FEEDBACKplc

Report of the Directors and Consolidated Financial Statements

For the year ended 31 May 2019

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Company Information

Directors
Dr A J Riddell
Prof T N Irish
S Sturge
L Melvin
Dr T Oakley
Prof R Shaw (appointed 29 August 2019)

Secretary
L Melvin

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Chairman's Statement

In my last report of November 2018, I indicated that we had increased our efforts to recruit a new CEO. I recruited Dr Tom Oakley in December, initially to undertake a comprehensive review of all of our TexRAD publications and Cadran's potential. His thorough professional and clinical analysis of these and the conclusions reached convinced both of us of the merits of him assuming the role of CEO for Feedback Medical Ltd in February 2019. The clinical review evolved into a strategic business review and directional change. Tom demonstrated very quickly his vision, commercial awareness and management drive and the Board was pleased to promote him to being CEO of Feedback plc in April 2019. He has galvanised the operational team and focused efforts on the development and commercial launch of Bleepa®, an evolution from Cadran. This exciting new product that is set to transform the group's potential for accelerated growth, was announced in July 2019. It will provide a secure platform for instant sharing via mobile devices by medical staff of clinical grade images and medical information that meets GDPR requirements.

Alongside the major management and strategic directional changes occurring during the period, commercial progress has continued. Revenue for the year ended 31 May 2019 was £563,092, an increase of 23% over the previous year (£458,389) after a flat year the year before. The loss before tax for the year ended 31 May 2019 was £1.13 million compared to £0.75 million in the prior year.. TexRAD achieved new contracts from Korea and the USA. TexRAD Lung, the CE Marked clinical development of TexRAD research, was evaluated in two major pilot studies during the year which yielded important technical information that will assist future developments for its clinical utility. A strategic review by the CEO of TexRAD and its potential has commenced, with results to follow in the next few months.

On quality we were pleased to announce a retention of our ISO 13485:2016 certification in November 2018, a mark of our continued focus on high standards.

The placing in November 2018 of £1.375 million enabled the appointment of a new CEO and other key hires. It also triggered the formal signing of our agreement with Future Processing, our software development partner in Poland, in January 2019. The dedicated resource we have been able to call on has been instrumental in progressing Bleepa® to launch readiness in September 2019. Post year end, however, it was clear that to achieve the successful launch and market penetration of Bleepa® more investment was required and Tom Oakley led the fundraise in August 2019 raising £2 million from existing and new investors, including institutional investors.

At the end of August 2019, we announced the appointment of Professor Rory Shaw as Deputy Chairman following his successful role as Medical Director of Feedback Medical Ltd. He will subsequently become Chairman following my retirement after the AGM. As I come to the end of more than three years as Chairman of Feedback plc I have to acknowledge the significant challenges we faced in bringing about the means to develop the full potential of the products that the founders of Cambridge Computed Imaging and TexRAD created. This required a strengthening of the board with industry experience, rationalising the corporate structure, securing adequate investment and the injection of new ideas and energy from our new CEO. He and Professor Shaw have demonstrated real synergy of ideas and enthusiasm in unlocking the possibilities for our technology. They now have the means to transform those ideas into commercial return for the Company and our shareholders.

Dr A J Riddell
Chairman

23 October 2019

Strategic Report

The Directors present their strategic report on the Group for the year ended 31 May 2019.

Principal Activities

The principal activity of the Group is the development and selling of the Group's proprietary technologies.

Financial summary

In the year to 31 May 2019, the recognised turnover increased by 23% over the previous year. 40% of the turnover is attributable to one customer. Overheads, especially employment costs, have increased in the year due to gearing up to deliver the new strategic direction as outlined below.

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 November 2018, the Company raised £1.375 million 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 fundraise were invested in developing products and enhancing existing products, developing new markets for TexRAD – TexRAD now has customers in Portugal, Romania, Belgium, and the Czech-Republic.

In August 2019, the Company raised £2 million, before expenses, by way of a placing and subscription of 166,666,667 new Ordinary Shares at a price of 1.2 pence per share with new and existing investors. The proceeds from this fundraise will be invested to develop the innovative Bleepa® product for UK and Worldwide usage as announced to shareholders in July 2019.

Operational cash flows have been satisfactory and reflect customer payments for new purchases and contracts before the periods in which the revenue is recognised. The share issue in November 2018 provided a healthy cash balance at the financial year end and has financed an acceleration in product development expenditure leading to increased intangible assets.

Operational review

Feedback Medical

Feedback Medical (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

The main focus on research and development has been creating products associated with Cadran technology. However, the Group has also been developing the Grey Level Co-Occurrence Matrix (GLCM) enhancement to its existing product range. This was finally achieved post year end. During the year, Feedback Medical's TexRAD product had sales in new countries including Portugal, Romania, Belgium and Czech-Republic.

Strategic Report
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Cadran

Cadran is Feedback's established Picture Archiving and Communications System (PACS) which facilitates the review of medical imaging studies by clinicians. 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 support contract renewal for the Cadran platform was announced in April 2018. During the year the Group successfully project managed the PACS migration from the Papworth Hospital site to the new Addenbrooke's site. 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. It is a progressive and rigorously tested Class 1 medical device with a longstanding legacy of service at NHS institutions, such as the Royal Papworth Hospital. However, it is currently positioned in a competitive market that shows little opportunity for future growth.

Cadran's innovative features, such as the ability to view clinical grade medical images flexibly on mobile and personal devices, allow it to be repositioned to meet the needs of an emerging medical communications market, particularly in medical imaging. The potential to improve the efficiencies and lives of medical professionals and patients alike, through more flexible, secure and accurate tools utilising the highest standards in global mobile communications.

According to an article in BMJ Innovations, 97% of hospital doctors routinely use WhatsApp to communicate about patients[*]. There is an increasing trend for clinicians to use personal devices to discuss patient care and make clinical decisions, as it is more convenient and efficient than traditional methods of clinical communication. Medical images are often shared as part of these chats as photos of computer screens, and do not meet diagnostic clinical standards. This raises a number of concerns with regard to safety of patient data, breaches of GDPR and the ability to make safe clinical decisions without using clinical grade medical images.

