At 1 June 2016	509,185	1,593,136	299,900	(2,251,476)	(209,996)	189,000	129,749
New shares issued	105,982	833,018	–	–	–	(189,000)	750,000
Costs associated with the raising of funds	–	(50,121)	–	–	–	–	(50,121)
Share option and warrant costs	–	–	–	5,726	–	–	5,726
Total comprehensive expense for the year	–	–	–	(266,003)	–	–	(266,003)
At 31 May 2017	615,167	2,376,033	299,900	(2,511,753)	(209,996)	–	569,351
New Shares issued	88,875	355,500	–	–	–	–	444,375
Costs associated with the raising of funds	–	(17,600)	–	–	–	–	(17,600)
Total comprehensive expense for the year	–	–	–	(630,787)	–	–	(630,787)
At 31 May 2018	704,042	2,713,933	299,900	(3,142,540)	(209,996)	–	365,339

Company

	Share Capital £	Share Premium £	Retained Earnings £	Convertible Debt Option Reserve £	Total £
At 1 June 2016	509,185	1,593,136	(2,263,153)	189,000	28,168
New shares issued	105,982	833,018	–	(189,000)	750,000
Costs associated with the raising of funds	–	(50,121)	–	–	(50,121)
Share option and warrant costs	–	–	5,726	–	5,726
Total comprehensive expense for the year	–	–	(123,357)	–	(123,357)
At 31 May 2017	615,167	2,376,033	(2,380,784)	–	610,416
New shares issued	88,875	355,500	–	–	444,375
Costs associated with the raising of funds	–	(17,600)	–	–	(17,600)
Total comprehensive expense for the year	–	–	(931,379)	–	(931,379)
At 31 May 2018	704,042	2,713,933	(3,312,163)	–	105,812

The notes on pages 26 to 44 form part of these financial statements.

Consolidated Balance Sheet

AT 31 MAY 2018

	Notes	2018 £	2017 £
Assets			
Non-current assets			
Property, plant and equipment	13	6,560	4,109
Intangible assets	14	154,416	80,235
		160,976	84,344
Current assets			
Trade receivables		88,300	49,982
Other receivables	15	173,562	62,328
Cash and cash equivalents		632,285	696,811
		894,147	809,121
Total assets		1,055,123	893,465
Equity			
Capital and reserves attributable to the Company's equity shareholders			
Called up share capital	18	704,042	615,167
Share premium account	18	2,713,933	2,376,033
Capital reserve	18	299,900	299,900
Translation reserve	18	(209,996)	(209,996)
Retained earnings	18	(3,142,540)	(2,511,753)
Total Equity		365,339	569,351
Liabilities			
Deferred tax liabilities	9	–	4,250
		–	4,250
Current liabilities			
Trade payables		57,400	68,948
Other payables	16	443,459	250,916
		500,859	319,864
Liabilities due after more than one year			
Other payables	16	188,925	–
Total liabilities		689,784	324,114
Total equity and liabilities		1,055,123	893,465

The financial statements were approved and authorised for issue by the Board of Directors on 29 November 2018 and were signed below on its behalf by:

Dr A J Riddell
Chairman

The notes on pages 26 to 44 form part of these financial statements.

Company Balance Sheet

AT 31 MAY 2018

Company Number 00598696

	Notes	2018 £	2017 £
Assets			
Non-current assets			
Investments	12	–	–
		–	–
Current assets			
Other receivables	15	32,426	39,733
Cash and cash equivalents		181,883	654,413
		214,309	694,146
Total assets		214,309	694,146
Equity			
Capital and reserves attributable to the Company's equity shareholders			
Called up share capital	18	704,042	615,167
Share premium account	18	2,713,933	2,376,033
Retained earnings	18	(3,312,163)	(2,380,784)
		105,812	610,416
Total Equity		105,812	610,416
Current liabilities			
Trade payables		38,000	49,508
Other payables	16	70,497	34,222
Total current liabilities		108,497	83,730
Total Equity and Liabilities		214,309	694,146

The company loss for the year was £931,379 (2017: £123,357).