By incorporating a dedicated, encrypted messaging function to Feedback's existing Cadran technology, we have created a medical communication device capable of sharing clinical grade medical imaging directly from a hospital PACS to mobile devices, ensuring the safe handling of patient data and facilitating a secure means of communication for clinicians.

The repositioning of Cadran marks a shift away from a traditional software sales model towards a SaaS (software as a service) model which is anticipated to generate considerably higher recurring revenues for the Group and lead to a new phase of growth. With over 15 million doctors globally, Cadran is uniquely positioned to set new standards in this emerging, sizeable, medical communications market.

Having undertaken a period of market research alongside NHS clinicians, the Group has invested in the product enhancement of Cadran, and launched a new product, Bleepa®, in September 2019. This rapid turnaround is possible because the core technical features of the product are already established within Cadran and required minimal enhancement by our outsourced development partner, Future Processing.

Based on Feedback's Cadran technology, Bleepa® is a secure, encrypted medical communication tool accessible through smartphones, tablets and desktops that facilitates rapid clinical messaging and review of medical grade imaging for all members of a clinical team, directly from a hospital Picture Archiving and Communications System (PACS). Bleepa® enables faster clinical decision making between team members wherever they are, accelerating and improving patient care. Bleepa® addresses growing concerns about these messaging platforms not meeting diagnostics clinical standards and regarding patient data protection. Continued use of non-specialist communication tools could leave both hospitals and individual clinical users significantly exposed and therefore open to the risk of litigation.

* O'Sullivan DM, O'Sullivan E, O'Connor M, *et al* WhatsApp Doc? *BMJ Innovations* 2017;3:238-239.

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. To increase its software development capabilities the Group is continuing and expanding its collaboration with Future Processing to develop new imaging software products.

Last year Feedback started to capitalise development costs for writing off against income generated in future accounting periods. The Directors carefully consider what elements of this development expenditure will generate future economic benefits. This is based upon customer feedback on new products and product enhancements. This policy has continued during the current year.

Current trading and future developments
The Group's revised strategy was announced to shareholders in July 2019 and a fundraise was completed in August 2019. The new product, Bleepa® was launched at the Health and Care Innovation Expo in Manchester in early September 2019. This has generated considerable interest and the Company is presently arranging demos to a number of potential customers and is planning to pilot Bleepa® as soon as potential customers are ready. A number of opportunities overseas are also being explored.

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 Group's dependence on the award or renewal of contracts means that its revenue stream is not constant and has the potential to be particularly irregular. The outcome of Brexit is unlikely to affect existing trading arrangements so is anticipated to l have little impact on the Group.

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

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

If regulatory approval is obtained, products will be subject to continual review and there can be no assurance that such approvals will not be withdrawn or restricted. Changes in applicable legislation or regulatory policies, or discovery of problems with products may result in the imposition of restrictions on sale, including withdrawal of the product from the market, or may otherwise have an adverse effect on the Company's business and/or revenue streams.The Group's ISO accreditation (ISO 13845 2016) was renewed in November 2018.

Strategic Report

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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. The new Bleepa® is both innovative and unique but further iterations will be required to be produced quickly to ensure that Bleepa® retains this position.

Liquidity

Management of liquidity risk has concentrated on the maintenance of appropriate credit lines and funding sources to ensure adequate cash resources for the Company's operations. The Group was successful in raising additional cash through share issues in both 2018 and 2019 to enable it to achieve its strategy. The Board regularly monitors the cash position of the Group and ongoing cash requirements. The Board believes the Group is likely to have access to adequate cash resources from a combination of operational cash generation and, if necessary, obtaining further equity finance from the financial markets to support its corporate world strategy.

Credit Risk

The Group'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 Group is reliant on a small number of highly skilled staff.

Post Balance Sheet Events

On 29 August 2019, the Company raised £2 million via the issue of 166,666,667 new ordinary share at a price of 1.2 pence per share. Bleepa Limited was incorporated on 24 July 2019 to protect the Bleepa product name pending the announcement to shareholders on 26 July 2019.

Key Performance Indicators

During the year the Company maintained its cash position as a key performance indicator. The consolidated cash balance at 31 May 2019 was £540,735 (2018 £632,285). Given the rapidly changing business profile of the Group, the Board are developing key performance indicators to assess performance. These will evolve as sales of Bleepa® emerge.

By Order of the Board on 23 October 2019 and signed on its behalf

Dr A J Riddell

Directors' Report

The Directors present their report and the Financial Statements for the year ended 31 May 2019.

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 AJ Riddell	
Prof T N Irish	
L Melvin	
S Sturge	
Dr T Oakley	(Appointed 9 April 2019)
D Crabb	(Resigned 19 July 2018)

Directors' shareholdings

The shareholdings in the Company of the Directors as at 31 May 2019 were:

	No. of Shares	%
Dr A J Riddell	7,000,000	1.88
S Sturge	12,833,333	3.44
L Melvin	600,000	0.16

Significant shareholders

Shareholders who have notified the Company of shareholdings in excess of 3% as at 31 May 2019 are:

	No. of Shares	%
T W G Charlton	86,800,000	23.25
J Cranston	33,750,000	9.04
Barclays Nominees	31,311,640	8.39
Hargreaves Lansdown Nominees	13,962,981	3.74

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, disability, nationality or ethnic origin.

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 2019 averaged 32 days (2018: 32 days).

Directors' Report

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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.

Dividends

No dividend was declared in the year (2018: £nil).

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.

Going concern

Having updated the Group's business plan and cash flow forecasts and having considered other factors such as the economic environment and the availability of further equity finance if required, 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.

These cash balances will be used to provide working capital, enable continued product development and international expansion. If further resources are required, the directors consider, that although future equity fundraising can never be guaranteed, the group's recent history of successful fundraising means it likely that the group will be able to raise further finance through future equity issues.

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.

By order of the Board on 23 October 2019 and signed on its behalf

Dr A J Riddell
Chairman

Directors' Report

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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.

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.

Directors' Report
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Directors' Biographies

Dr Alastair Riddell, Non-Executive Chairman

Alastair has over 30 years' experience in the pharmaceutical, life science and biotech industries, with 20 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.

Prof Tim Irish, Non-Executive Director

Tim Irish has worked in the life sciences industry for thirty years with a career spanning global health technology companies across Europe and North America, including GSK, GE and Philips. Between 2007 and 2015 Tim served on ten Boards, five as Chair, where he successfully executed two trade sales and raised significant equity financing, including an IPO. Since 2015 his governance portfolio covers Life Sciences and Healthcare, both public and private, including board roles as Vice Chair and Non-Executive Director at NICE, six NED roles (USA, EU, UK), and Professor of Practice at King's College London's School of Management and Business.

Lindsay Melvin, Chief Financial Officer

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

Simon joined Merck Healthcare in 2014. He left Merck and is currently the Chief Executive of Kymab Group Limited. 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.

Dr Tom Oakley, Chief Executive Officer

Dr Tom Oakley trained as a Radiology Registrar before becoming an NHS England Clinical Entrepreneur Fellow where he supported a number of companies looking to launch products in the NHS. He joined as CEO of Feedback Medical Ltd in February 2019 before being appointed as CEO of Feedback PLC on 9 April 2019. Since joining the company he has led a strategic review into the Cadran product portfolio which has culminated in the development of Bleepa®, the company's secure clinical messaging and image sharing communication tool.

Directors' Report

CONTINUED

Prof Rory Shaw, Deputy Chairman

Professor Rory Shaw was appointed as non-executive director and deputy chairman of Feedback PLC on 29 August 2019, with a view to taking over as chairman following the retirement of Dr Alastair Riddell. Professor Rory Shaw is stepping down from his post as Medical Director of Feedback Medical Limited, the Company's operating subsidiary, which he has held since June 2018. During this time he has contributed to the development of the Company's strategy and to building relationships with the UK medical community.

Professor Rory Shaw has extensive managerial and overseas trade experience as well as a strong academic and clinical background. Professor Shaw was previously the Medical Director of Healthcare UK within the Department of International Trade. Over the previous 15 years, he has been Medical Director of three NHS Trusts; North West London Hospitals NHS Trust, the Royal Berkshire NHS Foundation Trust and the Hammersmith Hospital NHS Trust. In 2001, he was appointed by the then Minister of Health as the first Chairman of the National Patient Safety Agency and was also a non-executive director of the NHS Litigation Authority. Professor Shaw's clinical specialty is respiratory and general medicine. He has been published extensively in academic journals and was also a professor of respiratory medicine at Imperial College School of Medicine.

Corporate Governance Statement

The Directors present their Corporate Governance Statement for the year ended 31 May 2019.

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 holds video conference calls at least ten times a year, attended by all Board members, and is responsible for formulating strategy, and for the trading subsidiaries, monitoring financial performance and approving major items of capital expenditure. Non-Executive Directors spend at least 6 days a year on Board matters.

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

Dr Tom Oakley, the Chief Executive, trained as a Radiology Registrar before becoming an NHS England Clinical Entrepreneur Fellow where he supported a number of companies looking to launch products in the NHS. He joined as CEO of Feedback Medical Ltd in February 2019 before being appointed as CEO of Feedback PLC on 9th April 2019. Lindsay Melvin, the Chief Finance Officer, 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 four Non-Executive Directors, therefore providing a suitable balance of executive and non-executive directors. The three Non-Executive Directors are: Alastair Riddell, the Chairman, who has over 30 years' experience in the pharmaceutical, life science and biotech industries, with 20 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. Tim Irish has worked in the life sciences industry for thirty years with a career spanning global health technology companies across Europe and North America, including GSK, GE and Philips. Between 2007 and 2015 Tim served on ten Boards, five as Chair, where he successfully executed two trade sales and raised significant equity financing, including an IPO. Since 2015 his governance portfolio covers Life Sciences and Healthcare, both public and private, including board roles as Vice Chair and Non-Executive Director at NICE, six NED roles (USA, EU, UK), and Professor of Practice at King's College London's School of Management and Business. Simon Sturge is Chief Executive of Kymab Group Limited. 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 Group's strategy.

For the year under review, the Board included three Non-Executive Directors which was considered appropriate. The Board has scheduled monthly meetings and others as required. In the year to 31 May 2019 fifteen meetings were held. The attendance records at these meetings has been consistently high and no Non-Executive Director has been absent from more than three meetings and this only occurred for one director due to international travel delays. 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.

Corporate Governance Statement

CONTINUED

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.

On 29 August 2019, Professor Rory Shaw was appointed to the Board as Non-Executive Director and Deputy Chairman, with a view to taking over as Chairman following the retirement of Dr Riddell. Professor Shaw stepped down from the post of Medical Director of Feedback Medical Limited, which he held since June 2018. During this time he has contributed to the development of the Company's strategy and to building relationships with the UK medical community. Professor Shaw has extensive managerial and overseas trade experience as well as a strong academic and clinical background. Professor Shaw was previously the Medical Director of Healthcare UK within the Department of International Trade. Over the previous 15 years, he has been Medical Director of three NHS Trusts; North West London Hospitals NHS Trust, the Royal Berkshire NHS Foundation Trust and the Hammersmith Hospital NHS Trust. In 2001, he was appointed by the then Minister of Health as the first Chairman of the National Patient Safety Agency and was also a non-executive director of the NHS Litigation Authority. Professor Shaw's clinical specialty is respiratory and general medicine. He has been published extensively in academic journals and was also a professor of respiratory medicine at Imperial College School of Medicine.

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.

During the period under review, Alastair Riddell, Tim Irish and Simon Sturge were considered to be independent directors as none of them have any notifiable conflict of interest or material interest in the Company, and none of them have any managerial responsibilities in the Company. Rory Shaw, appointed post period-end is also considered independent.