The financial statements were approved and authorised for issue by the Board of Directors on 29 November 2018 and were signed below on its behalf by:

Dr A J Riddell
Chairman

The notes on pages 26 to 44 form part of these financial statements.

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 MAY 2018

	2018 £	2017 £
Cash flows from operating activities		
Loss before tax	(747,794)	(300,927)
<i>Adjustments for:</i>		
Share option costs	–	5,726
Net finance income	(59)	(5)
Depreciation and amortisation	57,143	48,182
Impairment of investment	–	1,000
Increase in trade receivables	(38,318)	(9,087)
Decrease/(Increase) in other receivables	1,523	(36,246)
(Decrease)/Increase in trade payables	(11,546)	47,400
Increase in other payables	381,466	95,728
Corporation tax received	–	57,624
	390,209	210,322
Net cash used in operating activities	(357,585)	(90,605)
Cash flows from investing activities		
Purchase of tangible fixed assets	(6,250)	(2,941)
Purchase of intangible assets	(127,525)	(15,200)
Net finance income received	59	5
Net cash used in investing activities	(133,716)	(18,136)
Cash flows from financing activities		
Net proceeds of share issue	426,775	699,879
Net cash generated from financing activities	426,775	699,879
Net (decrease)/increase in cash and cash equivalents	(64,526)	591,138
Cash and cash equivalents at beginning of year	696,811	105,673
Cash and cash equivalents at end of year	632,285	696,811

The notes on pages 26 to 44 form part of these financial statements.

Company Cash Flow Statement

FOR THE YEAR ENDED 31 MAY 2018

	2018 £	2017 £
Cash flows from operating activities		
Loss before tax	(931,379)	(123,357)
<i>Adjustments for:</i>		
Share options costs	–	5,726
Net finance income	(59)	(5)
Release of intercompany receivable	–	(100,886)
Decrease in other receivables	7,307	77,814
(Decrease)/Increase in trade payables	(11,508)	32,607
Increase in other payables	36,275	1,138
Impairment of investment	–	1,000
	32,015	17,395
Net cash used in operating activities	(899,364)	(105,963)
Cash flows from investing activities		
Net finance income	59	5
Net cash generated from investing activities	59	5
Cash flows from financing activities		
Net proceeds of share issue	426,775	699,879
Net cash generated from financing activities	426,775	699,879
Net (decrease)/increase in cash and cash equivalents	(472,530)	593,921
Cash and cash equivalents at beginning of year	654,413	60,492
Cash and cash equivalents at end of year	181,883	654,413

The notes on pages 26 to 44 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 listed on AIM of the London Stock Exchange. These Financial Statements were authorised for issue by the Board of Directors on the 29 November 2018.

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 2018 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 that are applicable to the Company are:

Mandatory for accounting periods commencing on or after 1 January 2018:

- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers
- IFRIC Interpretation 22 – Foreign Currency Transactions and Advance Consideration

Mandatory for accounting periods commencing on or after 1 January 2019:

- IFRS 16 – Leases

Date of implementation in the European Union not yet known:

- IFRS 14 – Regulatory Deferral Accounts

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, but are currently reviewing their impact.

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.

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

(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 2018 and 2017 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.

(c) Going Concern

The Group incurred a net loss of £630,787 and had a net cash outflow of £357,585 from operating activities for the year. Matters which may indicate a material uncertainty about the Group's ability to continue as a going concern. However, on 15 November 2018 the Company raised a total of £1.375m (before expenses) through a placing to both invest further in product development and in sales and marketing.