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 and where appropriate, the Chief Executive and/or the Chief Finance Officer. The Remuneration Committee has one scheduled meeting in the year. All serving members attended the meeting 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 do not consider it necessary to prepare a formal audit committee report as its significant work and actions are reported on elsewhere in this statement.

The Nomination Committee consists of the Non-Executive Directors and it met once in August 2019.

Corporate Governance Statement

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Current business model

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

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 CEO 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 is evolving a formal set of ethical values and behaviours. It 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 and 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 four years. During 2019, Tom Oakley 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 2020. 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 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 all 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 2019 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. There are no non-audit fees that could 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

Having updated the Group's business plan and cash flow forecasts and having considered other factors such as the economic environment and the availability of further equity finance if required, 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.

These cash balances will be used to provide working capital, enable continued product development and international expansion. If further resources are required, the directors consider, that although future equity fundraising can never be guaranteed, the group's recent history of successful fundraising means it likely that the group will be able to raise further finance through future equity issues.

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 2019 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 2019 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 as applied to SME listed entities, 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.

Material uncertainty related to going concern

We draw attention to the Note 3c in the financial statements, which indicates that the group incurred a net loss of £973,109 and had a net cash outflow of £983,191 from operating activities during the year ended 31 May 2019. As stated in Note 3c, these facts, along with other matters disclosed in Note 3c indicate that a material uncertainties exist 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 For the Feedback PLC group the principal revenue recognition risk is the risk of overstatement through non-deferral of income which should be deferred as the criteria for recognition have yet to be met. This year the group must also apply IFRS 15 for the first time.	**Fraud and error in revenue recognition** We reviewed the group's material revenue streams to consider whether revenue is recognised and treated appropriately, and in accordance with IFRS. Our review included an assessment of revenue recognition policies, including the use of judgements and substantive testing of revenue recognised in the year, and deferred revenue. Additionally 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 2019.
Intangible assets – Capitalised development costs During the year the group has significantly increased its investment in product development as it seeks to bring to market a new product based on its existing technology. IAS 38 sets out the recognition criteria that development costs must meet before being capitalised. There is a risk that if the group's development expenditure does not these requirements, intangible assets will be overstated.	**Intangible assets – Capitalised development costs** We reviewed development cost additions to supporting invoices and documentation received from those third-party developers employed to develop the group's products. The rationale for recognition of these costs was discussed with management, and the products for which items had been capitalised assessed against the recognition criteria of IAS 38 by reference to supporting evidence.

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 pre-tax trading results 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 £20,000, based on 2.25% of the draft pre-tax net loss of the group. For the parent company, £9,000 is used as materiality being approximately 2% of the net assets at the year end. This 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 £15,000. The equivalent figure for the parent company was set at £6,750.

We agreed to report to the Audit Committee all audit differences more than £1,000, 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 updated 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 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.

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 LLP, Statutory Auditors

10 Queen Street Place
London
EC4R 1AG

23 October 2019

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MAY 2019

	Note	2019 £	2018 £
Revenue	4	563,092	458,389
Cost of sales		(4,896)	(16,083)
Gross profit		558,196	442,306
Other operating expenses	5	(1,690,052)	(1,190,159)
Operating loss	6	(1,131,856)	(747,853)
Net finance income	7	1,283	59
Loss on ordinary activities before taxation		(1,130,573)	(747,794)
Tax credit	9	157,464	117,007
Loss on ordinary activities after tax attributable to the equity shareholders of the Company		(973,109)	(630,787)
Total comprehensive expense for the year		(973,109)	(630,787)
Loss per share (pence)			
Basic and diluted	11	(0.29)	(0.25)

The notes on pages 27 to 46 form part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 MAY 2019

Group

	Share Capital £	Share Premium £	Capital Reserve £	Retained Earnings £	Translation Reserve £	Share option Reserve £	Total £
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
New Shares issued	229,167	1,145,833	–	–	–	–	1,375,000
Costs associated with the raising of funds	–	(82,912)	–	–	–	–	(82,912)
Share option expense reserve	–	–	–	(261,300)	–	261,300	–
Total comprehensive expense for the year (excluding Share option expense)	–	–	–	(711,809)	–	–	(711,809)
Total comprehensive expense for the year	–	–	–	(973,109)	–	261,300	(711,809)
At 31 May 2019	933,209	3,776,854	299,900	(4,115,649)	(209,996)	261,300	945,618

Company

	Share Capital £	Share Premium £	Retained Earnings £	Share option Reserve £	Total £
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
New shares issued	229,167	1,145,833	–	–	1,375,000
Costs associated with the raising of funds	–	(82,912)	–	–	(82,912)
Share option expense reserve	–	–	(223,159)	223,159	–
Total comprehensive expense for the year (excluding Share option expense)	–	–	(980,492)	–	(980,492)
Total comprehensive expense for the year	–	–	(1,203,651)	223,159	(980,492)
At 31 May 2019	933,209	3,776,854	(4,515,814)	223,159	417,408

The notes on pages 27 to 46 form part of these financial statements.

Consolidated Balance Sheet

AT 31 MAY 2019

	Notes	2019 £	2018 £
Assets			
Non-current assets			
Property, plant and equipment	13	6,428	6,560
Intangible assets	14	449,497	154,416
		455,925	160,976
Current assets			
Trade and other receivables	15	493,446	261,862
Cash and cash equivalents		540,735	632,285
		1,034,181	894,147
Total assets		1,490,106	1,055,123
Equity			
Capital and reserves attributable to the Company's equity shareholders			
Called up share capital	18	933,209	704,042
Share premium account	18	3,776,854	2,713,933
Capital reserve	18	299,900	299,900
Translation reserve	18	(209,996)	(209,996)
Share option expense reserve	18	261,300	–
Retained earnings	18	(4,115,649)	(3,142,540)
Total equity		945,618	365,339
Liabilities			
Current liabilities			
Trade and other payables	16	498,342	500,859
		498,342	500,859
Liabilities due after more than one year			
Other payables	16	46,146	188,925
Total liabilities		544,488	689,784
Total equity and liabilities		1,490,106	1,055,123

The financial statements were approved and authorised for issue by the Board of Directors on 23 October 2019 and were signed below on its behalf by:

Dr A J Riddell
Chairman

The notes on pages 27 to 46 form part of these financial statements.