Therefore, having updated the Group's formal business plan the Directors consider that the Group and the Company are likely to have adequate cash resources for at least the next twelve months to 31 December 2019, from existing cash balances and resources generated from operating cash flows to enable continued product development and international expansion. Accordingly, the Directors believe that the Group and Company are 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 are amortised from the commencement of the commercial production of the product on a straight line basis as follows:

Intangible asset

Patents

Customer relationships

Useful economic life

Over the life of the patent

4 years

Development costs capitalised in the year relate to products and product improvements which are yet to be ready for use. They are not yet amortised and will be amortised from the date the products are ready.

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

(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.

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.

Notes to the Financial Statements

CONTINUED

3. Significant accounting policies (continued)

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

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.

(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.

(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.

Notes to the Financial Statements

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3. Significant accounting policies (continued)

The Group has issued 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.

(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 of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. The key areas of judgement are:

- Intangible assets – Patents are included at cost less amortisation and impairment. Customer lists are included at cost less amortisation. Other intangible assets and development costs 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 and development costs, including goodwill, has been made.
- Fair value measurement – share options and warrants issued included in the Group's and Company's financial statements require measurement at fair value. The calculation of fair values requires the use of estimates and judgements.

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 2018

	Medical Imaging £	Head Office £	Total £
Revenue			
External	458,389	–	458,389
Expenditure			
External	(774,179)	(432,004)	(1,206,183)
Loss before tax	(315,790)	(432,004)	(747,794)
Balance sheet			
External Assets	840,814	214,309	1,055,123
External Liabilities	(581,287)	(108,497)	(689,784)
	259,527	105,812	365,339
Capital expenditure	133,775	–	133,775

Notes to the Financial Statements

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4. Segmental reporting (continued)

Year ended 31 May 2017

	Medical Imaging £	Head Office £	Total £
Revenue			
External	465,885	–	465,885
Expenditure			
External	(511,393)	(255,419)	(766,812)
Loss before tax	(45,508)	(255,419)	(300,927)
Balance sheet			
External Assets	197,247	696,218	893,465
External Liabilities	(310,916)	(13,197)	(324,113)
	(113,669)	683,021	569,352
Capital expenditure	18,141	–	18,141

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	
	2018 £	2017 £	2018 £	2017 £	2018 £	2017 £
United Kingdom	282,265	250,582	1,055,123	893,465	133,775	18,141
Europe	15,875	96,672	–	–	–	–
Rest of the world	160,249	118,631	–	–	–	–
Total	458,389	465,885	1,055,123	893,465	133,775	18,141

Revenue from one customer in the United Kingdom totalled £150,000 in the year to 31 May 2018.

5 Other operating expenses

	2018 £	2017 £
Administrative costs:		
Other	1,133,016	707,777
Amortisation and depreciation costs	57,143	48,183
	1,190,159	755,960

Notes to the Financial Statements

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6. Operating loss

	2018 £	2017 £
This is stated after charging		
Depreciation and amortisation		
Owned assets	3,799	2,471
Amortisation of intangible assets	53,344	45,712
Development Expenditure	–	35,897
Foreign exchange differences	11,181	3,845
Auditors' remuneration		
Audit of parent company and group financial statements	10,000	10,500
Audit of subsidiaries	6,500	9,000
Tax and other services	5,000	4,000
Operating lease rentals		
Land and buildings	9,417	8,643

7. Net finance income

	2018 £	2017 £
Interest received	59	5
	59	5

8. Directors and employees

	2018		2017	
	Average	Year end	Average	Year end
Number of employees				
Selling and distribution	5	5	5	5
Administration	2	4	2	2
Research and development	1	1	1	1
	8	10	8	8

	2018 £	2017 £
Staff costs		
Wages and salaries	477,881	263,326
Social security costs	47,334	24,650
Payments to defined contribution pension scheme	61,563	30,238
	586,778	318,214

Notes to the Financial Statements

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8. Directors and employees (continued)

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

	Salary £	Fees £	Pension £	Total £
Year ended 31 May 2018				
<i>Executive Directors</i>				
D Crabb	41,667	–	2,083	43,750
L Melvin	9,533	–	476	10,009
M P Hayball (to 14 April 2018)	78,750	–	4,500	83,250
B Ganeshan (to 14 April 2018)	70,000	–	–	70,000
<i>Non-Executive Directors</i>				
A H Menys	20,075	–	–	20,075
T Irish**	–	24,514	–	24,514
S Sturge	–	–	–	–
A Riddell *	–	45,417	–	45,417
Total	220,025	69,931	7,059	297,015
Year ended 31 May 2017				
<i>Executive Directors</i>				
M P Hayball	51,724	–	–	51,724
B Ganeshan	72,000	–	–	72,000
<i>Non-executive Directors</i>				
S G Barrell	–	18,000	–	18,000
T E Brown	18,000	–	–	18,000
A H Menys	–	–	–	–
A Riddell*	–	48,750	–	48,750
Total	141,724	66,750	–	208,474

During the year, retirement benefits under money purchase pension schemes were accruing to 2 directors (2017: 2)

* A Riddell was paid consultancy fees through an agreement with AJR & Associates.

** T Irish was paid consultancy fees through an agreement with Pembrokeshire Retreats Limited.

M P Hayball holds interests in share options over 5,200,000 ordinary shares (2017: 5,200,000)

Dr B Ganeshan holds interests in 3,575,000 warrants exercisable into ordinary shares (2017: 3,575,000)

Notes to the Financial Statements

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9. Taxation on loss on ordinary activities

	2018 £	2017 £
(a) The tax credit for the year:		
UK Corporation tax	(117,007)	(34,924)
Current tax credit	(73,232)	(16,319)
Under provision in prior year	(39,525)	(3,477)
Deferred tax charge	(4,250)	(15,128)
	(117,007)	(34,924)

(b) Tax reconciliation

Loss on ordinary activities before tax	(747,794)	(300,926)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19% (2017 – 19.83%)	(142,081)	(59,684)
Effects of:		
Expenses non-deductible for tax purposes	2,155	7,506
Additional deduction for R&D expenditure	(54,238)	(14,908)
Surrender of tax losses for R & D tax credit refund	22,727	6,000
Income not taxable	–	(29)
Adjustments to tax charge in respect of previous periods	(39,525)	(3,477)
Deferred tax not recognised	93,995	44,796
Other timing differences and goodwill amortisation	–	(15,128)
Tax charge for the year	(117,007)	(34,924)

(c) Factors which may affect future tax charges

In view of the tax losses carried forward there is a deferred tax amount of approximately £422,587 (2017: £321,189) 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:

	2018 £	2017 £
Deferred tax liability		
Deferred tax on development expenditure		
As at 1 June 2017	4,250	19,378
Credit in the year	(4,250)	(15,128)
As at 31 May 2018	–	4,250

(e) Deferred tax – company

In view of the tax losses carried forward there is a deferred tax amount of approximately £349,421 (2017: £280,486) 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

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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 £931,379 (2017: £123,357 loss)

11. Loss per share

Basic earnings per share is calculated by reference to the loss on ordinary activities after taxation of £630,787 (2017: £266,003) and on the weighted average of 252,403,981 (2017: 232,879,771) shares in issue.

	As at 31 May 2018 £	As at 31 May 2017 £
Net loss attributable to ordinary equity holders	(630,787)	(266,003)
	As at 31 May 2018	As at 31 May 2017
Weighted average number of ordinary shares for basic earnings per share	252,403,981	232,879,771
Effect of dilution:		
Share Options	–	–
Warrants	–	–
Weighted average number of ordinary shares adjusted for the effect of dilution	252,403,981	232,879,771
Loss per share (pence)		
Basic	(0.25)	(0.11)
Diluted	(0.25)	(0.11)

There is no dilutive effect of the share options and warrants as the dilution would be negative. As disclosed in note 22, on 15 November 2018, the Company issued 91,666,666 shares raising £1.375m (before expenses).