Company Balance Sheet

AT 31 MAY 2019

	Notes	2019 £	2018 £
Assets			
Non-current assets			
Investments	12	–	–
Current assets			
Other receivables	15	29,131	32,426
Cash and cash equivalents		452,697	181,883
		481,828	214,309
Total assets		481,828	214,309
Equity			
Capital and reserves attributable to the Company's equity shareholders			
Called up share capital	18	933,209	704,042
Share premium account	18	3,776,854	2,713,933
Share option expense reserve	18	223,159	–
Retained earnings	18	(4,515,814)	(3,312,163)
		417,408	105,812
Total Equity		417,408	105,812
Current liabilities			
Trade and other payables	16	64,420	108,497
Total current liabilities		64,420	108,497
Total Equity and Liabilities		481,828	214,309

The Company's loss for the year was £1,203,651 (2018:£931,379).

The financial statements were approved and authorised for issue by the Board of Directors on 23 October 2019 and were signed below on its behalf by:

Dr A J Riddell
Chairman

The notes on pages 27 to 46 form part of these financial statements.

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 MAY 2019

	2019 £	2018 £
Cash flows from operating activities		
Loss before tax	(1,130,573)	(747,794)
Adjustments for:		
Net finance income	(1,283)	(59)
Depreciation and amortisation	106,781	57,143
Share based payment expense	261,300	–
Increase in trade receivables	(114,323)	(38,318)
Decrease in other receivables	2,248	1,523
Increase/(Decrease) in trade payables	8,870	(11,546)
(Decrease)/Increase in other payables	(154,164)	381,466
Corporation tax received	37,953	–
Total adjustments	147,382	390,209
Net cash used in operating activities	(983,191)	(357,585)
Cash flows from investing activities		
Purchase of tangible fixed assets	(3,422)	(6,250)
Purchase of intangible assets	(398,308)	(127,525)
Net finance income received	1,283	59
Net cash used in investing activities	(400,447)	(133,716)
Cash flows from financing activities		
Net proceeds of share issue	1,292,088	426,775
Net cash generated from financing activities	1,292,088	426,775
Net decrease in cash and cash equivalents	(91,550)	(64,526)
Cash and cash equivalents at beginning of year	632,285	696,811
Cash and cash equivalents at end of year	540,735	632,285

The notes on pages 27 to 46 form part of these financial statements.

Company Cash Flow Statement

FOR THE YEAR ENDED 31 MAY 2019

	2019 £	2018 £
Cash flows from operating activities		
Loss before tax	(1,203,651)	(931,379)
Adjustments for:		
Net finance income	(1,364)	(59)
Provision against intercompany receivable	524,671	–
Share based payment expense	223,159	–
(Increase)/Decrease in other receivables	(521,253)	7,307
Decrease in trade payables	(23,393)	(11,508)
Decrease/(Increase) in other payables	(20,808)	36,275
	219,153	32,015
Net cash used in operating activities	(1,022,639)	(899,364)
Cash flows from investing activities		
Net finance income	1,364	59
Net cash generated from investing activities	1,364	59
Cash flows from financing activities		
Net proceeds of share issue	1,292,088	426,775
Net cash generated from financing activities	1,292,088	426,775
Net increase/(decrease) in cash and cash equivalents	270,813	(472,530)
Cash and cash equivalents at beginning of year	181,883	654,413
Cash and cash equivalents at end of year	452,697	181,883

The notes on pages 27 to 46 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 quoted on AIM of the London Stock Exchange. These Financial Statements were authorised for issue by the Board of Directors on 23 October 2019.

2. Adoption of the new and revised International Financial Reporting Standards

New standards impacting the Group that were adopted in the annual financial statements for the year ended 31 May 2019, are:

- IFRS 9 Financial Instruments (IFRS 9); and
- IFRS 15 Revenue from Contracts with Customers (IFRS 15)

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 impact on the Group and are effective for accounting periods beginning on or after the dates shown below:

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

- IFRS 16 – Leases

The Group has not early adopted this new standard. The Directors do not anticipate that the adoption of this standard will have a material impact on the reported results aside from the recognition of a right to use asset and liability for the Group's office lease disclosed in note 19.

- Annual Improvements to IFRSs 2015-2017 Cycle (IFRS 3 Business Combinations and IFRS 11 Joint Arrangements, IAS 12 Income Taxes, and IAS 23 Borrowing Costs)

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

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 2019 and 2018 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 £973,109 and had a net cash outflow of £983,191 from operating activities for the year which are matters which may indicate a material uncertainty about the Group's ability to continue as a going concern. However, on 29 August 2019, the Company raised £2m before expenses by the issue of 166,666,667 new ordinary shares at a price of 1.2 pence per share. Following this fundraise the directors updated and reviewed the Group's business plan and cash flow forecasts and consider that the Group and the Company will have adequate cash resources for at least the next twelve months to 31 October 2020, from existing cash balances. These cash balances will be used to provide working capital, enable continued product development and international expansion. If further resources are required, the directors consider, that although future equity fundraising can never be guaranteed, the group's recent history of successful fundraising means it likely that the group will be able to raise further finance through future equity issues. 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	**Useful economic life**
Patents	Over the life of the patent
Customer relationships	4 years
Software development	Over the anticipated life of the product

Software 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.

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:

Computer equipment	10 – 50% 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

Sales transactions include software installation, software licenses, scientific and software support and consultancy. Revenue is measured at the fair value of the contractually agreed consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of VAT. The Group 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

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3. Significant accounting policies (continued)

(k) Revenue recognition (continued)

Revenue relating to software consultancy and similar services is recognised as the services are performed and completed.