Notes to the Financial Statements

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12. Investments

	Share in group undertakings £	Shares in joint venture £	Total £
Company			
Cost			
At 1 June 2016	2,334,455	1,000	2,335,455
At 31 May 2017	2,334,455	1,000	2,335,455
As at 31 May 2018	2,334,455	1,000	2,335,455
Provisions			
At 1 June 2016	1,867,000	–	1,867,000
Provided in the year	467,455	–	467,455
At 31 May 2016	2,334,455	–	2,334,455
Provided in the year	–	–	–
At 31 May 2017	2,334,455	1,000	2,335,455
Provided in the year	–		
At 31 May 2018	2,334,455	1,000	2,335,455
Net Book Value			
At 31 May 2018	–	–	–
At 31 May 2017	–	–	–
At 31 May 2016	–	1,000	1,000

All of the above investments are unlisted

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

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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
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

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

All the subsidiary companies have been included in these consolidated financial statements. Each subsidiary has a registered office of Unit 5, Grange Park, Broadway, Bourn, Cambridgeshire CB23 2TA.

13. Property, plant and equipment

	Computer Equipment £	Total £
Group		
Cost of valuation		
At 31 May 2016	10,877	10,877
Additions	2,941	2,941
At 31 May 2017	13,818	13,818
Additions	6,250	6,250
As 31 May 2018	20,068	20,068
Depreciation		
At 31 May 2016	7,238	7,238
Charge for the year	2,471	2,471
At 31 May 2017	9,709	9,709
Charge for the year	3,799	3,799
At 31 May 2018	13,508	13,508
Net Book Value		
At 31 May 2018	6,560	6,560
At 31 May 2017	4,109	4,109
At 31 May 2016	3,639	3,639

Notes to the Financial Statements

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14. Intangible assets

	Software development £	Customer relationships £	Patents £	Goodwill £	Total £
Group					
Cost					
At 31 May 2016	563,099	100,000	88,358	271,415	1,022,872
Additions	–	–	15,200	–	15,200
At 31 May 2017	563,099	100,000	103,558	271,415	1,038,072
Additions	89,363	–	38,162	–	127,525
At 31 May 2018	652,462	100,000	141,720	271,415	1,165,597
Amortisation					
At 31 May 2016	563,099	50,000	27,611	271,415	912,125
Charge for the year	–	25,000	20,712	–	45,712
At 31 May 2017	563,099	75,000	48,323	271,415	957,837
Charge for the year	–	25,000	28,344	–	53,344
At 31 May 2018	563,099	100,000	76,667	271,415	1,011,181
Net Book Value					
At 31 May 2018	89,363	–	65,053	–	154,416
At 31 May 2017	–	25,000	55,235	–	80,235
At 31 May 2016	–	50,000	60,747	–	110,747

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 2016 and 31 May 2017, 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. However the Directors believe the Group's technology has great potential and this write down did not reflect their commercial assessment of the value of the Group's intellectual property. This is especially true in relation to the TexRAD Lung CE Mark and other product enhancements. The Directors have in the year to 31 May 2018, capitalised some of this spend and will write it off against revenue generated from this investment. The customer lists and patents are deemed to have ongoing value to the Group.

15 Other receivables

	Group		Company	
	2018 £	2017 £	2018 £	2017 £
Amounts falling due within one year				
Other receivables	19,718	18,396	15,744	14,878
Corporation tax recoverable	129,075	16,318	–	–
Prepayments	24,769	27,614	16,682	24,855
	173,562	62,328	32,426	39,733

Notes to the Financial Statements

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16. Other payables

	Group		Company	
	2018 £	2017 £	2018 £	2017 £
Amounts falling due within one year				
Other payables	–	5,534	–	–
Other taxes and social security	77,892	7,033	6,817	292
Accruals	73,579	69,827	63,680	33,930
Deferred income	291,988	168,522	–	–
	443,459	250,916	70,497	34,222
Amounts falling due after one year				
Deferred income	188,925	–	–	–

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

The share options and warrants issued by the group during prior years were valued under level three above as noted in note 18 below.

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.

Notes to the Financial Statements

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17. Financial instruments (continued)

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	
	2018 £	2017 £
Current financial assets		
Trade and other receivables	149,105	112,310
Cash and cash equivalents	627,910	696,811
	777,015	809,121

Analysis of trade receivables

	Total £	Current £	30 days past due £	60 days past due £	90 days past due £
2018	88,300	56,758	28,676	–	2,865
2017	49,982	16,908	33,074	–	–

The Group policy is to make provisions against those debts that are overdue, unless there are grounds for believing that the debts will be collected. During the year the value of provisions made in respect of bad and doubtful debts was £Nil (2017: £Nil).

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. However the Group does not currently use any forward contracts.

Notes to the Financial Statements

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17. Financial instruments (continued)

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 2018

	2018 £	2017 £
Trade receivables	86,140	44,524
Cash and cash equivalents		–
	86,140	44,524

A 5% increase/fall in exchange rates at 31 May 2018 would have created a profit/loss of £4,307. 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 currency arrangements as at 31 May 2018 or at 31 May 2017.

Liquidity risk

Cash flow forecasting is performed for both the Group and 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	
	2018 £	2017 £
Current financial liabilities		
Trade and other payables	208,746	82,393

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 £
2018					
Trade and other payables	208,746	208,746	208,746	–	–
2017					
Trade and other payables	82,393	82,393	82,393	–	–

Cash flow interest rate risk

The Group presently has no substantial interest rate risk exposure.

Notes to the Financial Statements

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17. Financial instruments (continued)

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, and there have been no changes to the group's exposure to financial instrument risk in the year.

18. Share capital and reserves

	2018 £	2017 £
Authorised and issued share capital		
Ordinary shares of 0.25 pence each	704,042	615,167

Allotted, called up and fully paid share capital:

	Number	Number
As at 1 June 2017	246,066,584	203,673,857
Issued	35,550,000	42,392,727
As at 31 May 2018	281,616,584	246,066,584

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:

Notes to the Financial Statements

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18. Share capital and reserves (continued)

At 1 June 2017	Lapsed	Exercised	At 31 May 2018	Exercise price (pence)	Exercise date
2,400,000	–	–	2,400,000	1.25	21/05/14 to 19/05/24
4,000,000	–	–	4,000,000	3.00	21/05/15 to 19/05/24
4,000,000	–	–	4,000,000	5.00	21/05/15 to 19/05/24
10,400,000	–	–	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.

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 2017	Granted	Cancelled	At 31 May 2018	Exercise price (pence)	Exercise date
4,550,000	–	(350,000)	4,200,000	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	–	(350,000)	22,400,000		

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.

Notes to the Financial Statements

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19. Financial commitments

Total future minimum lease payments under non-cancellable operating leases for the Group's business purposes.

	2018 £	2017 £
In less than one year	11,088	–
Later than one year and less than five years	37,884	–
Later than five years	–	–

20. Pensions

The Company operated a defined contribution scheme during the year and the assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost represents contributions payable and amounted to £61,563 (2017: £30,238). A balance of £5,431 was payable at the year end.

21. Related party transactions

Key management personnel

Refer to note 8 for detail on directors' remuneration.

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

22. Post balance sheet events

On 15 November 2018, the Company issued 91,666,666 new ordinary shares raising £1.375m (before expenses).

23. Ultimate controlling party

There is no ultimate controlling party.

Notice of Annual General Meeting

Notice is hereby given that the annual general meeting ("**Meeting**") of Feedback plc (the "**Company**") is to be held at the offices of Allenby Capital Limited at 5 St Helen's Place, London EC3A 6AB at 1.00 p.m. on 23 January 2019. You will be asked to consider and vote on the resolutions below. Resolutions 1 to 6 will be proposed as ordinary resolutions and resolution 7 will be proposed as a special resolution.