Revenue relating to the sale of software licences or associated support services is recognised over the contractual period to which the licence relates or the duration of the support contract.

Revenue recognised from the sale of TexRAD software and related scientific support services are recognised over the estimated duration of the Group's involvement in a customer's project which is considered to represent its performance obligation. There are no explicit performance obligations as such but a clear understanding that the Group will provide the support required as agreed when the sale was made.

The Directors have carefully considered the impact of IFRS 15 and the impact on both current year's and prior year's accounting for sales revenue and they are of the opinion that the current accounting policy is complaint with this standard.

(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.

Notes to the Financial Statements

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3. Significant accounting policies (continued)

(n) Financial instruments

In relation to the disclosures made in note 17:

- the Group does not hold or issue derivative financial instruments for trading purposes.

(o) Employee share options and warrants

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

The Group has issued equity-settled share-based payment transactions to certain employees and previously 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 estimation 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. Other intangible assets including 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.

- Revenue recognition-revenue on the sale of TexRAD software and provision of related scientific support services is recognised over the expected duration of the group's involvement in customer's projects as the group's staff contribute significant support, analysis and input to those customers using TexRAD software for research purposes. Judgement based on past experience is used to determine the expected duration of involvement over which income should be deferred and recognised however the duration of the group's involvement may vary from expectations.

Notes to the Financial Statements

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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 2019

	Medical Imaging £	Head Office £	Total £
Revenue			
External	563,092	–	563,092
Expenditure			
External	(1,014,683)	(678,982)	(1,693,665)
Loss before tax	(451,591)	(678,982)	(1,130,573)
Balance sheet			
External Assets	1,008,278	481,828	1,490,106
External Liabilities	(480,068)	(64,420)	(544,488)
	528,210	417,408	945,618
Capital expenditure	401,724	–	401,724

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	1,091,395
External Liabilities	(581,287)	(108,497)	(726,056)
	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)

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	
	2019 £	2018 £	2019 £	2018 £	2019 £	2018 £
United Kingdom	282,265	250,582	1,055,123	893,465	133,775	18,141
Europe	85,868	15,875	–	–	–	–
Rest of the world	195,106	160,249	–	–	–	–
Total	563,092	458,389	1,490,106	1055,123	365,458	133,775

Major customers

During the year ended 31 May 2019, the group generated £222,000 (2018: £150,000) of revenue from one customer in the United Kingdom, which is equal to 40% (2018: 33%) of total group revenues in the year.

5. Other operating expenses

	2019 £	2018 £
Administrative costs:		
Employment and other costs	1,583,271	1,133,016
Amortisation and depreciation costs	106,781	57,143
	1,690,052	1,190,159

6. Operating loss

	2019 £	2018 £
This is stated after charging		
Depreciation and amortisation		
Owned assets	3,554	3,799
Amortisation of intangible assets	103,227	53,344
Foreign exchange differences	8,488	11,181
Auditors' remuneration		
Audit of parent company and group financial statements	14,000	10,000
Audit of subsidiaries	8,500	6,500
Tax and other services	–	5,000
Operating lease rentals		
Land and buildings	12,179	9,417
Research and development costs expensed	38,408	–

Notes to the Financial Statements
CONTINUED

7. Net finance income

	2019 £	2018 £
Interest received	1,283	59
	1,283	59

8. Directors and employees

	2019 Average	2018 Average
Number of employees		
Selling and distribution	2	5
Administration	4	2
Research and development	3	1
	9	8

	2019 £	2018 £
Staff costs		
Wages and salaries	656,007	477,881
Social security costs	72,950	47,334
Payments to defined contribution pension scheme	67,928	61,563
Share based payment expense	261,300	–
	1,058,185	586,778

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 £	Benefits in kind £	Total £
Year ended 31 May 2019					
Executive Directors					
A Riddell	41,591	–	–	–	41,591
L Melvin	72,107	–	10,861	626	83,594
T. Oakley (appointed 9 April 2019)	18,712	–	–	–	18,712
D Crabb*** (to 6 July 2018)	30,178	–	2,708	28	32,914
Non-Executive Directors					
T Irish**	–	25,000	–	–	25.000
S Sturge	–	–	–	–	–
A Riddell*	–	2,667	–	–	2,667
Total	162,588	27,667	13,569	654	204,478

	Salary £	Fees £	Pension £	Benefits in kind £	Total £
Year ended 31 May 2018					
Executive Directors					
D Crabb	41,667	–	2083	–	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
Non-executive Directors					
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

During the year, retirement benefits under money purchase pension schemes were accruing to 2 directors (2018: 2).

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

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

*** D Crabb was paid £5,000 ex-gratia payment.

Notes to the Financial Statements

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8. Directors and employees (continued)

The following share options were issued and vested in the year and were outstanding at 31 May 2019 (2018:nil). Further information is provided in Note 18.

	Number
A Riddell	4,000,000
L Melvin	2,800,000
T Oakley	9,332,081
S Sturge	2,500,000

9. Taxation on loss on ordinary activities

	2019 £	2018 £
(a) The tax credit for the year:		
UK Corporation tax	(157,464)	(117,007)
Current tax credit	(157,464)	(73,232)
Under provision in prior year	–	(39,525)
Deferred tax charge	–	(4,250)
	(157,464)	(117,007)
(b) Tax reconciliation		
Loss on ordinary activities before tax	(1,130,573)	(747,794)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19% (2018 – 19%)	(215,065)	(142,081)
Effects of:		
Expenses non-deductible for tax purposes	56,624	2,155
Additional deduction for R&D expenditure	(116,623)	(54,238)
Surrender of tax losses for R & D tax credit refund	48,869	22,727
Adjustments to tax charge in respect of previous periods	–	(39,525)
Deferred tax not recognised	61,496	93,995
Adjusting opening and closing deferred tax to average rate	7,235	–
Tax charge for the year	(157,464)	(117,007)

(c) Factors which may affect future tax charges

In view of the tax losses carried forward there is a deferred tax amount of approximately £446,364 (2018: £422,587) 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 – company

In view of the tax losses carried forward there is a deferred tax amount of approximately £425,318 (2018: £349,421) 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 £1,203,651 (2018: £931,379 loss).

11. Loss per share

Basic earnings per share is calculated by reference to the loss on ordinary activities after taxation of £973,109 (2018: £630,787) and on the weighted average of 333,151,019 (2018: 252,403,981) shares in issue.

	As at 31 May 2019 £	As at 31 May 2018 £
Net loss attributable to ordinary equity holders	(973,109)	(630,787)

	As at 31 May 2019 £	As at 31 May 2018 £
Weighted average number of ordinary shares for basic earnings per share	333,151,019	252,403,981
Effect of dilution:		
Share Options	–	–
Warrants	–	–
Weighted average number of ordinary shares adjusted for the effect of dilution	333,151,019	252,403,981
Loss per share (pence)		
Basic	(0.29)	(0.25)
Diluted	(0.29)	(0.25)

As disclosed in note 22, the Company issued 166,666,667 ordinary shares in August 2019. There is no dilutive effect of the share options and warrants as the dilution would be negative.

Notes to the Financial Statements

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12. Investments

	Share in group undertakings £	Shares in joint venture £	Total £
Company			
Cost			
At 31 May 2017	2,334,455	1,000	2,335,455
At 31 May 2018	2,334,455	1,000	2,335,455
As at 31 May 2019	2,334,455	1,000	2,335,455
Provision for impairment			
At 31 May 2017	2,334,455	1,000	2,334,455
At 31 May 2018	2,334,455	1,000	2,335,455
At 31 May 2019	2,334,455	1,000	2,335,445
Net Book Value			
At 31 May 2019	–	–	–
At 31 May 2018	–	–	–

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.

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 incorporation and operation	Proportion of Shares held
Feedback Black Box Company Limited	Dormant	England	100% Ordinary £1
Brickshield Limited	Dormant	England	100% Ordinary £1
Feedback Medical 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.

Notes to the Financial Statements

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13. Property, plant and equipment

	Computer Equipment £	Total £
Group		
Cost of valuation		
At 31 May 2017	13,818	13,818
Additions	6,250	6,250
At 31 May 2018	20,068	20,068
Additions	3,422	3,422
As 31 May 2019	23,490	23,490
Depreciation		
At 31 May 2017	9,709	9,709
Charge for the year	3,799	3,799
At 31 May 2018	13,508	13,508
Charge for the year	3,554	3,554
At 31 May 2019	17,062	17,062
Net Book Value		
At 31 May 2019	6,428	6,428
At 31 May 2018	6,560	6,560

Notes to the Financial Statements

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14. Intangible assets

	Software development £	Customer relationships £	Patents £	Goodwill £	Total £
Group					
Cost					
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
Additions	385,602	–	12,700	–	398,302
At 31 May 2019	1,038,070	100,000	154,420	271,415	1,563,905
Amortisation					
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
Impairment charge	38,408	–	–	–	38,408
Amortisation charge for year	44,009	–	20,810	–	64,819
At 31 May 2019	645,516	100,000	97,477	271,415	1,114,408
Net Book Value					
At 31 May 2019	392,554	–	56,943	–	449,497
At 31 May 2018	89,363	–	65,053	–	154,416

15. Trade and other receivables

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Amounts falling due within one year				
Trade receivables	202,623	88,300	–	–
Other receivables	11,843	19,718	7,783	15,744
Corporation tax recoverable	248,585	129,075	–	–
Prepayments	30,395	24,769	21,348	16,682
	493,446	261,862	29,131	32,426

Notes to the Financial Statements
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16. Trade and other payables

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Amounts falling due within one year				
Trade payables	30,538	57,400	14,608	38,000
Other payables	4,081	–	–	–
Other taxes and social security	39,311	77,892	7,312	6,817
Accruals	78,691	73,579	42,500	63,680
Deferred income	345,721	291,988	–	–
	498,342	500,859	64,420	108,497
Amounts falling due after one year				
Deferred income	46,146	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
- Reliance on one major customer

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 the current year and prior years were valued under level three above as noted in note 18 below.

Notes to the Financial Statements

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17. Financial instruments (continued)

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks and consequently the objectives, policies and processes are unchanged from the previous period.

The Board has overall responsibility for the determination of the Group's risk management policies. The objective of the Board is to set policies that seek to reduce the risk as far as possible without unduly affecting the Group's competitiveness and effectiveness. Further details of these policies are set out below:

Credit risk

The Group is exposed to credit risk primarily on its trade receivables, which are spread over a range of countries, a factor that helps to dilute the concentration of the risk. The IFRS 9 expected credit loss impairment model is applicable to the Group's financial assets including trade receivables.

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	
	2019 £	**2018 £**
Current financial assets		
Trade and other receivables	214,466	108,018
Cash and cash equivalents	540,735	627,910
	755,201	735,928

Analysis of trade receivables

	Total £	**Current £**	**30 days past due £**	**60 days past due £**	**90 days past due £**
2019	202,623	68,149	51,602	38,225	44,646
2018	88,300	56,758	28,676	–	2,865

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables. The provision for credit losses on trade receivables is based on an expected credit loss model that calculates the expected loss applicable to the receivable balance over its lifetime.

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 (2018: £Nil).

Notes to the Financial Statements

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17. Financial instruments (continued)

Foreign currency risk

Foreign exchange transaction risk arises when the Group enters into transactions denominated in a currency other than the functional currency. Foreign currency amounts generated from trading are converted back to sterling and required foreign currency amounts for suppliers will be converted from sterling and the use of forward currency contracts is considered. However the Group does not currently use any forward contracts.

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 2019:

	2019 £	2018 £
Trade receivables	104,904	86,140
	104,904	86,140

A 5% increase/fall in exchange rates at 31 May 2019 would had created a profit/loss of £5,245. 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 2019 or at 31 May 2018.