Ordinary resolutions

1. To receive and adopt the Company's annual accounts for the Financial year ended 31 May 2018 together with the Directors' report and the auditors' report on those accounts.
2. To re-elect A Riddell, who retires pursuant to the articles of association of the Company and who, being eligible, offers himself for re-election as a Director.
3. To elect S Sturge, who retires pursuant to the articles of association of the Company and who, being eligible, offers himself for election as a Director.
4. To elect L Melvin, who retires pursuant to the articles of association of the Company and who, being eligible, offers himself for 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 the Directors be generally and unconditionally authorised and empowered pursuant to and in accordance with section 551 of the Companies Act 2006 (the "**Act**") to exercise all the powers of the Company to allot shares and/or grant rights to subscribe for or to convert any security into shares ("**Rights**")
 - a. up to an aggregate nominal value of £311,070 (being the nominal value of approximately one third of the issued share capital of the Company); and
 - b. up to an aggregate nominal value of £622,140 (being the nominal value of approximately two thirds of the issued share capital of the Company) (such amount to be reduced by the nominal amount of any shares allotted or Rights granted under paragraph a) in connection with an offer by way of a rights issue or other pre-emptive offer to:
 - i. the holders of Ordinary Shares in proportion (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them; and
 - ii. holders of other equity securities, as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary,

such authorities to expire on the earlier of the next annual general meeting of the Company held after the date on which this resolution is passed and the date 15 months after the passing of this resolution, save that the Company may at any time before such expiry make any offer(s) or enter into any agreement(s) which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors may allot shares or grant Rights in pursuance of any such offer(s) or agreement(s) as if the authority conferred hereby had not expired. This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot shares or grant Rights but without prejudice to any allotment of shares or grant of Rights already made, offered or agreed to be made pursuant to such authorities.

Notice of Annual General Meeting

CONTINUED

Special resolution

7. THAT subject to and conditional upon the passing of resolution number 6 above, the Directors be generally authorised in accordance with section 570 of the Act to allot equity securities (as defined in Section 560 of the Act) of the Company for cash as if section 561(1) of the Act did not apply to any such allotment, provided that this authority shall be limited to:
- a. the allotment of equity securities in connection with an offer by way of rights in favour of the holders of equity securities in proportion (as nearly as may be possible) to the respective number of Ordinary Shares held by them, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems in respect of overseas holders or otherwise;
 - b. the allotment of equity securities (otherwise than pursuant to sub-paragraph (a) above) up to a maximum aggregate nominal value of £186,641 (being the nominal value of approximately 20 per cent. of the issued share capital of the Company),

and this authority shall expire on the earlier of the conclusion of the next annual general meeting of the Company held after the date on which this resolution becomes unconditional and the date 15 months after the passing of this resolution save that the Company may make any offer(s) or enter into any agreement(s) before such expiry which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer(s) or agreement(s) as if the authority conferred hereby had not expired. This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot equity securities but without prejudice to any allotment of equity securities already made, offered or agreed to be made pursuant to such authorities.

Dated 29 November 2018

By Order of the Board

Alastair Riddell

Director

Feedback plc

Grange Park

Broadway

Bourn

Cambridgeshire

CB23 2TA

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 5 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 6 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

As is required by the Company's articles of association, Simon Sturge and Lindsay Melvin are retiring at the first AGM since their appointments and the Board proposes them for election as Directors of the Company.

In addition, the Company's articles of association also require one-third of the Board (excluding for this purpose any director seeking re-appointment at the first AGM since their appointment) to retire and seek re-election at the AGM. Accordingly, Alastair Riddell will also retire and seek re-election and, being eligible, the Board proposes his re-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 £622,140 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 £186,641, which is equal to approximately 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 1 p.m. on 21 January 2019.
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 January 2019 (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 1 p.m. on 21 January 2019.
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 373,283,250 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 373,283,250.

Feedback plc

Grange Park, Broadway, Bourn, Cambridgeshire, CB23 2TA

www.fbk.com