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	
	2019 £	2018 £
Current financial liabilities		
Trade and other payables	153,621	208,746

The following are maturities of financial liabilities, including estimated contracted interest payments.

	Carrying amount £	Contractual cash flow £	6 months or less £
2019			
Trade and other payables	116,349	116,349	116,349
2018			
Trade and other payables	208,746	208,746	208,746

Notes to the Financial Statements
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17. Financial instruments (continued)

Cash flow interest rate risk

The Group presently has no substantial interest rate risk exposure.

Capital under management

The Group considers its capital to comprise its ordinary share capital, share premium, capital reserve, 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

	2019 £	2018 £
Authorised and issued share capital		
Ordinary shares of 0.25 pence each	933,209	704,042

Allotted, called up and fully paid share capital:

	Number	Number
As at 31 May 2018	281,616,584	246,066,584
Issued	91,666,666	35,550,000
As at 31 May 2019	373,283,250	281,616,584

Notes to the Financial Statements

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18. Share capital and reserves (continued)

Share Options

Share options are granted to directors and employees. Options are conditional on the employee completing a specific length of service (the vesting period). The options are exercisable from the end of the vesting period and lapse after ten years after the grant date. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Share options are valued using the Black-Scholes option pricing model and no performance conditions are included in the fair value calculations. The risk free rate was 0.751%. The expected volatility is based on historical volatility adjusted for expectations of future volatility following changes to the Group's strategy. The average share price during the year was 1.52 pence. During the year the Company had the following share options in issue:

	Number of options					
At 31 May 2018	**Lapsed**	**Exercised**	**Issued**	**At 31 May 2019**	**Exercise price (pence)**	**Exercise date**
2,400,000	–	–	–	2,400,000	1.25	21/05/14 to19/05/24
4,000,000	–	–	–	4,000,000	3.00	21/05/15 to19/05/24
4,000,000	–	–	–	4,000,000	5.00	21/05/15 to19/05/24
–	–	–	4,000,000	4,000,000	1.86	26/06/18 to 26/06/28
–	–	–	2,500,000	2,500,000	1.86	26/06/18 to 26/06/28
–	–	–	2,800,000	2,800,000	1.86	01/03/19 to 26/06/28
–	–	–	2,800,000	2,800,000	1.86	01/03/19 to 26/06/28
–	–	–	2,800,000	2,800,000	1.86	01/03/19 to 26/06/28
–	–	–	9,332,081	9,332,081	1.09	09/04/19 to 09/04/29
10,400,000	–	–	24,232,081	34,632,081		

All share options vested 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.

Number of warrants

At 31 May 2018	**Granted**	**Exercised**	**At 31 May 2019**	**Exercise price (pence)**	**Exercise date**
4,200,000	–	–	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
22,400,000	–	–	22,400,000		

Notes to the Financial Statements

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18. Share capital and reserves (continued)

Reserves

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

Share premium	Amount subscribed for share capital in excess of nominal value
Capital reserve	Reserve on consolidation of subsidiaries
Translation reserve	Gains and losses on the translation of overseas operations into GBP
Retained earnings	All other net gains and losses and transactions with owners not recognised elsewhere
Share Option Reserve	Fair value of share options issued

19. Financial commitments

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

	2019 £	2018 £
In less than one year	9,125	11,088
Later than one year and less than five years	48,296	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 £57,067 (2018: £61,563). A balance of £- (2018: £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 29 August 2019, the Company raised £2m by the issue of 166,666,667 new ordinary share at a price of 1.2 pence per share, raising £2m before expenses totalling £86,000.

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 Peterhouse Corporate Finance Limited, 80 Cheapside, London, EC2V 6EE at 3.00 p.m. on 18 November 2019. You will be asked to consider and vote on the resolutions below. Resolutions 1, 2,3, 4, 5 and 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 2019 together with the Directors' report and the auditors' report on those accounts.

2. To re-elect T Irish, who retires by rotation pursuant to the articles of association of the Company and who, being eligible, offers himself for re-election as a Director.

3. To elect T Oakley, who, having been appointed since the last annual general meeting of the Company, retires pursuant to the articles of association of the Company and who, being eligible, offers himself for re-election as a Director.

4. To elect R Shaw, who, having been appointed since the last annual general meeting of the Company, retires pursuant to the articles of association of the Company and who, being eligible, offers himself for election as a Director.

5. To appoint Price Bailey 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 £449,959 (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 £899,917 (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 issue 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; and

   b. the allotment of equity securities (otherwise than pursuant to sub-paragraph (a) above) up to a maximum aggregate nominal value of £134,988 (being the nominal value of approximately 10 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 23 October 2019

By order of the Board

Alastair Riddell
Chair

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 6 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolution 7 is proposed as a special resolution. This means that for the resolution to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

Resolution 1: Approval of the annual report and accounts

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

Resolutions 2 – 4: Re-election of directors

The Company's articles of association require one-third 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, Tim Irish will retire and seek re-election and, being eligible, the Board proposes his re-election as a Director of the Company. Alastair Riddell, who is retiring with effect from the close of the Meeting and is not offering himself for re-election, is also included for the purposes of calculating the one-third number required to retire by rotation.

As is required by the Company's articles of association, Tom Oakley and Rory Shaw are retiring at the first AGM since their appointments and the Board proposes them for election as Directors of the Company.

Resolution 5: Auditors appointment and remuneration

It is a requirement that the Company's auditor must be appointed 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 appointment of Price Bailey. The resolution proposes Price Bailey's appointment 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 £899,917 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 the date 15 months after the passing of the resolution (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 £134,988, which is equal to approximately 10% of the nominal value of the current share capital of the Company, without first offering them to existing shareholders in proportion to their existing holdings. 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 the date 15 months after the passing of the resolution (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 3 p.m. on 14 November 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 14 November 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 3 p.m. on 14 November 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 539,949,917 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 539,949,917.

For your notes

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Printed by Michael Searle & Son Limited

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